

Remuneration Report

This Remuneration report has been prepared on behalf of the Board by the Remuneration Committee. The Committee has adopted the principles of good governance as set out in the Combined Code and complies with Schedule 8 to the Accounting Regulations under the Companies Act 2006 and the Listing Rules of the Financial Services Authority. Part A of the report, which is not subject to audit, sets out the Company's remuneration policy. Part B, which has been audited, provides details of the remuneration, pensions and share incentives of the directors for the year ended 31 August 2010. Shareholders will be asked to approve the report at the Annual General Meeting on 14 January 2011.

Part A – Unaudited Remuneration Committee

The Remuneration Committee is chaired by Anthony Cann and its other members throughout the year were Andrew Brent, Dennis Millard and John Worby. Anthony Cann, Andrew Brent and John Worby are all independent non-executive directors and Dennis Millard was independent on appointment as a director in August 2006. The Committee met five times during the year.

The Committee's terms of reference, which are available on the Company's website and from the Company Secretary on request, set out the responsibilities of the Committee which include:

- determining and agreeing with the Board the broad policy for the remuneration of the Chairman, executive directors and certain other senior executives;
- reviewing the ongoing appropriateness and relevance of the remuneration policy;
- reviewing the policy for any performance related pay schemes operated for those below executive management level and approving total annual payments made under all performance related pay schemes;
- reviewing the design of all short and long-term incentive plans for approval by the Board and, where required, by shareholders;
- determining the policy for the grant of share incentives to executive directors and senior executives, setting appropriate performance targets and approving the quantum of grants and vesting schedules;
- ensuring that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised; and
- determining the total individual remuneration package of each executive director and other senior executives including bonuses and share incentives.

During the year the Committee received external advice and services from its independent adviser, Deloitte LLP ('Deloitte'). Deloitte also provided audit services to the Company. The Committee is satisfied that the remuneration advice it receives from Deloitte is independent. Glenn Leech, Human Resources Director also materially assisted the Committee in carrying out its duties, except in relation to his own remuneration.

Remuneration policy

The Company's remuneration policy aims to encourage a performance-based culture, attract and retain high calibre executive directors and align the interests of executive directors and shareholders. In forming this policy the Committee has adopted the principles set out in Section B of the Combined Code.

The aims of the policy are achieved by providing a remuneration package, comprising salary and benefits, positioned around the median of a comparator group of peer companies, pension provision and performance related benefits. Any payments made to executive directors other than salary are not pensionable. The performance related benefits, which consist of an annual bonus, an economic profit bonus and long-term incentive ('LTIP'), account for a significant proportion of total remuneration.

In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure, the Committee will ensure that the incentive structure for executive directors and senior management will not raise environmental, social or governance ('ESG') risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account corporate governance on ESG matters.

Under our current policy, the overall maximum remuneration opportunity is 300% of salary for Mark Cashmore and 255% of salary for Jonathan Bunting and Nick Gresham. For Mark Cashmore, this comprises base salary, an annual bonus opportunity of 100% of base salary, an economic profit bonus opportunity of 50% of base salary and an LTIP opportunity of 50% of base salary. For Jonathan Bunting and Nick Gresham, it comprises base salary, an annual bonus opportunity of 80% of base salary, an economic profit bonus opportunity of 40% of base salary and an LTIP opportunity of 35% of base salary. For the year ending 31 August 2011, Nick Gresham's economic profit bonus opportunity is capped at 13% of base salary (see table on page 58). Also, it has been decided that the proportion of the annual bonus and economic profit bonus to be paid in the form of deferred shares will remain unchanged at 33% and 50% respectively. The Annual Bonus Plan, Economic Profit Plan ('EPP') and LTIP are described in more detail below.

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Relative value of remuneration package 2010/11

The table below shows the expected relative value at target and maximum performance levels of the fixed and performance-related elements of the executive directors' remuneration package for the financial year ending 31 August 2011.

	Fixed element		Performance-related elements					
	Base salary		Annual Bonus Plan ^a		EPP ^b		LTIP	
	Target	Max.	Target	Max.	Target	Max.	Target	Max.
Mark Cashmore	47%	33%	22%	33%	17%	17%	14%	17%
Jonathan Bunting	53%	39%	20%	31%	16%	16%	11%	14%
Nick Gresham	59%	44%	22%	35%	6%	6% ^c	13%	15%

a) 33% of the annual bonus will be paid in the form of shares, the receipt of which is deferred for two years (see Deferred Bonus Plan below).

b) 50% of the EPP bonus will be paid in the form of shares, the receipt of which is deferred for two years (see Deferred Bonus Plan below).

c) As a new joiner, Nick Gresham's maximum EPP bonus opportunity is 13% of base salary (one-third of 40%), representing 6% of his total remuneration package.

d) The above table does not include the value of other benefits such as the provision of a company car, private medical insurance and employer pension contributions.

Salary and benefits

To align the timing of salary reviews throughout the Group, the Committee has decided to move its annual review of executive directors' salaries from September to January, with any new salaries taking effect from 1 January. When conducting any review, the Committee takes into account a range of factors including the Group's performance, market conditions, the prevailing market rates for similar positions in a comparable group of companies, the responsibilities, individual performance and experience of each executive director and the level of salary increases awarded to employees throughout the Group.

Mark Cashmore's and Jonathan Bunting's salaries, which were last reviewed in September 2009, are £320,000 and £200,000 respectively. Nick Gresham, who joined the Company and was appointed a director on 1 August 2010, receives a salary of £230,000.

Executive directors also receive taxable benefits including the provision of a company car and private medical insurance.

The fees paid to non-executive directors are determined by the Chairman and the executive members of the Board and take into account the required time commitment and the fee payments for non-executive directors of similar organisations. There were no changes to the fees paid to non-executive directors during the year under review. Non-executive directors do not participate in any bonus or share schemes.

Annual Bonus Plan

The plan is designed so that the level of bonus paid is dependent on the achievement of an underlying profit before tax target and personal performance, set at the beginning of each year. Target level is based on the achievement of stretching performance; maximum level requires outstanding performance.

For the year under review, Mark Cashmore had the opportunity to receive an annual bonus up to a maximum of 100% of base salary (47.5% at target level) and Alan Humphrey and Jonathan Bunting had the opportunity to receive an annual bonus up to a maximum of 80% of base salary (37.5% at target level), one third of which is payable in the form of shares, the receipt of which is deferred for two years (see Deferred Bonus Plan below).

Largely as a result of achieving the maximum profit before tax target of £35m, Mark Cashmore's annual bonus for the year under review is £320,000, of which £213,333 will be paid in cash in November 2010 and £106,667 will be paid in the form of shares. Alan Humphrey and Jonathan Bunting will each receive an annual bonus for the year under review of £150,000, of which £100,000 will be paid in cash in November 2010 and £50,000 will be paid in the form of shares.

For the year ending 31 August 2011, the annual bonus opportunity for Mark Cashmore and Jonathan Bunting will remain unchanged. Nick Gresham will have the opportunity to earn an annual bonus up to a maximum of 80% of base salary (37.5% at target level), of which one third is payable in shares.

Economic Profit Plan

Under this plan, which was introduced in 2008, executive directors and key senior executives may receive each year a cash payment and/or be granted a share award under the terms of the Deferred Bonus Plan, based on the value of an economic profit pool (the 'Pool'). The value of the Pool is determined by the economic profit (calculated as profit after tax less the cost of capital employed) created in each financial year, with 10% of this economic profit being contributed to the Pool (if there is an economic loss in any year the value of the Pool will be diminished). One third of the Pool is then distributed to participants each year (allocated in the proportion of each participant's base salary to the participants' total base salaries) and two-thirds is carried forward to form part of the Pool for the following year.

The main objectives of the plan are to retain key executives and to incentivise the executive management team to generate profits over and above the Group's cost of capital. Mark Cashmore receives an allocation of up to 50% of base salary and Jonathan Bunting receives an allocation of up to 40% of base salary. Given the nature of the plan, an executive's entitlement will build up during the first three years of participation. As such, Nick Gresham is able to receive an allocation of up to 13% of base salary in the year ending 31 August 2011, 27% of base salary in the year ending 31 August 2012 and 40% of base salary in the year ending 31 August 2013. It is current policy that 50% of the annual payout will be in cash and 50% will be in the form of deferred shares (see Deferred Bonus Plan below). However, the Committee reserves the right to change these proportions for future years in light of the circumstances prevailing at the time.

The economic profit generated in the year to 31 August 2010 resulted in a contribution to the Pool of £622,700, bringing the total value of the Pool to £947,000. Of this Pool, Mark Cashmore will receive £89,574, of which £44,787 will be paid in cash in November 2010 and £44,787 will be paid in the form of shares, Alan Humphrey will receive £45,974, of which £22,987 will be paid in cash in November 2010 and £22,987 will be paid in the form of shares, and Jonathan Bunting will receive £46,108, of which £23,054 will be paid in cash in November 2010 and £23,054 will be paid in the form of shares.

Long-term incentives

Smiths News LTIP

Under this plan, executive directors and key senior executives may be awarded each year conditional entitlements to ordinary shares in the Company (in the form of nil cost options) or, in order to retain flexibility and at the Company's discretion, a cash sum linked to the value of a notional award of shares up to a value of 200% of base salary.

The vesting of awards is subject to the satisfaction of a performance condition, which is determined by the Remuneration Committee at the time of grant. The Committee believes that for executive directors and Smiths News senior executives earnings per share ('EPS') is the most appropriate measure of the Company's performance.

For awards granted in November 2006 and November 2007, the performance condition is based on real growth in the Company's EPS over the three years ended 31 August 2009 and 31 August 2010 respectively (the 'Performance Period') as set out in the following table.

Annual rate of growth in EPS (compounded annually) in excess of growth in RPI over the Performance Period	Proportion exercisable
Below 3%	Zero
3%	35%
Prorating applies between these points	Between 35% and 100%
9% or more	100%

This performance condition has not been met and, as such, the awards granted in November 2006 and November 2007 lapsed on 22 October 2009 and 21 October 2010 respectively.

In light of the prevailing business environment, for awards granted to the executive directors and Smiths News senior executives in April and November 2009, the performance condition is based on the Company's aggregate absolute EPS over the three years ending 31 August 2011 and 31 August 2012 respectively (the 'Performance Period') as set out in the following tables.

Deferred Bonus Plan

Under this plan, executive directors and key senior executives may be granted each year share awards (in the form of nil cost options) representing a proportion of the bonuses earned under the Annual Bonus Plan and/or Economic Profit Plan. The awards are exercisable after a holding period of two years, subject to continued employment.

As described under Annual Bonus Plan and Economic Profit Plan, for performance in the year under review, Mark Cashmore, Alan Humphrey and Jonathan Bunting will be granted share awards under this plan with market values at the date of grant of £106,667, £50,000 and £50,000 respectively in connection with the Annual Bonus Plan and £44,787, £22,987 and £23,054 respectively in connection with the Economic Profit Plan. These awards will be granted in October 2010.

Alan Humphrey stepped down from the Board on 31 August 2010 and will retire on 31 October 2010. In accordance with the rules of the plan, his outstanding awards will vest in the normal way, i.e. after the expiry of the two year holding period, after which he will have six months in which to exercise them.

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Awards granted in April 2009

Aggregate EPS performance over the Performance Period	Proportion exercisable
Below 41p	Zero
41p	20%
Prorating applies between these points	Between 20% and 100%
45p or more	100%

Awards granted in November 2009

Aggregate EPS performance over the Performance Period	Proportion exercisable
Below 42.5p	Zero
42.5p	20%
Prorating applies between these points	Between 20% and 100%
47.5p or more	100%

For the purposes of the above targets, EPS will be determined by reference to basic earnings per share, as defined by IAS 33, before non-recurring items and their associated tax impact, adjusted by the Committee as considered appropriate to ensure consistency.

Smiths News share option schemes

The Company operates two types of share option scheme:

- a) an Executive Share Option Scheme which is used to grant options to executives up to an annual limit of 200% of base salary. The performance condition for options granted in November 2006 and November 2007 is based on real growth in the Company's EPS and is the same as the 2006 and 2007 LTIP performance condition described above. This condition has not been met and, as such, these options lapsed on 22 October 2009 and 21 October 2010 respectively. Options granted in November 2008 will only be exercisable if the Company's profit before tax for the year ending 31 August 2011 exceeds £30m and options granted in November 2009 will only be exercisable if the Company's profit before tax for the year ending 31 August 2012 exceeds £30.5m. The Committee will conduct its annual review of the performance condition prior to the grant of options in November 2010. The executive directors did not participate in this Scheme in the financial year ended 31 August 2010 and will not participate in the current financial year; and
- b) an HM Revenue & Customs Approved Save-As-You-Earn share option scheme (the 'Sharesave Scheme'). The Sharesave Scheme is open to all employees who have completed one year's service and who enter an approved savings contract for a term of three or five years. The maximum amount which can be saved is £250 per month, the total savings at the end of the term being used to purchase shares at 80% of their market value at the start of the savings contract. In common with most schemes of this type, there are no

performance conditions applicable to options granted under the Sharesave Scheme.

WH Smith Executive Share Option Scheme 1999 (pre-demerger)

For options granted in 2004 and 2005, prior to the demerger of WH Smith Retail on 31 August 2006, the performance condition is based on the Company's adjusted EPS growth over a fixed three year period, the proportion of options that become exercisable increasing on a straight-line basis from 40% for growth of RPI plus 9% to 100% for growth of RPI plus 15%.

For those options granted in November 2004, adjusted EPS growth exceeded RPI plus 15% over the three year period ended 31 August 2007 and, as such, these options became exercisable in full on 3 November 2007.

For those options granted in November 2005, adjusted EPS growth exceeded RPI plus 15% over the three year period ended 31 August 2008 and, as such, these options became exercisable in full on 2 November 2008.

Personal shareholdings

The Company's shareholding guidelines require executive directors to build up over a period of five years and then maintain a target holding of 100% of salary and other members of the executive management team to build up over a period of five years and then maintain a target holding of 75% of salary.

Contracts of service

The contract dates and notice periods for each executive director are as follows:

	Date of contract	Notice period by Company	Notice period by director
Jonathan Bunting	1 April 2010	One year	Nine months
Mark Cashmore	4 July 2006	One year	Nine months
Nick Gresham	23 August 2010	One year	Nine months

It is the Company's policy to enter into contracts of employment with executive directors which may be terminated at any time by the Company upon 12 months' notice and upon nine months' notice by the executive director. In the event of a change of control, Mark Cashmore's contract provides for a payment of liquidated damages of 95% of salary and benefits if the contract is terminated in breach of the notice period. In other circumstances, the Committee believes that any question of compensation should be decided upon at the appropriate time rather than in advance so that the principle of mitigation is applied in the particular circumstances.

The Chairman and other non-executive directors, who have letters of appointment, are appointed for an initial term of three years, which may be terminated at any time upon three months' written notice on either side, and are subject to review thereafter.

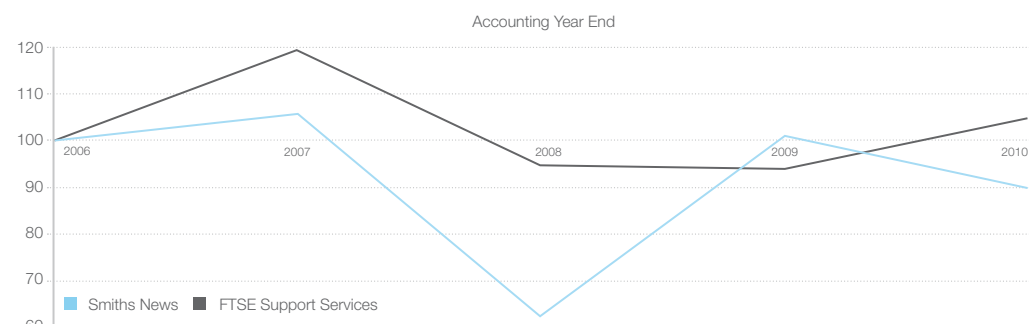
Appointment of Nick Gresham

Nick Gresham joined the Board as Chief Financial Officer on 1 August 2010. The following sets out the main terms of Nick Gresham's appointment:

- salary of £230,000;
- participation in the Annual Bonus Plan. 37.5% of salary at target level of performance and maximum opportunity of 80% of salary. Delivery is 2/3 in cash and 1/3 in deferred shares;
- participation in the Economic Profit Plan at 40% of salary (as described on page 59, this is built up during the first three years of participation);
- an LTIP appointment award of 113% of salary to be made in November 2010, under the same performance conditions as for LTIP awards to be made to other executives. This will be made in part in lieu of incentives forgone from his previous employer and is subject to performance;
- ordinary LTIP participation from 2011, i.e. 35% of salary;
- participation in the Company's defined contribution pension scheme as described on page 62;
- car allowance of £915 per month and private medical insurance.

Performance graph

Cumulative TSR growth since 31 August 2006.



- a) The graph illustrates the TSR performance of the Company on a cumulative basis (with dividends reinvested) since the demerger of WH Smith Retail on 31 August 2006 compared with the FTSE Support Services Sector Index over the same period.
- b) Smiths News PLC is a member of the FTSE Support Services sector and, as such, this sector was considered to be the most appropriate comparator group upon which a broad equity market index is calculated.

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Smiths News Employee Benefit Trust

The Smiths News Employee Benefit Trust is used to facilitate the acquisition of ordinary shares in the Company for the purpose of satisfying awards and options granted under the Company's executive share schemes including the pre-demerger share scheme. The Trust is a discretionary trust, the sole beneficiaries being employees (including executive directors) and former employees of the Company. The Trust waives its right to vote and to dividends on the shares that it holds. The Trustee is EES Trustees International Limited, an independent professional trustee company based in Jersey.

The number of shares held in the Smiths News Employee Benefit Trust at 31 August 2010 was 2,122,616. The accounting treatment is shown in the Group Statement of Changes in Equity on page 73.

Dilution limits

Share awards and executive share options are usually satisfied using market purchase shares. The Company's share plans comply with recommended guidelines on dilution limits and the Company has always operated within these limits.

Pensions

For the year under review, the Company operated two defined contribution pension schemes, the money purchase section of the WH Smith Pension Trust, for those employees who were active members

of the defined benefit section of the WH Smith Pension Trust on 1 May 2007 and the WH Smith Retirement Savings Plan. The Company ceased service accruals for active members of the defined benefit pension scheme on 1 May 2007.

Jonathan Bunting participates in the money purchase section of the WH Smith Pension Trust. The other executive directors participate in the Smiths News section of the WH Smith Retirement Savings Plan. Under these plans an executive director may contribute up to an amount equivalent to 5% of salary which is then matched by the Company. In addition, a salary supplement, in respect of pension entitlement, is also payable which may be taken as an additional pension contribution or as an addition to basic pay. For the financial year ended 31 August 2010, for Mark Cashmore and Alan Humphrey, the salary supplement was equivalent to 25% of salary and for Jonathan Bunting and Nick Gresham it was equivalent to 20% of salary.

External appointments

It is the Company's policy to allow each executive director to accept one non-executive directorship of a publicly quoted company provided that it is not a chairmanship of a FTSE 100 company and it does not conflict with the interests of the Company. Executive directors may retain the fee for such an appointment. The executive directors do not currently hold any non-executive directorships.

Part B – Audited

Directors' remuneration

The remuneration of the directors for the financial year ended 31 August 2010 was as follows:

	Salary/fees £'000	Annual bonus £'000	Economic Profit Plan £'000	Pension supplement and benefits £'000	Total £'000	Year to 31 August 2009 £'000
Executive						
Jonathan Bunting	83	42	10	9	144	–
Mark Cashmore	320	213	45	68	646	495
Nick Gresham	19	–	–	5	24	–
Alan Humphrey	200	100	23	73	396	341
Non-executive						
Dennis Millard (Chairman)	110	–	–	–	110	110
Andrew Brent	35	–	–	–	35	35
Anthony Cann	40	–	–	–	40	40
John Worby	40	–	–	–	40	40
Total	847	355	78	155	1,435	1,061

- a) Pension supplement and benefits: this includes any pension salary supplement taken as an addition to basic pay, the provision of a company car and private medical insurance.
- b) Jonathan Bunting earned an annual bonus of £150,000, of which £50,000 is in the form of shares, the receipt of which is deferred for two years, subject to continued employment. This share award will be granted in October 2010. The values shown in the table are in respect of the period 1 April 2010 (date of appointment) to 31 August 2010.
- c) Mark Cashmore earned an annual bonus of £320,000, of which £106,667 is in the form of shares, the receipt of which is deferred for two years, subject to continued employment. This share award will be granted in October 2010.
- d) Alan Humphrey earned an annual bonus of £150,000, of which £50,000 is in the form of shares, the receipt of which is deferred for two years, subject to continued employment. This share award will be granted in October 2010.
- e) Jonathan Bunting will receive an Economic Profit Plan payout of £46,108, of which £23,054 is in the form of shares, the receipt of which is deferred for two years, subject to continued employment. This share award will be granted in October 2010.
- f) Mark Cashmore will receive an Economic Profit Plan payout of £89,574, of which £44,787 is in the form of shares, the receipt of which is deferred for two years, subject to continued employment. This share award will be granted in October 2010.
- g) Alan Humphrey will receive an Economic Profit Plan payout of £45,974, of which £22,987 is in the form of shares, the receipt of which is deferred for two years, subject to continued employment. This share award will be granted in October 2010.
- h) Jonathan Bunting was appointed as a director of the Company on 1 April 2010. Jonathan Bunting's salary for the full year was £200,000.
- i) Nick Gresham was appointed as a director of the Company on 1 August 2010. Nick Gresham's annual salary is £230,000.
- j) All of the directors, with the exception of Jonathan Bunting and Nick Gresham, served throughout the year.

Directors' pensions

Defined contribution schemes

Jonathan Bunting was a member of the Smiths News section of the WH Smith Pension Trust during the year ended 31 August 2010. Mark Cashmore, Nick Gresham and Alan Humphrey were members of the Smiths News section of the WH Smith Retirement Savings Plan during the year ended 31 August 2010.

Directors' pension contributions during the year were as follows:

	Employee contribution		Employer contribution	
	% of salary	£'000	% of salary	£'000
Jonathan Bunting	25	21	5	4
Mark Cashmore	15	48	5	16
Nick Gresham	5	1	5	1
Alan Humphrey	5	10	5	10

- a) Executive directors receive a salary supplement which may be taken as an additional pension contribution or as an addition to basic pay; this payment if taken as an addition to basic pay is included in the table of directors' remuneration under the heading Pension supplement and benefits.
- b) Jonathan Bunting, who was appointed to the Board on 1 April 2010, received a salary supplement of 20% of salary, all of which was taken as an additional pension contribution and is included in the Employee contribution in the above table.
- c) Mark Cashmore received a salary supplement of 25% of salary, 10% of which was taken as an additional pension contribution and is included in the Employee contribution in the above table and 15% of which was taken as an addition to basic pay and is included in the table of directors' remuneration.
- d) Nick Gresham, who was appointed to the Board on 1 August 2010, received a salary supplement of 20% of salary, all of which was taken as an addition to basic pay and is included in the table of directors' remuneration.
- e) Alan Humphrey received a salary supplement of 25% of salary, all of which was taken as an addition to basic pay and is included in the table of directors' remuneration.
- f) The dependants of Jonathan Bunting are eligible for payment of a lump sum in the event of death-in-service equivalent to eight times salary. The dependants of the other executive directors are eligible for payment of a lump sum in the event of death-in-service equivalent to four times salary.

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Directors' deferred share awards

Smiths News Deferred Bonus Plan

Details of the deferred share awards (in the form of nil cost options) granted to executive directors under the Smiths News Deferred Bonus Plan (arising from the Annual Bonus Plan and Economic Profit Plan), are as follows:

	Date of grant	Number of shares subject to awards at 1 September 2009 (or date of appointment)	Number of shares subject to awards granted during the year	Number of shares subject to awards exercised during the year	Number of shares subject to awards at 31 August 2010	Share price at date of grant (pence)	Exercise period
Jonathan Bunting							
Annual Bonus Plan	26.11.09	48,837	–	–	48,837	107.50	26.11.11 – 26.11.12
Economic Profit Plan	26.11.09	10,620	–	–	10,620	107.50	26.11.11 – 26.11.12
Total		59,457	–	–	59,457		
Mark Cashmore							
Annual Bonus Plan	23.10.08	194,106	–	194,106	–	56.67	22.02.10 – 22.02.11
Annual Bonus Plan	26.11.09	–	102,326	–	102,326	107.50	26.11.11 – 26.11.12
Economic Profit Plan	26.11.09	–	20,860	–	20,860	107.50	26.11.11 – 26.11.12
Total		194,106	123,186	194,106	123,186		
Alan Humphrey							
Annual Bonus Plan	23.10.08	106,097	–	106,097	–	56.67	22.02.10 – 22.02.11
Annual Bonus Plan	26.11.09	–	51,628	–	51,628	107.50	26.11.11 – 26.11.12
Economic Profit Plan	26.11.09	–	11,227	–	11,227	107.50	26.11.11 – 26.11.12
Total		106,097	62,855	106,097	62,855		

- Full details of the Annual Bonus Plan, Economic Profit Plan and Deferred Bonus Plan are set out on pages 58 and 59.
- There are no further performance conditions attached to these awards, which are exercisable subject only to continued employment.
- No option price is payable on either the grant or exercise of any award.
- To maintain the tax treatment at the time the awards were granted, the expiry of the holding period for awards granted on 23 October 2008 was brought forward from 23 October 2010 to 22 February 2010 on condition that shares acquired on the exercise of awards were retained until 23 October 2010.
- Mark Cashmore exercised the award granted to him on 23 October 2008 on 23 February 2010. The market value of the shares on the date of exercise was £225,163 (116p per ordinary share).
- Alan Humphrey exercised the award granted to him on 23 October 2008 on 23 February 2010. The market value of the shares on the date of exercise was £123,073 (116p per ordinary share).
- The total gains made by all directors on the exercise of deferred share awards was £348,236.
- Alan Humphrey stepped down from the Board on 31 August 2010 and will retire on 31 October 2010. In accordance with the rules of the plan, his outstanding awards will vest in the normal way, i.e. after the expiry of the two year holding period, after which he will have six months in which to exercise them.
- No awards have lapsed during the year ended 31 August 2010.
- No awards have been granted to or exercised by directors between 1 September 2010 and 21 October 2010.

Directors' long-term incentive schemes

Smiths News LTIP

Details of the conditional awards (in the form of nil cost options) to acquire ordinary shares of the Company granted to executive directors under the Smiths News LTIP are as follows:

	Date of grant	Number of shares subject to awards at 1 September 2009 (or date of appointment)	Number of shares subject to awards granted during the year	Number of shares subject to awards lapsed during the year	Number of shares subject to awards at 31 August 2010	Share price at date of grant (pence)	Exercise period
Jonathan Bunting							
2007	15.11.07	50,601	–	–	50,601	110.67	–
2008	30.04.09	61,146	–	–	61,146	100.17	Oct 2011 – 30.04.19
2009	26.11.09	65,116	–	–	65,116	107.50	Oct 2012 – 26.11.19
Total		176,863	–	–	176,863		
Mark Cashmore							
2006	16.11.06	196,078	–	196,078	–	127.50	–
2007	15.11.07	124,243	–	–	124,243	110.67	–
2008	30.04.09	137,267	–	–	137,267	100.17	Oct 2011 – 30.04.19
2009	26.11.09	–	148,837	–	148,837	107.50	Oct 2012 – 26.11.19
Total		457,588	148,837	196,078	410,347		
Alan Humphrey							
2006	16.11.06	105,882	–	105,882	–	127.50	–
2007	15.11.07	58,507	–	–	58,507	110.67	–
2008	30.04.09	64,640	–	–	64,640	100.17	Oct 2011 – 30.04.19
2009	26.11.09	–	65,116	–	65,116	107.50	Oct 2012 – 26.11.19
Total		229,029	65,116	105,882	188,263		

- The number of shares subject to awards is the maximum (100%) number of shares that could be received by the director if the performance targets as set out on pages 59 and 60 are fully met.
- The threshold EPS performance target applicable to the awards granted on 16 November 2006 and 15 November 2007 has not been met and, as such, these awards lapsed on 22 October 2009 and 21 October 2010 respectively.
- No option price is payable on either the grant or exercise of any award.
- Alan Humphrey stepped down from the Board on 31 August 2010 and will retire on 31 October 2010. In accordance with the rules of the plan, a time-based proportion of his outstanding awards will, to the extent that the performance targets are met, be exercisable within six months of the normal vesting dates.
- No awards have vested or been exercised during the year ended 31 August 2010.
- No awards have been granted to or exercised by directors between 1 September 2010 and 21 October 2010.

Remuneration Report continued

Share option schemes

Details of the options to acquire ordinary shares of the Company granted to executive directors are as follows:

	Date of grant	Number of shares subject to options at 1 September 2009 (or date of appointment)	Number of shares subject to options granted during the year	Number of shares subject to options exercised during the year	Number of shares subject to options at 31 August 2010	Option price (pence)	Exercise period
Jonathan Bunting							
WH Smith Executive	03.11.04	64,203	–	–	64,203	81.00	03.11.07 – 02.11.14
Share Option Scheme 1999	02.11.05	120,681	–	–	120,681	88.00	02.11.08 – 01.11.15
Smiths News Sharesave Scheme	04.06.08	11,058	–	–	11,058	85.00	01.08.11 – 31.01.12
Total		195,942	–	–	195,942		
Mark Cashmore							
WH Smith Executive	03.11.04	64,203	–	–	64,203	81.00	03.11.07 – 02.11.14
Share Option Scheme 1999	02.11.05	169,022	–	–	169,022	88.00	02.11.08 – 01.11.15
Smiths News Sharesave Scheme	29.11.06	3,750	–	3,750	–	100.80	01.02.10 – 31.07.10
	04.06.08	4,423	–	–	4,423	85.00	01.08.11 – 31.01.12
	24.06.09	2,310	–	–	2,310	79.20	01.09.12 – 28.02.13
	02.06.10	–	3,689	–	3,689	98.40	01.08.13 – 31.01.14
Total		243,708	3,689	3,750	243,647		
Alan Humphrey							
WH Smith Executive	03.11.04	57,696	–	–	57,696	81.00	03.11.07 – 02.11.14
Share Option Scheme 1999	02.11.05	177,404	–	–	177,404	88.00	02.11.08 – 01.11.15
Smiths News Sharesave Scheme	29.11.06	3,750	–	3,750	–	100.80	01.02.10 – 31.07.10
Total		238,850	–	3,750	235,100		

- a) The middle market price of an ordinary share at the close of business on 31 August 2010 was 100.75p (28 August 2009: 120p).
- b) The high and low middle market prices of an ordinary share during the year were 126p and 96p respectively.
- c) The maximum EPS performance target applicable to the options granted under the WH Smith Executive Share Option Scheme 1999 on 3 November 2004 and 2 November 2005, as set out on page 60, has been met and as such these options became exercisable in full on 3 November 2007 and 2 November 2008 respectively.
- d) Mark Cashmore exercised the Sharesave option granted to him on 29 November 2006 on 27 January 2010. The market price of the shares on the date of exercise was 118p and the gain was £645.
- e) Alan Humphrey exercised the Sharesave option granted to him on 29 November 2006 on 21 July 2010. The market price of the shares on the date of exercise was 108p and the gain was £270.
- f) The total gains made by all directors on the exercise of share options was £915.
- g) Alan Humphrey stepped down from the Board on 31 August 2010 and will retire on 31 October 2010. In accordance with the rules of the WH Smith Executive Share Option Scheme 1999, his outstanding options, both of which have vested, will be exercisable within 12 months of his date of retirement.
- h) No share options lapsed during the year ended 31 August 2010.
- i) No share options have been granted to or exercised by directors between 1 September 2010 and 21 October 2010.

Directors' interests in shares

The beneficial interests of the directors and their immediate families in the ordinary shares of the Company are set out below:

	31 August 2010	31 August 2009 (or date of appointment)
Andrew Brent	10,101	–
Jonathan Bunting	130,402	130,402
Anthony Cann	30,000	30,000
Mark Cashmore	157,847	109,736
Nick Gresham	–	–
Alan Humphrey	234,743	168,484
Dennis Millard	85,000	75,000
John Worby	12,000	12,000

There has been no change in the directors' interests shown above between 1 September 2010 and 21 October 2010.

Approval

This report was approved by the Board and signed on its behalf by:

Anthony Cann

Chairman of the Remuneration Committee

21 October 2010