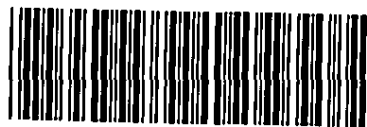


Company Registration No. 2339902

WH SMITH PROMOTIONS LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2009

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COMPANIES HOUSE

WH SMITH PROMOTIONS LIMITED

REPORT AND FINANCIAL STATEMENTS

COMPANY INFORMATION

DIRECTORS

S Clarke
I Houghton
R J Moorhead

SECRETARY

I Houghton

REGISTERED OFFICE

Greenbridge Road
Swindon
Wiltshire
SN3 3RX

AUDITORS

Deloitte LLP
Chartered Accountants
London

SOLICITORS

Linklaters & Alliance
One Silk Street
London
EC2Y 8HQ

WH SMITH PROMOTIONS LIMITED

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements for the year ended 31 August 2009.

ULTIMATE 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 2009 of £4,100,267 (2008: £2,899,758). 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 2009 have decreased by 10% over the prior year, while profit before tax has increased by 44% to £5,694,815 (2008: £3,949,022).

The balance sheet on page 8 of the financial statements shows that the Company's financial position at the year-end has improved by £4,100,267. Details of the amounts owed by and owed to other Group undertakings are shown in note 8 and note 9 respectively on page 11.

Key performance indicators

The key measures the company uses to monitor performance are:

	2009	2008
Sales decline	10%	6%
Gross profit margin	20.0%	15.2%

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

REPORT OF THE DIRECTORS (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;

- Economic and market risks
- Competition in the retail industry
- Reliance on the WHSmith brand
- Key suppliers and supply chain management
- Store portfolio
- Business interruption
- Failure or interruption of information technology systems
- Reliance on key personnel
- Liquidity risk
- Credit risk
- Capital risk
- Interest rate risk
- Foreign currency risk
- Investment risk

Group risks are discussed in further detail within the Risks and Uncertainties sections of Business Review in the Group's Annual Report and Accounts 2009, a copy of which is available on the Group's website at 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

The Directors do not recommend the payment of a dividend (2008 - £nil).

DIRECTORS

The names of the present Directors of the Company are shown on page 1. A J H Stewart resigned as a director on 28 November 2008.

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 310(3) of the Companies Act 1985.

WH SMITH PROMOTIONS LIMITED

REPORT OF THE DIRECTORS (continued)

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:

- 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.

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 2009 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 2009 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.

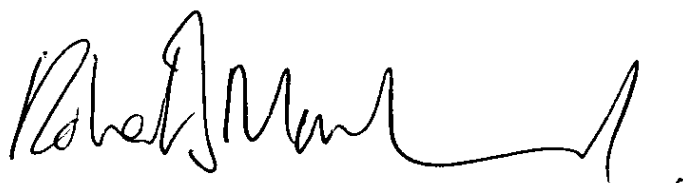
AUDITORS

Having made the requisite enquiries, as far as each of the directors is aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each of the directors has taken all steps he should have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Deloitte LLP will continue in office as auditors.

This report was approved by the Board of Directors on 3 December 2009.

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 judgments 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 AUDITORS' 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 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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 sections 495 and 496 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 auditors' 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 auditors

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 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 (APB'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.

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 2009 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.



Ian Waller (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
3 December 2009

WH SMITH PROMOTIONS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 August 2009

	Notes	2009 £	2008 £
TURNOVER	2	28,532,531	31,602,174
Cost of sales		(21,853,787)	(26,805,715)
Gross profit		6,678,744	4,796,459
Administrative expenses		(983,929)	(847,437)
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	5,694,815	3,949,022
Tax on profit on ordinary activities	7	(1,594,548)	(1,049,264)
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	11	4,100,267	2,899,758

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

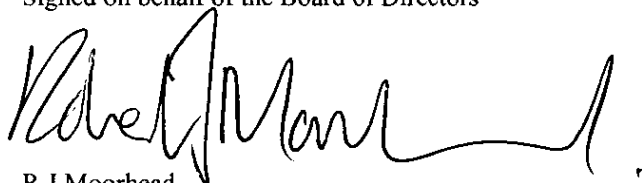
BALANCE SHEET

As at 31 August 2009

	Notes	2009 £	2008 £
CURRENT ASSETS			
Stocks		23,761,808	26,048,712
Debtors	8	22,789,126	18,450,750
Cash at bank and in hand		1,618,539	-
		<u>48,169,473</u>	<u>44,499,462</u>
CREDITORS: amounts falling due within one year	9	<u>(15,231,818)</u>	<u>(15,662,074)</u>
NET CURRENT ASSETS		<u>32,937,655</u>	<u>28,837,388</u>
TOTAL NET ASSETS		<u>32,937,655</u>	<u>28,837,388</u>
CAPITAL AND RESERVES			
Called up share capital	10	2	2
Profit and loss account	11	<u>32,937,653</u>	<u>28,837,386</u>
SHAREHOLDERS' FUNDS	12	<u>32,937,655</u>	<u>28,837,388</u>

These financial statements of WH Smith Promotions Limited, registered number 2339902, were approved by the Board of Directors on 3 December 2009.

Signed on behalf of the Board of Directors



R J Moorhead
Director

WH SMITH PROMOTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2009

1. ACCOUNTING POLICIES

A summary of principal accounting policies is set out below. The policies have been applied consistently, in all material respects throughout the current and previous year.

(a) Accounting convention

The financial statements are prepared under the historical cost convention in compliance with the Companies Act 2006 and in accordance with applicable United Kingdom accounting standards. The financial statements have been prepared on a going concern basis as explained in the Directors Report on page 4.

In accordance with FRS 1 (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.

(b) Turnover

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

(c) 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.

(d) 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.

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.

(e) 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.

WH SMITH PROMOTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 August 2009

2. TURNOVER

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

3. OPERATING PROFIT

Operating profit is stated after charging:

	2009	2008
	£	£
Auditors' fees – audit of the Company's annual financial statements	<u>2,500</u>	<u>3,000</u>

4. DIRECTORS

None of the 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

	2009	2008
	£	£
Staff costs:		
Wages and salaries	154,499	150,055
Social security	17,107	16,051
Pension costs	<u>29,029</u>	<u>9,975</u>
	<u>200,635</u>	<u>176,081</u>
Average no. of employees (full time equivalents)	No	No
Retailing	<u>3</u>	<u>3</u>

6. PENSIONS

The Group operates a defined contribution scheme, WH Smith Pension Builder.

The Company's pension cost charge to its defined contribution scheme, WH Smith Pension Builder, for the year amounted to £29,029 (2008: £9,975).

WH SMITH PROMOTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2009

7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2009 £	2008 £
Current tax		
United Kingdom corporation tax at the blended rate of 28% (2008: 29.17%)	1,594,548	1,151,690
Prior year adjustment	-	(102,426)
Tax on profit on ordinary activities	<u>1,594,548</u>	<u>1,049,264</u>

Reconciliation of current tax charge

	2009 £	2008 £
Profit on ordinary activities before taxation	<u>5,694,815</u>	<u>3,949,022</u>
Tax on profit at UK blended rate of corporation tax – 28% (2008: 29.17%)	1,594,548	1,151,690
Effects of prior year adjustment	-	(102,426)
Current tax charge for the period	<u>1,594,548</u>	<u>1,049,264</u>

8. DEBTORS

	2009 £	2008 £
Trade debtors	141,040	324,244
Amounts owed by other Group undertakings	<u>22,648,086</u>	<u>18,126,506</u>
	<u>22,789,126</u>	<u>18,450,750</u>

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

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Deferred income	14,079,094	14,874,013
Expense creditors	243,106	55,195
Corporation tax	794,548	575,845
VAT	115,070	88,036
Bank loans and overdrafts	-	68,985
	<u>15,231,818</u>	<u>15,662,074</u>

WH SMITH PROMOTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 August 2009

10. CALLED UP SHARE CAPITAL

	2009 £	2008 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid:		
2 ordinary shares of £1 each	2	2

11. RESERVES

	Profit and loss account £
At 31 August 2007	25,937,628
Retained profit	2,899,758
At 31 August 2008	28,837,386
Retained profit	4,100,267
At 31 August 2009	32,937,653

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2009 £	2008 £
Opening shareholder's funds	28,837,388	25,937,630
Profit for the financial year	4,100,267	2,899,758
Closing shareholder's funds	32,937,655	28,837,388

13. 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.

14. ULTIMATE AND IMMEDIATE PARENT COMPANY

The ultimate parent and controlling company is WH Smith PLC, a company incorporated in Great Britain. This is the smallest and largest group including the Company for which consolidated financial statements 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