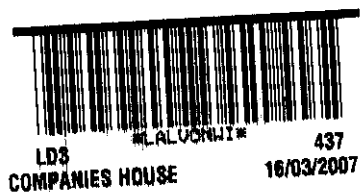


**Company Registration No. 4235899**

**WHS CARD SERVICES LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 2006**



# **WHS CARD SERVICES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2006**

### **COMPANY INFORMATION**

#### **DIRECTORS**

I Houghton  
S D A Marinker  
A J H Stewart

#### **SECRETARY**

I Houghton

#### **REGISTERED OFFICE**

Greenbridge Road  
Swindon  
Wiltshire  
SN3 3RX

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
London

#### **SOLICITORS**

Linklaters & Alliance  
One Silk Street  
London  
EC2Y 8HQ

# **WHS CARD SERVICES LIMITED**

## **DIRECTORS' REPORT**

The Directors present their report to shareholders together with the audited financial statements for the year ended 31 August 2006.

### **PARENT COMPANY**

The Company is a wholly-owned subsidiary of WH Smith PLC.

As part of the group reorganisation relating to the demerger of the retail business of WH Smith, Smiths News PLC (formerly Brightway Services Limited) was inserted as a new holding company over the listed parent company, WH Smith Retail Holdings Limited (formerly WH Smith PLC) by way of a Scheme of Arrangement and WH Smith PLC (formerly New WH Smith PLC; formerly Pollquote Limited) was then demerged from Smiths News PLC, effected by a dividend in specie.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Company's principal activity was to provide credit and debit card handling services to WH Smith Retail Limited, a fellow group undertaking.

WH Smith Card Services Ltd terminated its card processing service arrangements with WH Smith Retail Limited at the end of January 2006. WH Smith Card Services Limited will continue to look for opportunities to operate effective card processing services in response to and in light of any emerging legislative change subsequent to the ruling handed down to Debenhams PLC.

The Company produced a satisfactory trading performance resulting in a profit after tax for the year ended 31 August 2006 of £5,262,206 (2005: £10,092,164).

The balance sheet on page 8 of the financial statements shows that the Company's financial position at the year end. Details of the amounts owed by other group undertakings are shown in note 5 on page 10.

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 of, is discussed in the group's Annual Report which does not form part of this report.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company has no third party debt and therefore has no interest rate exposure.

The Company has a long-term debtor owing from a fellow group undertaking, which the Directors believe to be fully recoverable.

Group risks are discussed in the Group's Annual Report, which does not form part of this Report.

### **RESULTS**

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

### **DIVIDENDS**

The Directors do not recommend the payment of a dividend (2005: £nil).

### **DIRECTORS**

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

No changes took place in the composition of the Board of Directors between 31 August 2005 and the date of this report.

# WHS CARD SERVICES LIMITED

## DIRECTORS' REPORT (continued)

### DIRECTORS' SHARE INTERESTS

A J H Stewart is also a director of WH Smith PLC (formerly New WH Smith PLC), and his interests in the shares and loan stocks of that company at 31 August 2006 and WH Smith Retail Holdings (formerly WH Smith PLC) at 31 August 2005 are disclosed in the consolidated financial statements of WH Smith PLC and are not required to be recorded in the Register of Directors' Share Interests of this Company.

The directors of this Company had the following beneficial interests in the ordinary shares of WH Smith PLC (formerly New WH Smith PLC) at 31 August 2006 and WH Smith Retail Holdings Limited (formerly WH Smith PLC) at 31 August 2005. As part of the group reorganisation that took place during the year each share in WH Smith Retail Holdings Limited was exchanged for a share in Smiths News PLC and, following the demerger of the WH Smith retail business from Smiths News PLC, WH Smith PLC issued a share for each share held in Smiths News PLC.

### Shareholdings

	31 August 2006	31 August 2005
I Houghton	30,403	26,269
S D A Marinker	43,793	40,801

### Share awards

	31 August 2006	31 August 2005
I Houghton	-	768

The directors had the following interests in options to acquire ordinary shares of WH Smith PLC at 31 August 2006 and WH Smith Retail Holdings Limited at 31 August 2005.

### Share Options

	Share Scheme	31 August 2006	Granted in the year	Exercised in the year	Lapsed in the year	31 August 2005
I Houghton	Executive Share Option Scheme	184,794	39,512	6,335	-	151,617
	Sharesave	-	-	3,682	-	3,682
	2004 L-TIP	21,176	-	-	-	21,176
	MIP	63,529	-	-	-	63,529
	<b>Total</b>	<b>269,499</b>	<b>39,512</b>	<b>10,017</b>	<b>-</b>	<b>240,004</b>
S Marinker	Executive Share Option Scheme	126,676	-	3,872	2,830	133,378
	Sharesave	-	-	2,992	584	3,576
	2004 L-TIP	116,970	63,563	-	-	53,407
	MIP	120,167	-	-	-	120,167
	<b>Total</b>	<b>363,813</b>	<b>63,563</b>	<b>6,864</b>	<b>3,414</b>	<b>310,528</b>

Further information about WH Smith PLC's share option scheme is detailed in the accounts of WH Smith PLC. The directors had no other interests in the shares of the company or any other group company at the beginning and end of the year

## **WHS CARD SERVICES LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **DIRECTORS' AND OFFICERS' INDEMNITIES**

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.

#### **CHARITABLE AND POLITICAL DONATIONS**

There were no charitable or political donations during the year.

#### **WRITTEN RESOLUTIONS**

On 26 July 2001, Written 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.

#### **AUDITORS**

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

- so far 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

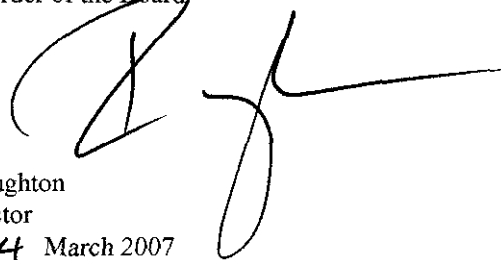
Deloitte & Touche LLP will continue in office as auditors.

This report was approved by the Board of Directors on ~~14~~ March 2007.

By Order of the Board

I Houghton  
Director

~~14~~ March 2007



# **WHS CARD SERVICES LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

United Kingdom company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those 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 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 proper accounting records which 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 1985. 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.

## WHS CARD SERVICES LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WHS CARD SERVICES LIMITED

We have audited the financial statements of WHS Card Services Limited for the year ended 31 August 2006, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

**Chartered Accountants and Registered Auditors**

**London, United Kingdom**

**14 March 2007**

# WHS CARD SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2006

	Notes	2006 £	2005 £
<b>TURNOVER</b>	2	7,474,150	14,536,495
Cost of sales		(2,181,185)	(4,378,656)
<b>Gross profit</b>		<u>5,292,965</u>	<u>10,157,839</u>
Administrative expenses		(30,759)	(65,675)
<b>OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	<u>5,262,206</u>	<u>10,092,164</u>
Tax on profit on ordinary activities	4	-	-
<b>RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR</b>	8	<u><u>5,262,206</u></u>	<u><u>10,092,164</u></u>

All 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.



# WHS CARD SERVICES LIMITED

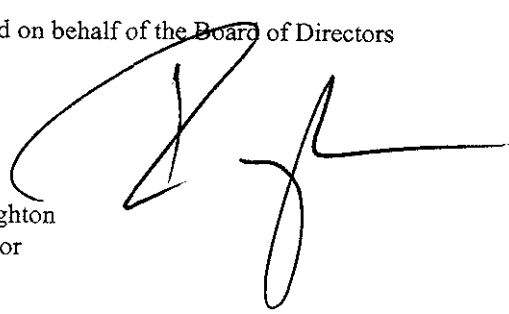
## BALANCE SHEET AS AT 31 AUGUST 2006

	Notes	2006 £	2005 £
<b>CURRENT ASSETS</b>			
Debtors	5	29,695,185	19,792,306
Cash at bank and in hand		1	4,964,546
		<u>29,695,186</u>	<u>24,756,852</u>
<b>CREDITORS: amounts falling due within one year</b>	6	(291)	(324,163)
<b>NET CURRENT ASSETS</b>		<u>29,694,895</u>	<u>24,432,689</u>
<b>TOTAL NET ASSETS</b>		<u>29,694,895</u>	<u>24,432,689</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	2	2
Profit and loss account	8	29,694,893	24,432,687
<b>EQUITY SHAREHOLDERS' FUNDS</b>	9	<u>29,694,895</u>	<u>24,432,689</u>

These financial statements were approved by the Board of Directors on 14 March 2007.

Signed on behalf of the Board of Directors

I Houghton  
Director



# WHS CARD SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2006

### 1. ACCOUNTING POLICIES

#### Accounting convention

The financial statements are prepared in compliance with the Companies Act 1985 and in accordance with applicable United Kingdom law and accounting standards. The principal accounting policies are summarised below. They have been applied consistently in the current and prior year.

#### Basis of preparation

The financial statements have been prepared under the historical cost convention. They are prepared in accordance with applicable United Kingdom accounting standards.

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.

#### 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.

### 2. TURNOVER

Substantially all turnover arises from sales to customers in the United Kingdom and from the principal activity of the Company. The turnover of the Company is the net amount from sales to third parties excluding value added taxes, and after deducting trade discounts.

### 3. OPERATING PROFIT

None of the Directors received any remuneration during the current or preceding period in respect to their services to this company.

There were no employees or staff costs in the current or preceding period.

Operating profit is stated after charging:

	2006	2005
	£	£
Auditors' fees – audit	<u>6,000</u>	<u>6,000</u>

# WHS CARD SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2006

### 4. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
United Kingdom corporation tax at 30% (2005: 30%)	-	-
	-	-
<b>Reconciliation of current tax charge</b>		

	2006 £	2005 £
Tax on profits at UK standard rate of corporation tax – 30%	1,578,662	3,027,649
Group relief received for nil consideration	(1,578,662)	(3,027,649)
	-	-

### 5. DEBTORS

	2006 £	2005 £
Other debtors	10,967	-
Amount owed by other group undertakings	29,684,218	19,792,306
	29,695,185	19,792,306

### 6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	-	324,071
Accruals and deferred income	291	92
	291	324,163

### 7. CALLED UP EQUITY SHARE CAPITAL

	2006 £	2005 £
<b>Authorised:</b>		
100 ordinary shares of £1 each	100	100
<b>Called up, allotted and fully paid:</b>		
2 ordinary shares of £1 each	2	2

# WHS CARD SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2006

### 8. RESERVES

	Profit and loss account £
At 31 August 2005	24,432,687
Retained profit for the year	5,262,206
At 31 August 2006	<u>29,694,893</u>

### 9. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	31 August 2006 £
Opening equity shareholders' funds	24,432,689
Profit for the financial year	5,262,206
Closing equity shareholders' funds	<u>29,694,895</u>

### 10. CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date (2005: £nil).

### 11. 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.

### 12. PARENT COMPANY AND CONTROLLING PARTY

The immediate and ultimate parent undertaking is WH Smith PLC, a company registered in England and Wales.

The ultimate parent undertaking heads the largest and smallest group of undertakings of which the Company is a member and for which group accounts are prepared.

Copies of the Group financial statements are available from:

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