

Company Registration No. 4235899

WHS CARD SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2003



WHS CARD SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

COMPANY INFORMATION

DIRECTORS

*I Houghton
R A Street
J A Warren*

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

REPORT OF THE DIRECTORS

The Directors present their report to shareholders together with the audited financial statements for the year ended 31 August 2003.

PARENT COMPANY

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

PRINCIPAL ACTIVITY

The Company provides credit and debit card handling services to WH Smith Retail Limited with effect from 23 July 2002.

RESULTS

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

REVIEW OF DEVELOPMENT AND FUTURE PROSPECTS

The Company produced a satisfactory trading performance resulting in a profit after tax for the year ended 31 August 2003 of £6,791,687 (2002 - £444,528). The Company is expected to trade profitably in the foreseeable future.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2002 - £Nil).

DIRECTORS

The names of the present Directors, who all served throughout the year, except as stated below, are shown on page 1.

The following changes took place in the composition of the Board of Directors between 31 August 2002 and the date of this report:

J W Mortimore (resigned 26 September 2003)

WHS CARD SERVICES LIMITED

REPORT OF THE DIRECTORS

DIRECTORS' SHARE INTERESTS

As J A Warren is a director of WH Smith PLC, his 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.

The other Directors had the following beneficial interests in the ordinary shares of WH Smith PLC at 31 August 2003 and 31 August 2002:

Shareholdings

	30 August 2003	31 August 2002
I Houghton	3,301	-
J W Mortimore	270	270

Share Options

	31 August 2002 (or date of appointment)	Granted in the period	Exercised/lapsed in the year	31 August 2003
I Houghton	97,382	40,197	3,301	134,278
J W Mortimore	119,208	50,899	-	170,107
R A Street	131,015	11,756	-	142,771

The Directors have no other beneficial interests in Group companies.

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.

CHARITABLE AND POLITICAL DONATIONS

There were no charitable or political donations during the year.

WHS CARD SERVICES LIMITED

REPORT OF THE DIRECTORS

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

On 1 August 2003, Deloitte & Touche, the Company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989.

This report was approved by the Board of Directors on 21 June 2004

By Order of the Board

I Houghton
Director

31 June 2004

WHS CARD SERVICES LIMITED

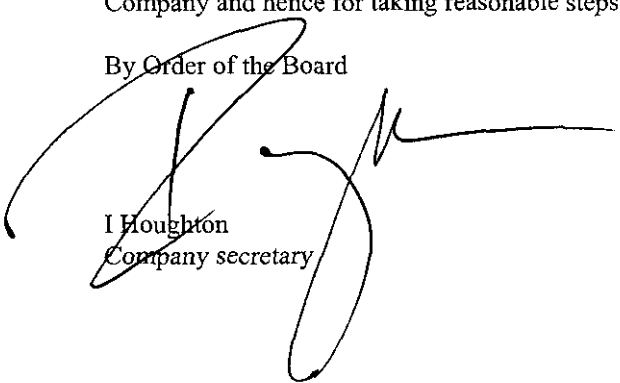
STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the Directors to prepared 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; and
- state whether applicable accounting standards have been followed subject to any material disclosed and explained in the financial statements.

The Directors are responsible for keeping proper 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 the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



I Houghton
Company secretary

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 2003 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 14. 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

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 August 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE LLP
Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
LONDON

21 June 2004

WHS CARD SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2003

	Note	Year ended 31 August 2003 £	63 weeks ended 31 August 2002 £
TURNOVER	1(b), 2	14,251,551	672,161
Cost of sales		(4,473,543)	(211,055)
Gross profit		9,778,008	461,106
Administrative expenses		(75,598)	(16,578)
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	9,702,410	444,528
Tax on profit on ordinary activities	4	(2,910,723)	-
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR	8	6,791,687	444,528

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

All results are derived from continuing operations.

WHS CARD SERVICES LIMITED

**BALANCE SHEET
AS AT 31 AUGUST 2003**

	Note	2003 £	2002 £
CURRENT ASSETS			
Debtors	5	3,037,519	2
Cash at bank and in hand		5,962,049	5,554,023
		<u>8,999,568</u>	<u>5,554,025</u>
CREDITORS: amounts falling due within one year	6	(1,763,351)	(5,109,495)
NET CURRENT ASSETS		<u>7,236,217</u>	<u>444,530</u>
TOTAL NET ASSETS		<u>7,236,217</u>	<u>444,530</u>
CAPITAL AND RESERVES			
Called up share capital	7	2	2
Profit and loss account	8	7,236,215	444,528
EQUITY SHAREHOLDERS' FUNDS	9	<u>7,236,217</u>	<u>444,530</u>

These financial statements were approved by the Board of Directors on 21 June 2004

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 2003

1. ACCOUNTING POLICIES

(a) 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. They are prepared under the historical cost convention.

(b) Turnover

The turnover of the Company is the net amount from sales to third parties excluding value added taxes, and after deducting trade discounts.

2. TURNOVER

Substantially all turnover arises from sales to customers in the United Kingdom and from the principal activity of the Company.

3. OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 31 August 2003 £	63 weeks ended 31 August 2002 £
Auditors' fees - audit	<u>6,000</u>	<u>-</u>

WHS CARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2003

4. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 August 2003 £	63 weeks ended 31 August 2002 £
United Kingdom corporation tax at 30% (2002: 30%)	2,910,723	-
	<u>2,910,723</u>	<u>-</u>

Reconciliation of current tax charge

	Year ended 31 August 2003 £	63 weeks ended 31 August 2002 £
Tax on profits at UK standard rate of corporation tax – 30%	2,910,723	133,358
Tax liability met by the ultimate parent company	-	(133,358)
	<u>2,910,723</u>	<u>-</u>

5. DEBTORS

	31 August 2003 £	31 August 2002 £
Amount owed by other group undertakings	<u>3,037,519</u>	<u>2</u>

WHS CARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 AUGUST 2003

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Corporation tax	1,455,361	-
Trade creditors	302,112	208,567
Amounts owed to other Group undertakings	-	4,898,635
Accruals and deferred income	5,878	2,293
	<u>1,763,351</u>	<u>5,109,495</u>

7. CALLED UP EQUITY SHARE CAPITAL

	2003	2002
	£	£
Authorised:		
100 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Called up, allotted and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

8. RESERVES

	Profit and loss account £
At 31 August 2002	444,528
Retained profit	6,791,687
At 31 August 2003	<u>7,236,215</u>

WHS CARD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

9. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	31 August 2003 £
Opening equity shareholders' funds	444,530
Profit for the financial year	6,791,687
Closing equity shareholders' funds	<u>7,236,217</u>

10. DIRECTORS

None of the Directors received any remuneration during the current or preceding period.

11. EMPLOYEES AND STAFF COSTS

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

12. CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date.

13. RELATED PARTY TRANSACTIONS

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

14. 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