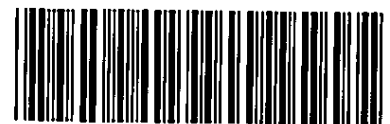


Company Registration No. 4235899

WHS CARD SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2007

TUESDAY



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WHS CARD SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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 2007. The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

PARENT COMPANY

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company 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 recorded a loss after tax for the year ended 31 August 2007 of £10,676 (2006 profit £5,262,206).

The balance sheet on page 7 of the financial statements shows 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 9.

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 6.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2006 £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 2006 and the date of this report.

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.

WHS CARD SERVICES LIMITED

DIRECTORS' REPORT (continued)

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 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 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 13 December 2007

By Order of the Board



A J H Stewart
Director

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 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). The financial statements are required by law to 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, subject to any material departures disclosed and explained in the financial statements, 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 that 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 2007, 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 2007 and of its loss 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 xmnucne LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

13 December 2007

WHS CARD SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2007

	Notes	2007 £	2006 £
TURNOVER	2	-	7,474,150
Cost of sales		-	(2,181,185)
		<hr/>	<hr/>
Gross profit		-	5,292,965
Administrative expenses		(10,676)	(30,759)
		<hr/>	<hr/>
OPERATING (LOSS) / PROFIT AND (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(10,676)	5,262,206
Tax on (loss) / profit on ordinary activities	4	-	-
		<hr/>	<hr/>
RETAINED (LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	8	(10,676)	5,262,206
		<hr/>	<hr/>

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.

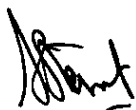
WHS CARD SERVICES LIMITED

BALANCE SHEET AS AT 31 AUGUST 2007

	Notes	2007 £	2006 £
CURRENT ASSETS			
Debtors	5	29,684,218	29,695,185
Cash at bank and in hand		1	1
		<u>29,684,219</u>	<u>29,695,186</u>
CREDITORS: amounts falling due within one year	6	-	(291)
NET CURRENT ASSETS		<u>29,684,219</u>	<u>29,694,895</u>
TOTAL NET ASSETS		<u>29,684,219</u>	<u>29,694,895</u>
CAPITAL AND RESERVES			
Called up share capital	7	2	2
Profit and loss account	8	29,684,217	29,694,893
SHAREHOLDERS' FUNDS	9	<u>29,684,219</u>	<u>29,694,895</u>

These financial statements were approved by the Board of Directors on 13 December 2007

Signed on behalf of the Board of Directors



A J H Stewart
Director

WHS CARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2007

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

There was no turnover for the year ended 31 August 2007 as the Company terminated its card processing service arrangements with WH Smith Retail Limited at the end of January 2006 and has continued 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.

In prior years, substantially all the turnover arose 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 (LOSS) / 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 (loss) / profit is stated after charging

	2007	2006
	£	£
Auditors' fees – audit	<u>1,000</u>	<u>6,000</u>

Auditors' remuneration for the year ending 31 August 2007 amounted to £1,000 (2006: £6,000), and are paid by another group company in both the current and previous year.

WHS CARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2007

4 TAX CHARGE ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

	2007 £	2006 £
United Kingdom corporation tax at 30% (2006 30%)	-	-
	-	-
Reconciliation of current tax charge		
	2007 £	2006 £
(Loss) / profit on ordinary activities before taxation	(10,676)	5,262,206
Tax on (loss) / profits at UK standard rate of corporation tax – 30%	(3,203)	1,578,662
Non-deductible expenses	3,203	-
Group relief received for nil consideration	-	(1,578,662)
	-	-

5. DEBTORS

	2007 £	2006 £
Other debtors	-	10,967
Amount owed by other group undertakings	29,684,218	29,684,218
	29,684,218	29,695,185

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Accruals and deferred income	-	291
	-	291

7. CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised:		
100 ordinary shares of £1 each	100	100
Called up, allotted and fully paid:		
2 ordinary shares of £1 each	2	2

WHS CARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2007

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>
Retained loss for the year	(10,676)
At 31 August 2007	<u><u>29,684,217</u></u>

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Opening equity shareholders' funds	29,694,895	24,432,689
(Loss) / profit for the financial year	(10,676)	5,262,206
Closing equity shareholders' funds	<u><u>29,684,219</u></u>	<u><u>29,694,895</u></u>

10. CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date (2006 £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 ultimate parent and controlling company is WH Smith PLC, a company incorporated in Great Britain and 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. The immediate parent company is WH Smith Retail 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