

**Company Registration No. 2339902**

**WH Smith Promotions Limited**

**Report and Financial Statements**

**31 August 2011**

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# **WH Smith Promotions Limited**

## **Report and financial statements 2011**

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# **WH Smith Promotions Limited**

## **Report and financial statements 2011**

### **Officers and professional advisers**

#### **Directors**

S Clarke  
I Houghton  
R J Moorhead

#### **Secretary**

I Houghton

#### **Registered Office**

Greenbridge Road  
Swindon  
Wiltshire  
SN3 3RX

#### **Auditor**

Deloitte LLP  
Chartered Accountants  
London

# WH Smith Promotions Limited

## Directors' report

The Directors present their annual report together with the audited financial statements for the year ended 31 August 2011

### Parent company

The Company is a wholly owned subsidiary of WH Smith Retail Holdings Limited its ultimate parent company being WH Smith PLC

### Business review and principal activities

The principal activity of the Company is currently the purchase, sale and promotion of WH Smith gift vouchers and electronic gift cards. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The Company produced a satisfactory trading performance resulting in a profit after tax for the year to 31 August 2011 of £3,630,138 (2010: £4,319,261). The Company is expected to trade profitably in the foreseeable future and to further develop the potential inherent in the corporate market in the areas of gift vouchers, magazine subscriptions and corporate product management and the development of electronic gift cards and days out/evenings out paper gift vouchers.

As shown in the Company's profit and loss account on page 7, the Company's sales for the year to 31 August 2011 have decreased by 10% over the prior year, and profit before tax has decreased by 17% to £4,983,715 (2010: £5,998,973).

The balance sheet on page 8 of the financial statements shows that the Company's net assets have decreased by £28,369,862, reflecting the dividend paid in the year. Details of the amounts owed by and owed to other Group undertakings are shown in note 8 and 9 respectively on page 11.

### Key performance indicators

The key measures the Company uses to monitor performance are

	2011	2010
Sales decline	10%	14%
Gross profit margin	27.2%	27.1%

Gross profit and sales are as presented in the financial statements.

### Principal risks and uncertainties

During the year the Company traded with WH Smith High Street Limited, on a short-term contract and is therefore exposed to the risk of non-renewal of this contract. WH Smith High Street Limited is a fellow group subsidiary and the Directors do not believe that the contract will be terminated in the foreseeable future.

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

# **WH Smith Promotions Limited**

## **Directors' report (continued)**

### **Principal risks and uncertainties (continued)**

Some such as IT failures, are specific risks that require specific identified actions to mitigate their effect. Others such as the impact of competition, are areas addressed through strategic planning and operational management processes. Principal risks and uncertainties identified include:

- Reliance on the WHSmith brand
- Economic and market risks
- Key suppliers and supply chain management
- Store portfolio
- Business interruption
- Reliance on key personnel
- Treasury, financial and credit risk management
- Pensions and investment risk management

Group risks are discussed in further detail within the Risks and Uncertainties sections of Business Review in the Group's Annual Report and Accounts 2011, a copy of which is available on the Group's website at [www.whsmithplc.co.uk](http://www.whsmithplc.co.uk)

### **Environment**

The WH Smith PLC Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies which are described in the Group's annual report which does not form part of this report.

### **Employees**

Details of the numbers of employees and related costs can be found in note 5 to the financial statements on page 10.

### **Results**

The results for the year are set out on page 7.

### **Dividends**

During the year the Company paid a dividend of £32,000,000 (2010: £nil) to its immediate parent company WH Smith Retail Holdings Limited.

### **Directors**

The names of the present Directors of the Company are shown on page 1.

### **Insurance of directors and officers**

WH Smith PLC has maintained insurance to cover Directors' and Officers' liability arising from the performance of their duties, as permitted by Section 233 of the Companies Act 2006.

### **Charitable and political donations**

There were no charitable or political donations in either the current or the prior year.

### **Elective resolutions**

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

- the laying of accounts and reports before the Company in general meeting,
- the holding of Annual General Meetings, and
- the obligation to appoint an auditor annually.

# WH Smith Promotions Limited

## Directors' report (continued)

### Going concern

The Company's business activities together with factors that are likely to affect its future developments, performance and position are detailed within this Directors' 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 2011 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 Directors' Report and Business Review of the WH Smith PLC Annual Report and Accounts 2011 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](http://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.

### Auditor

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

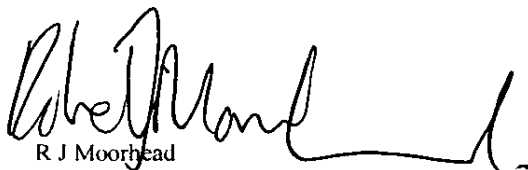
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's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

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

Deloitte LLP will continue in office as auditor.

This report was approved by the Board of Directors on 20 December 2011.

By Order of the Board



R J Moorhead  
Director

## **WH Smith Promotions Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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. They 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.

## **Independent auditor's report to the members of WH Smith Promotions Limited**

We have audited the financial statements of WH Smith Promotions Limited for the year ended 31 August 2011 which comprises the profit and loss account the balance sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work for this report or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 August 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006.

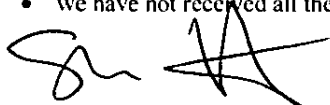
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Stephen Griggs (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
20 December 2011



## WH Smith Promotions Limited

### Profit and loss account Year ended 31 August 2011

	Notes	2011 £	2010 £
<b>Turnover</b>	2	21,895,397	24,450,317
Cost of sales		(15,948,629)	(17,827,178)
<b>Gross profit</b>		<u>5,946,768</u>	<u>6,623,139</u>
Administrative expenses		(963,053)	(624,166)
<b>Profit on ordinary activities before taxation</b>	3	<u>4,983,715</u>	<u>5,998,973</u>
Tax on profit on ordinary activities	7	(1,353,577)	(1,679,712)
<b>Profit on ordinary activities after taxation for the year</b>	12	<u><u>3,630,138</u></u>	<u><u>4,319,261</u></u>

The results are derived from continuing operations

There were no recognised gains or losses in the current financial year or preceding financial year other than as stated in the profit and loss account. Consequently no statement of total recognised gains and losses is presented

# WH Smith Promotions Limited

## Balance sheet As at 31 August 2011

	Notes	2011 £	2010 £
<b>Current assets</b>			
Stocks		21,152,364	21,975,423
Debtors	8	16,746,948	28,109,460
Cash at bank and in hand		508,469	662,438
		<u>38,407,781</u>	<u>50,747,321</u>
<b>Creditors amounts falling due within one year</b>	9	<u>(29,520,727)</u>	<u>(13,490,405)</u>
<b>Net current assets</b>		<u>8,887,054</u>	<u>37,256,916</u>
<b>Net assets</b>		<u><b>8,887,054</b></u>	<u><b>37,256,916</b></u>
<b>Capital and reserves</b>			
Called up share capital	11	2	2
Profit and loss account	12	8,887,052	37,256,914
		<u>8,887,054</u>	<u>37,256,916</u>
<b>Total shareholders' funds</b>	13	<u><b>8,887,054</b></u>	<u><b>37,256,916</b></u>

These financial statements of WH Smith Promotions Limited registered number 2339902, were approved by the Board of Directors on 20 December 2011

Signed on behalf of the Board of Directors



R J Moorhead  
Director

# **WH Smith Promotions Limited**

## **Notes to the financial statements Year ended 31 August 2011**

### **1 Accounting policies**

#### **Accounting convention**

The financial statements are prepared in compliance with the Companies Act 2006 and in accordance with applicable United Kingdom law and accounting standards. The financial statements are prepared under the historical cost convention. The accounting policies have been applied consistently in the period.

#### **Basis of preparation**

The financial statements are for the year ended 31 August 2011.

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 Directors Report on page 4.

In accordance with FRS 1 'Cash Flow Statements (Revised)', a statement of cash flows has not been prepared as cash flow information has been shown in the financial statements of the ultimate parent company.

#### **Turnover**

Turnover represents goods sold to customers outside the group, less returns, discounts and sales tax.

#### **Stocks**

Stocks comprise gift vouchers purchased from a fellow Group company for resale, which are stated at the lower of purchase cost and net realisable value.

#### **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**

In accordance with Financial Reporting Standard (FRS) 19 "Deferred tax" the Company provides deferred tax in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when these timing differences crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered.

#### **Pension costs**

Costs in respect of the Company's defined contribution pension schemes are charged to the profit and loss account on an accruals basis as contributions become payable.

### **2 Turnover**

Substantially all turnover arises from sales to customers in the United Kingdom.

## WH Smith Promotions Limited

### Notes to the financial statements (continued) Year ended 31 August 2011

#### 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2011 £	2010 £
Auditor's fees – audit of the Company's annual financial statements	3,000	3,000

#### 4. Directors

The remuneration of R J Moorhead is disclosed in the consolidated financial statements of WH Smith PLC for the year ended 31 August 2011 and no allocation of his services, as a director of WH Smith Promotions Limited and other Group companies is made. None of the other Directors received any remuneration in either the current or the previous year in respect of their services to the Company.

#### 5. Employees and staff costs

	2011 £	2010 £
Staff costs		
Wages and salaries	184,966	161,128
Social security	22,142	19,306
Pension costs	26,973	35,555
	<b>234,081</b>	<b>215,989</b>
	No.	No.
Average no. of employees (full time equivalents)		
Retailing	3	3

#### 6. Pensions

The Group operates a defined contribution scheme, WH Smith Pensionbuilder.

The Company's pension cost charge to its defined contribution scheme, WH Smith Pensionbuilder, for the year amounted to £26,973 (2010: £35,555).

# WH Smith Promotions Limited

## Notes to the financial statements (continued) Year ended 31 August 2011

### 7 Tax charge on profit on ordinary activities

	2011 £	2010 £
Current tax		
United Kingdom corporation tax 27.16 % (2010: 28%)	1,353,577	1,679,712
<b>Tax on profit on ordinary activities</b>	<b>1,353,577</b>	<b>1,679,712</b>
<b>Reconciliation of the current tax charge</b>		
	2011 £	2010 £
Profit on ordinary activities before taxation	4,983,715	5,998,973
Tax on profit at UK rate of corporation tax – 27.16 % (2010: 28%)	1,353,577	1,679,712
<b>Current tax charge for the period</b>	<b>1,353,577</b>	<b>1,679,712</b>

The UK corporation tax rate fell to 26 per cent with effect from 1 April 2011 (previously 28 per cent). The rate of corporation tax will change from 26 per cent to 25 per cent from 1 April 2012. The government has also indicated that it intends to enact future reductions in the corporation tax rate of one per cent each year until 1 April 2014 at which date the standard rate of corporation tax will be 23 per cent.

### 8 Debtors

	2011 £	2010 £
Trade debtors	153,217	139,282
Amounts owed by other Group undertakings	16,593,731	27,970,178
	<b>16,746,948</b>	<b>28,109,460</b>

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

### 9 Creditors – amounts falling due within one year

	2011 £	2010 £
Deferred income	11,116,323	12,499,557
Other creditors	80,802	41,688
Amounts owed to other Group undertakings	17,618,179	-
Corporation tax	676,789	839,856
VAT	28,634	109,304
	<b>29,520,727</b>	<b>13,490,405</b>

# WH Smith Promotions Limited

## Notes to the financial statements (continued) Year ended 31 August 2011

### 10 Dividends on equity shares

	2011 £	2010 £
Amounts recognised as distributions to equity holders in the period	32,000,000	-
	<u>32,000,000</u>	<u>-</u>

Interim dividend for the year ended 31 August 2011 of £16,000,000 (2010 nil) per ordinary share

### 11 Called up share capital

	2011 £	2010 £
<b>Called up, allotted and fully paid</b>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 12 Reserves

	<b>Profit and loss account £</b>
At 1 September 2010	37,256,914
Profit for the financial year	3,630,138
Dividends paid	(32,000,000)
<b>At 31 August 2011</b>	<b><u>8,887,052</u></b>

### 13. Reconciliation of movements in shareholders' funds

	2011 £	2010 £
<b>Profit for the financial year</b>	3,630,138	4,319,261
Dividends paid	(32,000,000)	-
Opening shareholders' funds	<u>37,256,916</u>	<u>32,937,655</u>
<b>Closing shareholders' funds</b>	<b><u>8,887,054</u></b>	<b><u>37,256,916</u></b>

### 14 Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3 (c) of FRS 8, 'Related Party Disclosures' not to disclose transactions with WH Smith Group companies or interests of the Group which are related parties

## **WH Smith Promotions Limited**

### **Notes to the financial statements (continued)** **Year ended 31 August 2011**

#### **15 Ultimate parent company**

The ultimate parent and controlling company 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 accounts are prepared.

The immediate parent company is WH Smith Retail Holdings Limited, which is incorporated in Great Britain.

Copies of both sets of financial statements are available from

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