



ANNUAL BONUS PLAN 2009/10

GROUP – Retail Grade D+

Purpose

The annual bonus plan is designed to reward participants for their contribution to the business during the Financial Year, whilst taking account of the overall financial performance of the relevant operating company in which the participant works.

Plan Year

The plan year is from 1st September 2009 to 31st August 2010.

The application of both the financial and individual measures in determining bonus awards is outlined below. The rules governing eligibility to participate and the operation of this plan are at the end of this document.

Financial Measure

The financial measure that will be used is defined as:
'Profit before interest and tax less a charge for stock'

The table below shows the relevant financial targets at Minimum, Target and Maximum for 2009/10. If the financial performance falls between any of these points then the overall bonus award will be calculated by applying a straight-line calculation. If the minimum financial measure is not achieved then there will not be a bonus payment from this plan, irrespective of personal performance.

Measure	Minimum	Target	Maximum
Group Profit Before Tax & After Interest	78.2m	82.3m	86.4m

Individual Performance Measure

Reward for individual performance continues to be a key metric and will be measured by achievement against a set of key personal objectives (KPO's) agreed between you and your line manager. The performance ratings that will be used in 2009/10 are:

- ⇒ Exceptional Performance
- ⇒ High Performance
- ⇒ Good Performance
- ⇒ Progressing
- ⇒ Improvement Required

Overall Bonus Award

The overall award will be calculated in line with the matrix below:

Financial Performance Against PBIT Target	Exceptional Performance	High Performance	Good Performance	Progressing	Improvement Required
Max	30%	24%	18%	12%	0
Target	15%	12%	9%	6%	0
Min	11%	8%	6%	4%	0

Examples

1. Annual salary on 31st August 2010 (with no grade change during the year) = £35,000
Achievement against the PBIT target = 100%
Performance Rating = Exceptional Performance

Gross Bonus Award = £35,000 x 15% = **£5,250**

2. Annual salary on 31st August 2010 (with no grade change during the year) = £37,000
Achievement against the PBIT target = Mid way between Target and Max
Performance Rating = High Performance

Gross Bonus Award = £37,000 x 18% = **£6,660**

3. Promoted to Grade D+ on 1st January 2010
Annual salary on 31st August 2010 = £33,000
Achievement against the PBIT target = Max
Performance Rating at Grade D+ = High Performance

Gross Bonus Award = £33,000 x 24% x 8/12 = **£5,280**

(plus additional award pro-rated for time at previous grade based on performance at that previous grade)

Bonus Plan Rules 2009/10**General Principles**

1. Participation in the Annual Bonus Plan is not an entitlement under any contract of employment and may be withdrawn at any time at the absolute discretion of the Chief Executive and the Retail HR Director.
2. Payment of any bonus does not constitute part of a participant's normal remuneration under his/her contract of employment.
3. For any bonus payment to be made in respect of personal performance, the financial targets as specified in the plan must be met.
4. Participants who at the scheduled time of payment are either subject to formal disciplinary proceedings or have received an 'Improvement Required' performance rating will not be eligible for any bonus payment, regardless of the financial results.
5. Participants who join WH Smith on or before 30th April 2010 or who reduce their contracted hours over the bonus period will receive a pro rata bonus subject to financial and personal performance conditions being met. Employees who join on or after 1st May 2010 will not be eligible to participate in the 2009/10 bonus plan.

Payment

6. Payment of any cash bonus earned will normally be made with a participant's salary payment in November 2010. Employees currently undertaking a company agreed career break will be eligible for a pro rata bonus, payable on their return to work.
7. The basic salary used to calculate the bonus earned is that which the participant is earning on the final day of the plan year i.e. 31st August 2010, subject to rule 8. For example, if a participant receives a salary increase during the year which is not accompanied by a promotion to a new grade, then the bonus will be calculated on the higher salary for the whole plan period. The calculation for participants who join on or before the 15th of the month will include the first month, for those who join after the 15th the pro-rating will be based on completed months worked.
8. Participants promoted to a new grade with a different bonus potential during the plan year will receive a pro rata bonus reflecting the proportion of the year spent in each grade and the final salary earned in that grade.
9. Payments will be subject to statutory deductions such as tax and NI at the rate prevailing at the time of payment. Bonus payments are not pensionable.
10. Payment will not be made to a participant who has resigned, been made redundant or left the Group before the bonus is paid, irrespective of the amount of the plan year worked. Discretion to pay a bonus in exceptional circumstances rests with the Remuneration Committee or the Chief Executive in consultation with the Retail HR Director.
11. Those retiring at normal retirement age during the course of the plan year will be entitled to a pro rata payment in November 2010, provided the appropriate targets have been met.
12. In the event of any dispute over the interpretation of the Plan rules, the Chief Executive and the Retail HR Director will be the final arbiters in respect of participants. The Company reserves the right to terminate, withhold or amend the Plan at any time.
13. Participants who transfer between Group businesses during the bonus year will receive a pro rata bonus based upon the proportion of the year spent in each business.
14. Participants who are absent for a period of maternity or adoption leave will be entitled to a pro rata payment based on the number of completed months worked and their paid maternity or adoption leave during the plan year (subject to rule 10).
15. The Chief Executive and the Retail HR Director will apply their discretion as to whether a bonus payment should be made and at what level in all other cases of absence e.g. sickness.