

Board of Directors



Dennis Millard
Chairman



Chairman

Dennis Millard joined the Board as a non-executive director and Deputy Chairman on 31 August 2006 and became Chairman on 6 February 2008. He is Chairman of the Nominations Committee and a member of the Audit and Remuneration Committees. He is Chairman of Halfords Group plc, a non-executive director and Senior Independent Director of Premier Farnell plc and Xchanging plc, and a non-executive director of Debenhams plc. He was Finance Director of Cookson Group plc from 1996 to 2005 and was a non-executive director of Exel plc from 2003 until 2005. He is Chairman of Trustees of the charity The Holy Cross Children's Trust. Aged 60.



Mark Cashmore
Group Chief Executive



Executive directors

Mark Cashmore joined the Board on 31 August 2006 as Group Chief Executive. He started his career with Pernod Ricard before moving to United News and Media in 1989. Between 1989 and 1999 he held senior positions in a number of news distribution businesses, including Sales Director of United Magazine Distribution, USM and Seymour. He joined WH Smith News in 1999 and was appointed Magazine Sales Director in 2001 and Managing Director in June 2006. Aged 49.



Alan Humphrey
Group Finance Director



Alan Humphrey joined the Board on 31 August 2006. He was Finance Director of Our Price, Waterstone's, WH Smith High Street Retail and WH Smith News in a career with WH Smith that spanned 28 years. He left WH Smith in 2000 to be Finance Director of Waterstone's, now owned by HMV Media, before rejoining WH Smith as Finance Director of WH Smith News in November 2002. Aged 55.



Andrew Brent
Non-executive director



Non-executive directors

Andrew Brent is a non-executive director and joined the Board on 1 September 2008. He is a member of the Audit, Remuneration and Nominations Committees. He was most recently Group Brand Marketing Director of BSKyB and previously held senior marketing positions in a number of leading companies including Alliance Boots Plc, Burger King Inc., Iceland Frozen Foods Plc and Proctor and Gamble Inc. Aged 50.



Anthony Cann
Non-executive director



Anthony Cann is a non-executive director and joined the Board on 31 August 2006. He is Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees. He is a solicitor, now non-practising, and was the worldwide Senior Partner of Linklaters, an international law firm, from 2001 until September 2006. He is a non-executive director of Panmure Gordon & Co. plc and was Chairman of Trustees of the charity Changing Faces from 2007 until 2009. Aged 62.



John Worby
Non-executive director



John Worby is a non-executive director and Senior Independent Director and joined the Board on 31 August 2006. He is Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees. He is Finance Director of Genus plc and was previously Group Finance Director and Deputy Chairman of Uniq plc (formerly Unigate plc). He is the Senior Independent Director and Chairman of the Audit Committee of Cranswick plc. Aged 58.

Board Committees

Audit Committee

John Worby
Chairman

Andrew Brent

Anthony Cann

Dennis Millard

Nominations Committee

Dennis Millard
Chairman

Andrew Brent

Anthony Cann

John Worby

Remuneration Committee

Anthony Cann
Chairman

Andrew Brent

Dennis Millard

John Worby

Executive Management Team



Jon Bunting
Commercial Director



Commercial Director

Jon Bunting joined the business as a graduate recruit in 1994. Between 1994 and 2006 he held various sales and marketing managerial roles before being appointed Commercial Director on 31 August 2006. Aged 37.



Mark Charlton
Company Secretary



Company Secretary

Mark Charlton joined the business in 1993. Mark was appointed Business Planning Director in 2001. He was appointed Company Secretary on the demerger of WH Smith Retail on 31 August 2006. Aged 48.



Glenn Leech
Human Resources
Director



Human Resources Director

Glenn Leech joined the business in November 2004 from Ford Motor Company. He spent seven years at Ford, during which time he held a number of managerial positions in Employee Relations, HR Business Operations and as an HR Project Manager. Aged 34.



Graeme Underhill
Operations Director



Operations Director

Graeme Underhill joined the business in 1975. Graeme managed a number of depots before moving to Head Office in 1997 as Project Manager for the Business Process Review. He held various senior central roles including SAP Project Manager and Operations Development Manager before being appointed Operations Director in 2001. Aged 51.



Richard Webb
Information Systems
Director



Information Systems Director

Richard Webb joined the business as a graduate recruit in 1987. Richard worked in a variety of roles at warehouse locations and regional level before moving to Head Office in 1994 to join the Information Systems Department. He was appointed Information Systems Director in 2004. Aged 44.



Michael Neil
Managing Director
Bertrams



Managing Director, Bertrams

Michael Neil joined Bertrams in 2005. He has extensive experience in buying, marketing and operations, having formerly worked for WH Smith, Waterstone's, Blackwell's and Hammicks, and is a member of the Booksellers Association Council. Aged 46.

Directors' Report

The directors of Smiths News PLC (the 'Company') present their report and audited financial statements of the Company and its subsidiaries (the 'Group') for the year ended 31 August 2009.

The report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. Nothing stated in this report should be construed as a profit forecast.

Pages 40 to 43 inclusive (together with the sections of the Annual Report incorporated by reference) consist of a directors' report that has been drawn up and presented in accordance with and reliance upon applicable English company law and the liabilities of the directors in connection with the report shall be subject to the limitations and restrictions provided by such law.

Principal activities

The principal activities of the Group are the wholesale distribution of newspapers, magazines and books. Smiths News is the UK's leading wholesaler of newspapers and magazines, serving around 30,000 retailers across England and Wales. Bertrams, which was acquired on 20 March 2009, is a leading UK book wholesaler, supplying books to a mix of independent booksellers, on-line and multiple retailers, and libraries.

The principal companies affecting the profits or net assets of the Group in the year are listed in Note 31 to the Financial Statements.

Business Review

The Company is required by the Companies Act 2006 to set out in this report a review of the business of the Group during the financial year ended 31 August 2009, including an analysis of the position of the Group at the end of the financial year, a description of the principal risks and uncertainties facing the Group and an indication of likely future developments.

The information that fulfils the Business Review requirements can be found in the following sections of the Annual Report, which are incorporated into this report by reference:

- Chairman's Statement on page 8;
- Business Review, comprising the Operating Review and Financial Review, on pages 10 to 31; and
- Corporate Responsibility Review on pages 33 to 37.

Transactions

On 20 March 2009, the Company completed the Acquisition of Bertrams, formerly part of the Woolworths Group, for £8.6m in cash. The Company also purchased on 3 August 2009 certain assets from Dawson News for £1.5m in cash.

Further details of the Acquisition of Bertrams can be found in Note 24 to the Financial Statements.

Directors' Report

Profit and dividends

The profit for the financial year, after taxation, was £17.7m (2008: £26.5m).

The directors recommend the payment of a final dividend for the year of 4.6p per ordinary share (2008: 4.5p) on 5 February 2010 to members on the Register at the close of business on 8 January 2010.

This final dividend, together with the interim dividend of 2.2p per ordinary share paid on 12 June 2009, makes a total dividend of 6.8p per ordinary share for the year ended 31 August 2009 (2008: 6.7p).

Share capital

The Company's authorised share capital is £15,050,040 divided into 300,000,000 ordinary shares of 5p each, 40 deferred shares of £1 each and one redeemable preference share of £50,000. As at the date of this report there are 182,922,386 ordinary shares in issue.

The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form.

The rights and obligations attaching to the Company's ordinary, deferred and preference shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association, a copy of which can be obtained by writing to the Company Secretary or from Companies House. The holders of ordinary shares are entitled to receive the Company's report and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights, and to receive dividends subject to the deduction of any sums due to the Company on account of calls or otherwise.

There are no specific restrictions on the size of a holding nor on the transfer of shares. The Company is not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Changes to the Company's Articles must be approved by special resolution of the Company.

Details of the Company's employee share schemes are provided in the Remuneration Report on pages 51 to 63. The Trustee of the Smiths News Employee Benefit Trust waives its right to vote and to dividends on the shares that it holds.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Issue of new ordinary shares

During the financial year ended 31 August 2009, 329 ordinary shares of the Company were issued under the Sharesave Scheme at a price of 85p. The Articles of Association of the Company provide that the Board may, subject to the prior approval of the members of the Company, exercise all the powers of the Company to allot relevant securities including new ordinary shares.

Purchase of own shares

At the Annual General Meeting held on 16 January 2009, authority was given for the Company to purchase, in the market, up to 18,291,993 ordinary shares of 5p each. The Company did not use this authority to make any purchases of its own shares during the financial year. This authority is renewable annually and approval will be sought from shareholders at the Annual General Meeting in 2010 to renew the authority for a further year.

Directors' Report

Substantial shareholdings

As at 22 October 2009 the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following significant holdings of voting rights in its shares:

Holder	Number	%	Nature of Holding
Silchester International Investors Limited	34,803,278	19.03	Direct
Standard Life Investments Limited	9,542,099	5.22	Direct and Indirect Interests
Legal & General Group Plc.	7,350,561	4.02	Direct Interest

Significant agreements - change of control

The Company's trading subsidiaries, Smiths News Trading Limited and Bertram Trading Limited, have agreements with publishers and distributors that contain change of control clauses giving rights to those publishers and distributors on a takeover of the Company.

A change of control of the Company following a takeover bid may cause a number of other agreements to which the Company, Smiths News Trading Limited or Bertram Trading Limited is party, such as banking arrangements, property leases and licence agreements to take effect, alter or terminate. In addition, the executive directors' service agreements and employee share plans would be similarly affected on a change of control, including in the case of the directors, compensation for loss of office if their contracts were terminated. Details of the change of control clause in the service contracts of the executive directors can be found in the Remuneration Report on page 57.

Directors

The directors are responsible for the management of the business of the Company and may exercise all the powers of the Company subject to applicable legislation and regulation and the Company's Memorandum and Articles of Association.

The names of the directors as at the date of this report, together with biographical details, are set out on page 38. All the directors served throughout the year.

The Company's Articles of Association give a power to the Board to appoint directors and (where notice is given signed by all the other directors) remove a director from office. They also give a power to the Company to appoint directors (by ordinary resolution)

and remove a director from office (by special resolution or by ordinary resolution of which special notice has been given). The Company's Articles of Association themselves may be amended by special resolution of the shareholders.

The Company's Articles of Association require that directors offer themselves for re-election every three years and that new directors appointed by the Board offer themselves for election at the next annual general meeting following their appointment.

Mark Cashmore and Dennis Millard, who have served as directors since 31 August 2006, retire from the Board and, being eligible, offer themselves for re-election. John Worby has led a thorough review of Dennis Millard's contribution to the Board and, following the formal performance evaluation carried out in August 2009, confirms that he continues to be an effective Chairman.

The interests of the directors and their immediate families in the share capital of the Company, along with details of directors' share options and awards, are set out in the Remuneration Report on pages 51 to 63.

At no time during the year did any of the directors have a material interest in any significant contract with the Company or any of its subsidiaries.

The Company maintains directors' and officers liability insurance which gives appropriate cover for any legal action brought against its directors. The Company has also provided an indemnity for its directors and secretary, to the extent permitted by law, which is a qualifying third party indemnity provision for the purposes of section 234 of the Companies Act 2006.

Directors' Report

Employees

The Group employs approximately 6,100 people (2008: 4,100) throughout the United Kingdom and it is proud of its long history of being regarded as a responsible and respected employer. Approximately 2,300 new employees joined the Group during the year as a result of the acquisitions of Bertrams in March 2009 (approximately 500 employees) and certain assets of Dawson News in August 2009 (approximately 1,800 employees).

Employees are kept well informed of the performance and objectives of the business through personal briefings and email and the Group's open management style encourages employees to contribute to the development of the business.

The Company operates a HM Revenue & Customs Approved Save-As-You-Earn share option scheme (Sharesave Scheme), which provides employees with the opportunity to acquire shares in the Company. Some 560 employees participate in this scheme (2008: 480).

The Board believes in creating throughout the Group a culture that is free from discrimination and harassment and will not permit or tolerate discrimination in any form. Proper consideration is given to applications for employment when these are received from disabled people and the Group employs disabled people whenever suitable vacancies arise. Should an employee become disabled when working for the Group, efforts are made to continue his/her employment and retraining is provided if necessary.

Charitable and political donations

Charitable donations during the year ended 31 August 2009 totalled £6,594 (2008: £34,826). The Group encourages its employees to give their time and skills for the benefit of a variety of charitable causes. Further details can be found in the Corporate Responsibility Review on page 36.

It is the Group's policy not to make political donations and no political donations or EU political expenditure were made in the year (2008: £nil).

Supplier payment policy

The Group's policy for the payment of suppliers, which complies with the CBI Code of Practice for Buyers, is to agree the terms of payment in advance in line with normal trade practice and, provided a supplier performs in accordance with the agreement, to abide by such terms. The Group's trade creditors figure as at the balance sheet date was equivalent to 34 days (2008: 30 days) based on average daily amounts invoiced by suppliers during the year. The Company is a holding company and does not have any trade creditors.

Disclosure of information to auditors

Each director confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and that each director has taken all the steps he ought reasonably to have taken as a director in order to make himself 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 section 418 of the Companies Act 2006.

Auditors

Resolutions to re-appoint Deloitte LLP as auditors to the Company and to authorise the Audit Committee to determine their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held at Wakefield House, Pipers Way, Swindon, Wiltshire SN3 1RF on 15 January 2010 at 11.30am. The Notice of Annual General Meeting is given, together with explanatory notes on the six items of special business to be considered at the meeting, in the booklet which accompanies this report.

By order of the Board

Mark Charlton
Company Secretary
22 October 2009

Corporate Governance

The Board is committed to achieving high standards of corporate governance. The principal governance rules applying to UK companies listed on the London Stock Exchange, for accounting periods beginning on or after 29 June 2008, are contained in the Combined Code on Corporate Governance adopted by the Financial Reporting Council in June 2008 (the 'Code') and in Chapter 7 of the Disclosure and Transparency Rules.

This report, together with the Remuneration Report on pages 51 to 63, describe how the Company has applied the main principles set out in Section 1 of the Code during the financial year ended 31 August 2009.

The Company has complied with the provisions set out in Section 1 of the Code throughout the financial year ended 31 August 2009.

The Board

On 22 October 2009, the Board comprised the Chairman, two executive directors and three independent non-executive directors. Short biographies of each of the directors, which illustrate their range of experience, are set out on page 38. There is a clear division of responsibility at the head of the Company; Dennis Millard (Chairman) being responsible for running the Board and Mark Cashmore (Group Chief Executive) being responsible for implementing group strategy. John Worby has been nominated by the Board as the Senior Independent Director. The Board structure ensures that no individual or group dominates the decision-making process.

Dennis Millard, who was non-executive Deputy Chairman until his appointment as Chairman on 6 February 2008, met the independence criteria set out in the Code on appointment as a director. Andrew Brent, Anthony Cann and John Worby, who served as non-executive directors throughout the year and up to the date of this report meet the independence criteria set out in the Code.

Dennis Millard, whose other directorships are described on page 38, was appointed Chairman of Halfords Group plc on 28 May 2009.

The Board believes that this appointment has not adversely affected his Chairmanship of the Company.

The Board, which had eight scheduled meetings and 12 additional meetings during the year, manages the Company through a formal schedule of matters reserved for its decision. These include overall management of the Company; approval of long term objectives and strategic plans; major capital expenditure; acquisitions and disposals; approval of the annual operating and capital expenditure budgets; approval of the financial statements, material agreements and non-recurring projects; treasury policy; control, audit and risk management; remuneration of directors and senior managers; and, corporate responsibility. It also delegates specific responsibilities to the Board Committees detailed below, the role and responsibilities of each Committee being set out in formal terms of reference which are reviewed annually. The terms of reference are available on the Company's website and from the Company Secretary on request.

All directors have access to the advice and services of the Company Secretary and may take independent professional advice at the Company's expense in the furtherance of their duties. The Board receives appropriate and timely information, Board and Committee papers being sent out several days before meetings take place.

All newly appointed directors receive induction training on joining the Board which is tailored to meet the needs of the individual and the need for director training is regularly assessed by the Board.

The Board carried out a formal evaluation of its performance and the performance of its committees and individual directors in August 2009. Each director completed an extensive questionnaire covering Board and committee procedures and effectiveness and individual contributions to Board and committee meetings. In September 2009, the non-executive directors met separately to review the Chairman's performance and provided feedback to him and the Chairman reviewed the contribution of each of the directors in separate individual discussions.

Corporate Governance

The results of the evaluation were reviewed by the Board in September 2009 and whilst it was considered the Board and its Committees were working effectively a number of actions were agreed to further improve effectiveness. These included scheduling additional depot visits following the increase in the size of the network as a consequence of the recent contract gains and the continuation of the programme of pre-Board meeting breakfast meetings with functional teams.

The Company's Articles of Association require that directors offer themselves for re-election every three years and that new directors appointed by the Board offer themselves for election at the next annual general meeting following their appointment.

Board Committees

Audit Committee

The Audit Committee is chaired by John Worby, who has recent and relevant financial experience, and its other members are Andrew Brent, Anthony Cann and Dennis Millard, who all have extensive business experience. Andrew Brent and Anthony Cann are independent non-executive directors and Dennis Millard was independent on appointment as a director in August 2006. The Committee comprised only two independent non-executive directors between 1 September and 22 September 2008 which, as the Company is a 'small company', complies with the Code. Andrew Brent was appointed to the Committee on 22 September 2008. The Code was amended in June 2008 to allow the Chairman of a small company to be a member of (but not Chair) the Audit Committee and, as such, Dennis Millard was re-appointed to the Committee on 18 November 2008. At the invitation of the Committee, the Group Chief Executive, Group Finance Director, Head of Internal Audit and representatives of the external auditors regularly attend meetings.

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 monitoring the integrity of the annual and interim financial statements and other announcements relating to financial performance; reviewing significant financial reporting issues and judgments which they contain; keeping under review the effectiveness of the internal control and risk management systems; monitoring and reviewing the effectiveness of external audit (including auditor independence) and internal audit; making recommendations to the Board as to the re-appointment or otherwise of the external auditors; and monitoring and reviewing the arrangements for employees to raise, in confidence, concerns about possible improprieties in matters of financial reporting, control and other matters ('whistleblowing').

The Committee met four times during the year and its activities included: reviewing the preliminary announcement, Annual Report and Financial Statements, interim announcement and interim results; considering reports from the external auditors reviewing any accounting or judgmental issues requiring its attention; approving audit plans for the external and internal auditors; considering reports from the Head of Internal Audit on the results of internal audit reviews, significant findings, management action plans, and timeliness of resolution; reviewing reports on the Company's risk management process; reviewing management of fraud risk and incidences of fraud; meeting privately with the external auditors and the Head of Internal Audit; reviewing the effectiveness of the external audit and internal audit activities; and reviewing the effectiveness of the Company's whistleblowing process.

Corporate Governance

Nominations Committee

The Nominations Committee is chaired by Dennis Millard and its other members are Andrew Brent, Anthony Cann and John Worby. Andrew Brent was appointed to the Committee on 22 September 2008.

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 reviewing the composition of the Board including the skills, knowledge and experience of the directors; ensuring plans are in place for the succession of directors and senior management; and identifying and nominating candidates to fill board vacancies.

The Committee met once during the year to consider these matters.

Remuneration Committee

The Remuneration Committee, which met six times during the year, is chaired by Anthony Cann and its other members are Andrew Brent, Dennis Millard and John Worby. Andrew Brent was appointed to the Committee on 22 September 2008. At the invitation of the Committee, the Group Chief Executive, Group Finance Director, HR Director and representatives of its external independent adviser may attend meetings. The Committee's principal responsibility is to determine and recommend to the Board the remuneration of executive directors and the Chairman. It also monitors the level and structure of remuneration for senior management and seeks to ensure that remuneration packages are designed to attract, retain, and motivate executive directors and senior management to run the Company successfully. The remuneration of the non-executive directors is determined by the Chairman and the executive directors.

The Remuneration Report is set out on pages 51 to 63 as required by the Directors' Remuneration Report Regulations 2002.

The Committee's terms of reference are available on the Company's website and from the Company Secretary on request.

Corporate Governance

Attendance at Board/Committee meetings

The following table shows the number of scheduled and additional Board meetings and Committee meetings held during the year ended 31 August 2009 and the attendance record of individual directors. The additional Board meetings were held to consider new contract gains and the acquisitions of Bertrams and certain assets of Dawson News.

Attendance					
	Board meetings			Committee meetings	
	Scheduled	Additional ^(a)	Audit	Nominations	Remuneration
No. of meetings	8	12	4	1	6
Dennis Millard	8	12	3 ^(b)	1	6
Mark Cashmore	8	12	-	-	-
Alan Humphrey	8	12	-	-	-
Andrew Brent ^(c)	8	11	3	1	6
Anthony Cann	8	11	4	1	6
John Worby	8	12	4	1	6

(a) Includes nine meetings held by telephone conference call.

(b) Dennis Millard was re-appointed to the Audit Committee on 18 November 2008.

(c) Andrew Brent was appointed to the Audit, Nominations and Remuneration Committees on 22 September 2008.

The Board has met twice since 31 August 2009 and all the directors attended both meetings. In addition, the Audit Committee has met once and the Nominations and Remuneration Committees have met twice since 31 August 2009.

Directors' conflicts of interest

The Companies Act 2006 (the 'Act') provides that a director must avoid situations where he can have a direct or indirect interest that conflicts or might conflict with the interests of the Company ('situational conflicts').

As permitted by the Act, the Company's Articles of Association, adopted by shareholders on 6 February 2008 with effect from 1 October 2008, contain provisions that allow the Board to consider and, if it sees fit, to authorise situational conflicts.

Prior to the introduction of these provisions on 1 October 2008, each director completed a questionnaire covering situational conflicts and other appointments and a formal system was put in place for directors to declare situational conflicts to be considered for authorisation by those directors who have no interest in the matter being considered.

Any situational conflicts considered by the Board, and any authorisations given, are recorded in the Board minutes and in a register of directors' conflicts which is reviewed annually by the Board.

Risk management and internal control

The Board has overall responsibility for the Company's system of risk management and internal control and for reviewing its effectiveness, whilst the role of management is to implement the Board's policies on risk and control and provide assurance on compliance with these policies. Such a system is, however, designed to manage or mitigate rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Corporate Governance

i) Risk management

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Company, including those risks relating to social, environmental and ethical matters. This process was in place throughout the year under review and up to the date of approval of the Annual Report and accords with the revised guidance on internal control published in October 2005 ('the Turnbull Guidance'). The Audit Committee has kept under review the effectiveness of the system of internal control and has reported regularly to the Board.

The Audit Committee has also carried out a specific review of the effectiveness of the system of internal control for the purpose of this Annual Report. This assessment considered all significant aspects of internal control arising during the period covered by this report including the work of internal audit. During the course of this review, the Audit Committee has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

The key features of the risk management process are as follows:

- the Company has an internal Risk Committee responsible for monitoring risks across the business;
- the business conducts half-yearly risk assessments based on identified business objectives which are reviewed and agreed by its executive management. Risks are categorised into strategic, operational, financial and compliance and are evaluated in respect of their potential impact and likelihood. These risk assessments are updated and reviewed quarterly by the Risk Committee and are reported to the executive management and Audit Committee;
- the business risk assessment forms one of the bases for determining the internal audit plan. Audit reports in relation to areas reviewed are discussed with the Risk Committee and agreed with the Audit Committee; and

- the internal audit team meets annually with senior executives in order to complete a formal certification of the effectiveness of internal controls. These certificates are submitted to the Risk Committee. A Certificate is also provided by the Risk Committee to the Audit Committee, to assist the Board in conducting its annual review of the effectiveness of internal controls in compliance with Turnbull guidance.

ii) Internal control

a) Financial controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the executive management and the Board. The key elements of this are as follows:

- the Board is responsible for overall Group strategy, for approving revenue and capital budgets and plans, for approving major acquisitions and disposals and for determining the financial structure of the Group, including treasury and dividend policy. Monthly results and variances from plan and forecasts are reported to the Board;
- the Board has established an organisational structure with clearly defined lines of responsibility and controls at all levels of management across the business, identifying transactions requiring approval by the Board or by the Approvals Committee. The Approvals Committee, which comprises the Group Chief Executive and Group Finance Director, and for commercial transactions the relevant member of the executive management, is authorised by the Board to approve routine matters within agreed financial limits. The Group Finance Director is responsible for the functional leadership and development of the Group's finance activities;
- the Audit Committee assists the Board in the discharge of its duties regarding the Group's financial statements, accounting policies and the maintenance of proper internal financial controls. The Committee provides a direct link between the Board and the external auditors;
- the internal audit function advises and assists business management to establish and maintain adequate financial controls and reports to the executive management, Risk and Audit Committees on the effectiveness of those controls;

Corporate Governance

- there is a comprehensive system for budgeting and planning and for monitoring and reporting the performance of the Company's business to the Board. Monthly results are reported against budget and prior year, and forecasts for the current financial year are regularly revised in the light of actual performance. These cover profits, cash flows, capital expenditure and balance sheets;
- the Company carries out a full appraisal of all major investment projects;
- executive management has defined the financial controls and procedures with which the business is required to comply. Key controls over major business risks include reviews against performance indicators and exception reporting, and the preparation of monthly management accounts; and
- monthly reports are prepared to cover treasury activities and risks, for review by senior executives, and annual reports are prepared for the Board and Audit Committee covering treasury policies, pensions and insurance.
- a corporate responsibility programme has been approved by the Board to address the impact our activities have on the environment, workplace, marketplace and community;
- the Company has established a Corporate Responsibility Committee to take responsibility for reviewing performance in delivering corporate responsibility objectives and annual updates are provided to the Board;
- the Company has established a Code of Business Conduct which takes into account the interests of all stakeholders;
- the Company is committed to maintaining high standards of health and safety in all its business activities. These standards are set out in the Company's Health and Safety Policy, which is reviewed annually by the Board. The Risk Management team works with the business to assess health and safety risks and introduce systems to mitigate them. Details of major business incidents are reported to the Risk and Audit Committees and all notified accidents are investigated;

b) Non-financial controls

The Company has established a range of non-financial controls covering areas such as service levels to customers, health and safety, environment, employment and business continuity, the effectiveness of which is regularly reviewed by the executive management and the Board. The key elements are as follows:

- the business monitors service through rigorous key performance indicators at every location. Summary level data is provided to the Board on a monthly basis;
- the business commissions independently conducted surveys to establish levels of customer satisfaction and action plans are created for any significant issues that arise;
- the business has strict guidelines for the use of confidential customer data;
- the Board has approved an Environmental Policy which is reviewed annually;
- the Company is committed to ensuring that its personnel meet high standards of integrity and competence. The Company's systems cover the recruitment, training and development of personnel, an appropriate division of responsibilities and the communication of Company policies and procedures throughout the organisation; and
- business recovery plans exist to enable the business to continue with minimum disruption to customers in the event of a disaster. These plans are reviewed by the Risk Committee.

Corporate Governance

External auditors

The Audit Committee assesses the scope, fee, objectivity and effectiveness of the external auditors annually. The Committee has a policy formally to review the selection of external auditors at least every five years, including consideration of whether a tender process is appropriate. The current term of engagement of the incumbent external auditors, Deloitte LLP ('Deloitte'), is deemed to have commenced on 31 August 2006, being the date of demerger of old WH Smith PLC. In line with professional standards, Deloitte has a policy of rotating partners every five years.

The Committee also has a formal policy on the Company's relationship with the external auditors which includes financial approval limits for non-audit services and restrictions on the nature of work that can be performed to ensure that the external auditors objectivity is not impaired.

The Audit Committee, following its annual review, is satisfied that Deloitte continue to provide an effective audit service and has recommended to the Board that they be re-appointed. Accordingly, a resolution to re-appoint Deloitte will be put to shareholders at the Annual General Meeting. The fees paid to Deloitte in respect of non-audit services are shown in Note 3 to the Financial Statements.

Relations with shareholders

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance is understood. This is achieved principally through the Company's website, www.smithsnews.co.uk, and the Annual General Meeting ('AGM'). The website provides a range of information about the Company, including Annual Reports, results announcements and presentations, AGM information, share price data, financial calendar and regulatory news releases.

Formal presentations are made to institutional shareholders following the announcement of the Company's full year and interim results. The Board recognises that the AGM is the principal forum for dialogue with private shareholders. All directors normally attend the AGM and are available to answer any questions that shareholders may wish to raise. The Notice of Meeting is sent to shareholders at least 20 working days before the meeting and includes notice of the availability of the Annual Report and Financial Statements on the Company's website.

Shareholders vote on each resolution on a show of hands, unless a poll is validly called, and after each such vote the number of proxy votes received for, against, and withheld is displayed. The proxy figures are made available in writing at the end of the meeting, announced to the London Stock Exchange and published on the Company's website.

The Board as a whole is kept fully informed of the views and concerns of major shareholders. The Group Chief Executive and Group Finance Director update the Board following meetings with major shareholders and independent feedback from shareholders is provided to the Board by the Company's advisers and brokers. If requested to do so, the Chairman and Senior Independent Director are available to attend meetings with major shareholders.

By order of the Board

Mark Charlton
Company Secretary
22 October 2009

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 2009. Shareholders will be asked to approve the report at the Annual General Meeting on 15 January 2010.

Part A - Unaudited information

Remuneration Committee

The Remuneration Committee is chaired by Anthony Cann and its other members throughout the year were Dennis Millard and John Worby. Anthony Cann and John Worby are both independent non-executive directors and Dennis Millard was independent on appointment as a director in August 2006. Andrew Brent, who is an independent non-executive director, was appointed to the Committee on 22 September 2008. The Committee met six 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; in determining such policy to take into account all factors which it deems necessary, the objective of such policy being to ensure that executive management are provided with appropriate incentives to encourage

enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company; reviewing the policy for any performance related pay schemes operated by the Company; reviewing the design of all share incentive plans for approval by the Board and shareholders; 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 in consultation with the Chief Executive as appropriate, 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 Mercer Human Resource Consulting ('Mercer') and Deloitte LLP, who succeeded Mercer as external independent adviser in January 2009. Deloitte LLP also provided audit services to the Company. 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.

Remuneration Report

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.

Following the OFT announcement on the industry in October 2008, the Committee reviewed both the competitiveness and structure of executive incentive schemes with a view to aligning executive incentives more closely to the steps required to build shareholder value over the longer term. As a result of this review, and after consultation with major shareholders, it was decided to introduce a new incentive plan, the Economic Profit Plan ('EPP') and to re-balance the different forms of incentives and opportunities.

The overall maximum remuneration opportunity remains unchanged at 300 per cent of salary for Mark Cashmore and 255 per cent of salary for Alan Humphrey. The key changes were to decrease the annual bonus opportunity (at maximum performance, for Mark Cashmore from 150 per cent to 100 per cent of base salary and for Alan Humphrey from 120 per cent to 80 per cent of base salary) and to introduce an EPP bonus opportunity (at maximum performance, for Mark Cashmore 50 per cent of base salary and for Alan Humphrey 40 per cent of base salary). Given the circumstances of the year, it was decided for the year under review to increase the proportion of the annual bonus paid in the form of deferred shares. In light of the prevailing business environment, it was also decided to change the LTIP performance target from an EPS growth target to an absolute cumulative EPS target and to establish the threshold level of vesting at 20 per cent, rather than 35 per cent. The Annual Bonus Plan, EPP and LTIP are described in more detail below.

Relative value of remuneration package 2009/10

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 2010.

	Fixed element		Performance-related elements					
	Base salary		Annual Bonus Plan ^(a)		EPP ^(b)		LTIP	
	Target	Max.	Target	Max.	Target	Max.	Target	Max.
Mark Cashmore	55%	33%	26%	33%	14%	17%	5%	17%
Alan Humphrey	61%	39%	23%	31%	12%	16%	4%	14%

(a) 33 per cent 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 per cent 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) The above table does not include the value of other benefits such as the provision of a company car and private medical insurance and employer pension contributions.

Remuneration Report

Salary and benefits

The salaries of executive directors are reviewed annually in September. When conducting this review, the Committee takes into account a range of factors including the Company'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 Company.

For the year under review, Mark Cashmore and Alan Humphrey agreed to a pay freeze. In light of the significant increase in the scale and complexity of the Group following the contract gains and acquisitions of Bertrams and certain assets of Dawson News, and a review of remuneration in comparable companies, the Committee has increased the basic salaries of Mark Cashmore and Alan Humphrey with effect from 1 September 2009 to bring them nearer to market median. The salary of Mark Cashmore has been increased from £275,000 to £320,000 and the salary of Alan Humphrey has been increased from £185,000 to £200,000.

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 a profit before tax target and personal performance. 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 per cent of base salary (55 per cent at target level) and Alan Humphrey had the opportunity to receive an annual bonus up to a maximum of 80 per cent of base salary (45 per cent at target level), a significant proportion of which is payable in the form of shares, the receipt of which is deferred for two years (see Deferred Bonus Plan below).

Mark Cashmore's annual bonus for the year under review was £247,500, of which £137,500 will be paid in cash in November 2009 and £110,000 will be paid in the form of shares. Alan Humphrey's annual bonus for the year under review was £129,500, of which £74,000 will be paid in cash in November 2009 and £55,500 will be paid in the form of shares. These bonuses include an amount paid at the Committee's discretion to recognise the outstanding progress made towards the Company's strategic objectives during the year.

For the year ending 31 August 2010, Mark Cashmore can earn an annual bonus up to a maximum of 100 per cent of base salary (47.5 per cent at target level) and Alan Humphrey can earn an annual bonus up to a maximum of 80 per cent of base salary (37.5 per cent at target level), of which one third is payable in shares.

Remuneration Report

Economic Profit Plan

Under this plan, 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 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 per cent of this economic profit (9 per cent in the year under review to reflect the lower than normal tax charge) 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 and two thirds is carried forward to form part of the Pool for the following year. The main objects 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 is able to receive awards each year up to a maximum of 50 per cent of base salary (16 per cent at target level for the year under review) and Alan Humphrey is able to receive awards each year up to a maximum of 40 per cent of base salary (13 per cent at target level for the year under review). Due to the nature of the plan, expected payout at target level will increase during the first three years of its operation. It is current policy that 50 per cent of the annual payout will be in cash and 50 per cent 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 2009 resulted in contributions to the economic profit Pool of 49 per cent of base salary for Mark Cashmore and 39 per cent of base salary for Alan Humphrey. Of this Pool, Mark Cashmore will receive £44,850, of which £22,425 will be paid in cash in November 2009 and £22,425 will be paid in the form of shares and Alan Humphrey will receive £24,137, of which £12,069 will be paid in cash in November 2009 and £12,068 will be paid in the form of shares.

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 shares under award are released after 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 and Alan Humphrey will be granted share awards under this plan with market values at the date of grant of £110,000 and £55,500 respectively in connection with the Annual Bonus Plan and £22,425 and £12,068 respectively in connection with the Economic Profit Plan. These awards will be granted in November 2009.

Long-term incentives

Smiths News LTIP

Under this plan, approved by shareholders of old WH Smith PLC in August 2006, 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 per cent 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 ending 31 August 2009 and 31 August 2010 respectively (the 'Performance Period') as set out in the following table.

Remuneration Report

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%
Pro-rating applies between these points	Between 35% and 100%
9% or more	100%

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

Aggregate EPS performance over the Performance Period	Proportion exercisable
Below 41p	Zero
41p	20%
Pro-rating applies between these points	Between 20% and 100%
45p 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 both of which were approved by shareholders of old WH Smith PLC in August 2006:

- a) an Executive Share Option Scheme which is used to grant options to executives up to an annual limit of 200 per cent 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. 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. The executive directors did not participate in this Scheme in the financial year ended 31 August 2009 and will not participate in the current financial year; and
- b) an Inland Revenue 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 per cent 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.

Remuneration Report

Pre-demerger share plans

Following the demerger of WH Smith Retail on 31 August 2006, participants in the old WH Smith PLC share plans received replacement options and awards over the Company's and, in the case of the WH Smith 2004 Management Investment Plan, new WH Smith PLC's shares for their existing options and awards. These new options and awards had the same intrinsic value as the original options and awards at the date of exchange. The related performance conditions were adjusted to be equivalent to the performance conditions that existed prior to the demerger.

WH Smith 2004 Management Investment Plan

Under this plan, executive directors and key senior executives invested an amount up to 75 per cent of base salary in the shares of old WH Smith PLC ('Investment Shares') and were granted matching awards (in the form of nil cost options) to acquire further ordinary shares in proportion to the amount they invested.

As a result of the demerger, participants received shares in both the Company and new WH Smith PLC and were required either to continue to hold the shares in both companies or sell the shares of new WH Smith PLC and purchase with the proceeds of that sale (net of taxes and dealing costs) shares in the Company by 30 November 2006. The matching awards were adjusted so that for each old WH Smith PLC share previously subject to a matching award, there was one share in the Company and one share in new WH Smith PLC subject to the adjusted matching award.

Following extensive consultation with shareholders, the Remuneration Committee of old WH Smith PLC adopted a combination of financial and market-based performance conditions aimed at delivering enhanced returns to shareholders, 50 per cent of the award being dependent on an EPS condition and 50 per cent being dependent on a Total Shareholder Return ('TSR') condition.

The original EPS performance condition required the EPS of old WH Smith PLC to grow by RPI plus 20 per cent per annum over the three year period ended 31 August 2007 (the 'EPS performance period') for vesting at threshold performance and by RPI plus 30 per cent per annum over the EPS performance period for vesting at maximum performance.

The EPS of old WH Smith PLC for the purposes of the plan performance condition in the base year was 18.5p. This condition was amended to relate to the performance of the Company and required EPS for the year ended 31 August 2007 of 11.6p for threshold performance and 14.6p for maximum performance. Actual EPS for the year ended 31 August 2007 for the purposes of the plan performance condition was 13.9p and resulted in 44 per cent of matching awards vesting on 31 January 2008.

The original TSR performance condition measured the TSR of old WH Smith PLC against the TSR of a notional investment in the FTSE All Share General Retailers Index over the TSR performance period. This condition was amended so that at the end of the performance period the market capitalisation of the Company and new WH Smith PLC plus reinvested dividends paid over the whole of the performance period (whether paid by old WH Smith PLC, the Company or new WH Smith PLC) were added together to determine the percentage of matching awards that vest. In this way, the value of the TSR of old WH Smith PLC over the period up to the demerger was added to that of the Company and new WH Smith PLC for the remainder of the performance period. The result, which was calculated by Mercer, was that the condition required TSR of 7.3 per cent for threshold performance and 27.6 per cent for maximum performance. Actual TSR over the TSR performance period was 33.1 per cent and resulted in 50 per cent of matching awards vesting on 31 January 2008.

For threshold performance, awards vest in respect of shares having a value equivalent (by reference to the share price at grant) to one and a half times the invested amount and for maximum performance awards vest in respect of shares having a value equivalent to three times the invested amount. Between threshold performance and maximum performance awards vest on a straight line basis.

The matching awards vested at a level of 94 per cent on 31 January 2008, 75 per cent of the value of the vested awards being exercisable from 31 January 2008 to 31 January 2010 and the remaining 25 per cent being exercisable from 31 January 2009 to 31 January 2010.

Remuneration Report

WH Smith Executive Share Option Scheme 1999

For options granted in 2004 and 2005, 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 per cent for growth of RPI plus 9 per cent to 100 per cent for growth of RPI plus 15 per cent.

For those options granted in November 2004, adjusted EPS growth exceeded RPI plus 15 per cent 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 per cent over the three year period ended 31 August 2008 and, as such, these options became exercisable in full on 2 November 2008.

Personal shareholdings

During the year the Company introduced shareholding guidelines for its senior management. These guidelines require executive directors to build up over a period of five years and then maintain a target holding of 100 per cent of salary and all other executives to build up over a period of five years and then maintain a target holding of 75 per cent of salary.

Contracts of service

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

Contracts of service			
	Date of contract	Notice period by Company	Notice period by director
Mark Cashmore	4 July 2006	1 year	9 months
Alan Humphrey	4 July 2006	1 year	9 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 twelve months' notice and upon nine months' notice by the executive director. In the event of a change of control of the Company there is a provision in each executive director's contract which provides for a payment of liquidated damages of 95 per cent of salary and benefits if the contract is terminated in breach of the notice period.

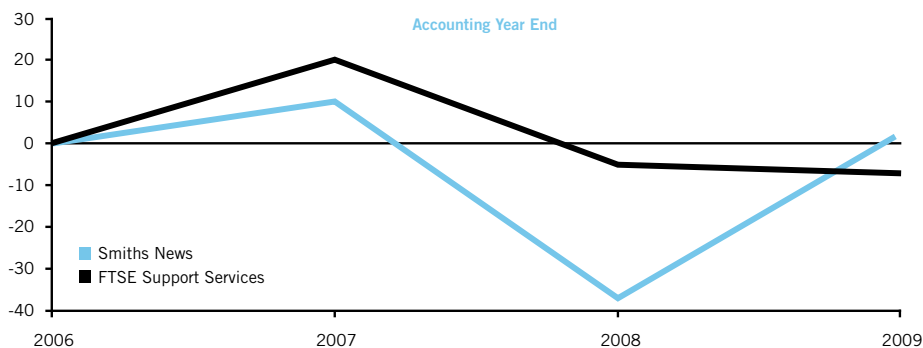
In other circumstances, the Committee believes that any question of compensation should be decided upon at the appropriate time rather than in advance so that the principle of mitigation is applied in the particular circumstances.

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.

Remuneration Report

Performance graph

Cumulative TSR growth since 31 August 2006



- 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.
- 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.

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 plans. 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 Lloyds TSB Offshore Trust Company Limited, an independent professional trustee company based in Jersey.

The number of shares held in the Smiths News Employee Benefit Trust at 31 August 2009 was 3,035,060. The accounting treatment is shown in the Reconciliation of Movements in Equity in Note 29 to the Financial Statements.

Dilution limits

Awards of long-term incentives are 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.

The executive directors participate in the Smiths News section of the WH Smith Retirement Savings Plan. Under this plan an executive director may contribute up to an amount equivalent to 5 per cent 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 to 31 August 2009 the salary supplement was equivalent to 25 per cent 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. Non-executive directorships must not conflict with the interests of the Company. Executive directors may retain the fee for such an appointment.

Remuneration Report

Part B - Audited information

Directors' remuneration

The remuneration of the directors for the financial year ended 31 August 2009 was as follows:

Directors' remuneration							
	Salary/ fees	Annual Bonus	Economic Profit Plan	Pension Supplement and benefits	Total	Year to 31 August 2008	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Executive							
Mark Cashmore	275	138	22	60	495		486
Alan Humphrey	185	74	12	70	341		342
Non-executive							
Dennis Millard (Chairman)	110	-	-	-	110		84
Andrew Brent	35	-	-	-	35		-
Anthony Cann	40	-	-	-	40		40
John Worby	40	-	-	-	40		40
Brendan Fitzmaurice	-	-	-	-	-		55
Total £'000s	685	212	34	130	1,061		1,047

- 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) Mark Cashmore earned an annual bonus of £247,500, of which £110,000 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 November 2009.
- c) Alan Humphrey earned an annual bonus of £129,500, of which £55,500 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 November 2009.
- d) Mark Cashmore will receive an Economic Profit Plan payout of £44,850, of which £22,425 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 November 2009.
- e) Alan Humphrey will receive an Economic Profit Plan payout of £24,137, of which £12,068 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 November 2009.
- f) Brendan Fitzmaurice retired from the Board on 6 February 2008.
- g) All of the directors, with the exception of Brendan Fitzmaurice, served throughout the year

Remuneration Report

Directors' pensions

WH Smith Retirement Savings Plan

The following executive directors were members of the Smiths News section of the WH Smith Retirement Savings Plan defined contribution scheme during the year ended 31 August 2009:

Directors' pensions				
	Employee contribution		Employer contribution	
	% of salary	£'000s	% of salary	£'000s
Mark Cashmore	15	41	5	14
Alan Humphrey	5	9	5	9

- 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.
- Mark Cashmore received a salary supplement of 25 per cent of salary, 10 per cent of which was taken as an additional pension contribution and is included in the Employee contribution in the above table and 15 per cent of which was taken as an addition to basic pay and is included in the table of Directors' remuneration.
- Alan Humphrey received a salary supplement of 25 per cent of salary, all of which was taken as an addition to basic pay and is included in the table of Directors' remuneration.
- The dependants of executive directors are eligible for payment of a lump sum in the event of death-in-service equivalent to four times salary.

Remuneration Report

Long-term incentives

Directors' share awards

Details of the conditional awards (in the form of nil cost options) to acquire ordinary shares of the Company, and, in respect of the Management Investment Plan, ordinary shares of new WH Smith PLC, granted to directors are as follows:

	Date of Grant	Number of shares subject to awards at 1 September 2008		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 2009	Share price at date of grant (pence)	Exercise period
		SN	WHS		SN	WHS			
Mark Cashmore									
WH Smith 2004 Management Investment Plan	03.11.04	44,023	776	-	44,023	776	-	343.00	31.01.09 - 31.01.10
Smiths News LTIP	16.11.06	196,078	-	-	-	-	196,078	127.50	Oct 2009 - 16.11.16
	15.11.07	124,243	-	-	-	-	124,243	110.67	Oct 2010 - 15.11.17
	30.04.09	-	-	137,267	-	-	137,267	100.17	Oct 2011 - 30.04.19
Total		364,344	776	137,267	44,023	776	457,588		
Alan Humphrey									
WH Smith 2004 Management Investment Plan	03.11.04	92,190	1,624	-	92,190	1,624	-	343.00	31.01.09 - 31.01.10
Smiths News LTIP	16.11.06	105,882	-	-	-	-	105,882	127.50	Oct 2009 - 16.11.16
	15.11.07	58,507	-	-	-	-	58,507	110.67	Oct 2010 - 15.11.17
	30.04.09	-	-	64,640	-	-	64,640	100.17	Oct 2011 - 30.04.19
Total		256,579	1,624	64,640	92,190	1,624	229,029		

Remuneration Report

- a) For awards granted under the WH Smith 2004 Management Investment Plan ('MIP'), the numbers of shares subject to awards at 1 September 2008 and the numbers of shares exercised during the year are in respect of ordinary shares in both the Company ('SN') and new WH Smith PLC ('WHS'). The share price for such awards is the middle market quotation for old WH Smith PLC's shares as at the date of the award. The performance conditions applicable to these awards, which are set out on page 56, have been met to the extent that approximately 94 per cent of the numbers of shares under awards vested on 31 January 2008. 75 per cent of the awards were exercisable from 31 January 2008 to 31 January 2010 and 25 per cent were exercisable from 31 January 2009 to 31 January 2010.
- b) The number of shares subject to awards granted under the Smiths News LTIP is the maximum (100 per cent) number of shares that could be received by the director if the performance targets as set out on pages 54 and 55 are fully met.
- c) No option price is payable on either the grant or exercise of any award.
- d) Mark Cashmore exercised the remaining 25 per cent of the MIP award granted to him on 3 November 2004 on 5 May 2009. The market value of the Company's shares on the date of exercise was £44,227 (100.46p per ordinary share) and the market value of the WHS shares on the date of exercise was £3,286 (423.50p per ordinary share).
- e) Alan Humphrey exercised the remaining 25 per cent of the MIP award granted to him on 3 November 2004 on 5 May 2009. The market value of the Company's shares on the date of exercise was £92,617 (100.46p per ordinary share) and the market value of the WHS shares on the date of exercise was £6,878 (423.50p per ordinary share).
- f) The total gains made by all directors on the exercise of share awards under the MIP was £147,008.
- g) No conditional share awards have vested or lapsed during the year ended 31 August 2009.
- h) No conditional share awards have been granted to or exercised by directors between 1 September 2009 and 22 October 2009.

Directors' share options

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

	Date of Grant	Number of shares subject to options at 1 September 2008	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 2009	Option price (pence)	Exercise period
Mark Cashmore							
WH Smith Executive Share Option Scheme 1999	03.11.04	64,203	-	-	64,203	81.00	03.11.07 - 02.11.14
	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
Total		241,398	2,310	-	243,708		
Alan Humphrey							
WH Smith Executive Share Option Scheme 1999	03.11.04	57,696	-	-	57,696	81.00	03.11.07 - 02.11.14
	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	-	-	238,850		

Remuneration Report

- a) The middle market price of an ordinary share at the close of business on 28 August 2009 was 120p (29 August 2008: 80.25p).
- b) The high and low middle market prices of an ordinary share during the year were 120p and 46p respectively.
- c) The options granted under the WH Smith Executive Share Option Scheme 1999 on 3 November 2004 and 2 November 2005 met the performance condition for maximum vesting as set out on page 57 and, as such, these options became exercisable in full on 3 November 2007 and 2 November 2008 respectively.
- d) No share options were exercised by directors or lapsed during the year ended 31 August 2009.
- e) No share options have been granted to or exercised by directors between 1 September 2009 and 22 October 2009.

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 2009	31 August 2008
Andrew Brent	-	-
Anthony Cann	30,000	30,000
Mark Cashmore	109,736	83,801
Alan Humphrey	168,484	114,169
Dennis Millard	75,000	60,000
John Worby	12,000	12,000

There has been no change in the directors' interests shown above between 1 September 2009 and 22 October 2009.

By order of the Board

Anthony Cann

Chairman of the Remuneration Committee
22 October 2009

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report, Directors' Remuneration 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. The directors are required by the IAS Regulation to prepare the Group financial statements under IFRSs (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. 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;
- 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 parent company 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Mark Cashmore
Group Chief Executive
22 October 2009

Alan Humphrey
Group Finance Director
22 October 2009