

17 April 2002

**WH SMITH PLC
INTERIM RESULTS
FOR THE SIX MONTHS TO 28 FEBRUARY 2002**

WH Smith PLC announced today its results for the six months to 28 February 2002. Trading in the UK businesses, which represents approximately 90% of the Group's activities, has been robust, with sales and profits both up by 7%. Overall, Group profitability has been impacted by difficulties experienced in the US Travel business. Action has been taken to mitigate the severe operational difficulties, which have been caused by the dramatic decline in sales following September 11th.

KEY POINTS

Total sales up 10% to £1.6 billion

- UK Retail sales up 8% to £868m
- US Travel Retail sales down 12% to £100m
- ASPAC proforma sales up 10% to £75m
- Publishing sales down 4% to £65m
- News Distribution sales up 6% to £538m

Profit before tax and exceptional items down 10% to £90 million

- UK Retail profits up 6% to £82m
- US Travel Retail trading losses of £12m
- ASPAC proforma profits up 67% to £5m
- Publishing profits flat at £9m
- News Distribution profits up 17% to £14m

Exceptional charge of £27m reflecting asset impairment in USA following September 11th

**EPS before exceptional items and goodwill amortisation down 4% to 27.2p
EPS down 44% to 15.5p**

Interim dividend maintained at 6.0p

GROUP CHIEF EXECUTIVE'S COMMENTS

Commenting on the results, Richard Handover, Group Chief Executive said:

“Underlying trading in our businesses has been satisfactory, with the exception of the US business.

“UK Retail continues to perform robustly with good performances in the books, entertainment and news & express categories. The continuing emphasis on product differentiation, internal efficiencies and organic space growth is delivering tangible results.

“News Distribution, has also had a much stronger six months, driven primarily by increased newspaper prices. In addition, we are now seeing the benefits of the SAP investment, with significant reductions in waste levels.

“Trading in the US Travel Retail business continues to be difficult following the September 11th terrorist attacks, although sales trends are gradually improving. The value of this business has clearly been significantly impacted by these events and we have made appropriate adjustments to the carrying value of assets to reflect this.

“Given the solid year to date performances from all of our UK businesses and the more encouraging trends from the US business, we are confident about our future prospects.”

Enquiries:

WH Smith PLC

Richard Handover	-	Group Chief Executive	020 7409 3222
John Warren	-	Group Finance Director	020 7409 3222
Richard Manhire	-	Investor Relations	020 7514 9686
Louise Evans	-	Media Relations	020 7514 9624

Brunswick

Timothy Grey/Katya Reynier			020 7404 5959
----------------------------	--	--	---------------

FINANCIAL REVIEW

RETAILING

The WHSmith retailing businesses achieved profits of £75m (2001 - £83m), with sales of £1,043m (2001 - £925m).

UK RETAIL

In total, **UK Retail** sales grew by 8% to £868m (2001 - £803m), with like for like sales up 6%.

For the **High Street** business, sales grew by 8% to £720m (2001 - £665m) and by 6% on a like for like basis. Book sales increased by 7%, news & express categories were up 10%, with magazines up by 7% and entertainment sales grew by 14%, driven by strong DVD and multi-media products. Despite a weaker market, stationery sales were up 2% and market share was held. Market share gains were achieved in all other key product categories, with own brand and exclusive product sales up by 17%.

The **UK Travel Retail** business had another strong performance with sales also up 8% to £144m (2001 - £133m) and up 6% on a like for like basis. This performance was despite declining air passenger traffic in key London airports.

UK Retail profits were up 6% to £82m (2001 - £77m). The gross margin declined by 0.7% points reflecting the increase in sales of lower margin categories, such as entertainment and news & express, as a percentage of total sales. Total expenses grew by £14m, but as a proportion of sales, this represented a 0.5% point improvement. Consequently net margins for UK Retail fell 0.2% points to 9.4%. **WHSmith Online** losses were reduced to £2m (2001 - £4m loss) and we expect to see a further reduction in the operating loss in the medium term.

Total **UK Retail** selling space is 3.2 million square feet with average selling space increasing over the same period last year by 2%. Amongst others, the business has opened three new Edge Of Town stores (Kinnaird Park, Fosse Park and Greenford), a new store in Belfast (our first entry into Northern Ireland) and a new London Underground store at Oxford Circus. The average increase in full year selling space is also expected to be at least 2%, in line with our previously stated target for space growth.

INTERNATIONAL RETAILING

US Travel Retail sales decreased by 12% to £100m (2001 - £114m) and like for like sales were down 18%. As discussed in the January trading statement, this has been a direct result of September 11th and the subsequent impact on airline passenger numbers and hotel occupancy rates, together with the general slowdown in the US economy.

The business generated an operating loss in the period of £12m (2001 – profit £6m). However, a cost reduction programme that has been agreed and implemented (including airport rent relief, hotel store closures and a reduction in central costs) will favourably impact on operating results in the second half of the year. These actions, together with a reduction in the level of sales decline as the US travel market gradually recovers, are already resulting in a significant slowdown in the rate of operating losses.

Additionally, we have reviewed the carrying value of US assets in the balance sheet and have made an exceptional charge of £27m to cover impairment and other charges resulting from the events of September 11th. The charge covers obsolete stock, fixed assets, goodwill impairment and bad debts.

ASPAC achieved profits of £5m (2001 – proforma £3m), with sales of £75m (2001 – proforma £68m). Since acquisition in June 2001, trading and profits have continued to exceed internal targets and, as such, we remain optimistic about its future prospects.

PUBLISHING

Publishing achieved profits of £9m (2001 - £9m), with sales of £65m (2001 - £68m).

Trading profits at Hodder Headline were flat at £10m (2001 - £10m), despite a decrease in sales to £64m (2001 - £67m). This sales decline, which reflects the timing of new releases year on year, was forecast and indeed performance has been marginally ahead of expectations. The second half new release schedule is very strong and forthcoming releases include novels from Stephen King, James Patterson, Jean Auel, Martina Cole and Wendy Holden, together with a new autobiography from Mo Mowlam.

Helicon Publishing incurred a £1m loss in the period (2001 - £1m loss), reflecting trading losses and the net cost of exit, which was completed in February. As a consequence, no further losses associated with Helicon will be recorded in the second half.

NEWS DISTRIBUTION

WHSmith News Distribution achieved profits of £14m (2001 - £12m) and sales of £538m (2001: £507m). The sales improvement was driven primarily by newspaper price increases, but also volume increases. Combined with the benefits flowing from improved operational performance, notably reductions in waste, following the installation of SAP, the business is enjoying a period of profit growth.

Newspaper sales were up 11%, and magazine sales were up 3%. Gross margins declined by 0.4% points due to the impact of an increase in the sales mix towards lower margin newspapers, but with total expenses declining as a proportion of total sales by 0.6% points, net margins increased by 0.2% points.

During the period Connect2U, the B2B internet portal, generated losses of £2m (2001 – loss £2m). Following a strategic review of the business, it was decided to fully integrate Connect2U into the News Distribution call centre network. The integration was completed at the end of the period and, as a result of the revised business model, this business will break-even for the remainder of the year.

Pre-exceptional operating profit was £90m (2001 - £97m), although excluding the US Travel Retail business, pre-exceptional operating profit was up by 12% to £102m (2001 - £91m). Interest income was £nil (2001 - £3m). Of the reduction, £2m reflects lower average cash balances predominantly as a result of the acquisition of our ASPAC business in the second half of last year and also higher average stock levels, particularly in UK Retail, to drive availability and sales. The balance of the reduction, £1m, reflects lower interest rates.

Earnings per share before exceptional items and goodwill amortisation were 27.2 pence, a decline of 1.1 pence versus last year. However, given the Group's future prospects and anticipated recovery in the US business next year, the interim dividend has been maintained at 6.0p.

The financial position of the company remains sound with net cash amounting to £29m (2001 - £77m) and total net assets of £646m (2001 - £648m). Free cash outflow amounted to £13m, compared with an inflow of £17m in the prior year, primarily reflecting lower profits (£10m) and a higher outflow from working capital investment (£22m) as a result of timing differences. This latter item will largely reverse by the year end.

As outlined in the Annual Report and Accounts 2001, FRS 17 will not become fully mandatory until the financial year ending 31 August 2003, although its full effects will be disclosed this year. The Group's main defined benefit pension scheme was closed to new entrants in 1995 but continues to accrue benefits for some 4,800 active employees. Since 1996, new employees in the UK have had the opportunity to join a company administered defined contribution scheme.

CURRENT TRADING

In the 6 weeks to 13 April 2002, US Travel Retail like for like sales are down 8%, Hodder Headline sales up 20% and News Distribution sales are up 7%. The first 6 weeks of the second half are not comparable with the previous year for our UK and ASPAC retail businesses, largely due to the distortion caused by the timing of Easter. After adjusting for these distortions, underlying like for like trading is estimated to be up 3% in both businesses.

Please note that with effect from 29 April 2002, the Company's Registrar will change to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA.

WH Smith PLC

Group Profit and Loss Account

For the 6 months to 28 February 2002

		6 months to		12 months to
	Note	28 Feb 2002	28 Feb 2001	31 Aug 2001
		£m	As restated £m	As restated £m
Sales	1	1,582	1,438	2,735
Operating profit				
- continuing operations before exceptional items	1	90	97	127
- exceptional items	2	(27)	-	(16)
Total operating profit	1	63	97	111
Interest		-	3	3
Profit on ordinary activities before taxation		63	100	114
Tax on profit on ordinary activities	4	(25)	(30)	(42)
Profit on ordinary activities after taxation		38	70	72
Minority interests		-	-	(1)
Profit attributable to shareholders		38	70	71
Dividends	5	(15)	(15)	(47)
Retained earnings		23	55	24
<i>Earnings per share</i>	6	<i>15.5p</i>	27.9p	28.9p
<i>Diluted earnings per share</i>	6	<i>15.4p</i>	27.8p	28.6p
<i>Adjusted earnings per share</i>	6	<i>27.2p</i>	28.3p	35.8p
<i>Dividend per share</i>	5	<i>6.0p</i>	6.0p	19.0p
<i>Fixed charges cover – times</i>	7	<i>1.8x</i>	2.0x	1.6x
<i>Dividend cover – times</i>		<i>2.7x</i>	4.7x	1.5x
<i>Dividend cover before exceptional items – times</i>		<i>4.3x</i>	4.7x	1.8x
<i>Tax charge before exceptional items</i>	4	<i>28.0%</i>	30.0%	33.0%

WH Smith PLC

Group Balance Sheet As at 28 February 2002

	Note	At 28 Feb 2002 £m	At 28 Feb 2001 As restated £m	At 31 Aug 2001 As restated £m
Fixed assets				
Goodwill	9	228	228	236
Fixed assets	10	324	306	326
Investments	10	14	13	14
Total fixed assets		566	547	576
Current assets				
Stock		274	247	255
Debtors		191	176	185
Cash at bank and in hand	12	54	104	138
		519	527	578
Creditors due within one year				
Debt	12	-	-	(37)
Other		(403)	(383)	(455)
		(403)	(383)	(492)
Net current assets		116	144	86
Total assets less current liabilities		682	691	662
Creditors due after more than one year				
Debt	12	(25)	(27)	(26)
Other		(2)	(3)	(2)
		(27)	(30)	(28)
Provisions for liabilities and charges	11	(9)	(13)	(11)
TOTAL NET ASSETS		646	648	623
Equity				
Share capital	13	139	139	139
Share premium	14	89	86	89
Capital redemption reserve	14	156	156	156
Revaluation reserve	14	8	8	8
Profit and loss account	14	247	253	224
Equity shareholders' funds		639	642	616
Non equity share capital	13	2	2	2
Shareholders' funds		641	644	618
Minority interests		5	4	5
TOTAL EQUITY		646	648	623
Memorandum – Analysis of net cash				
<i>Cash at bank and in hand</i>		<i>54</i>	<i>104</i>	<i>138</i>
<i>Debt less than one year</i>		<i>-</i>	<i>-</i>	<i>(37)</i>
<i>Debt greater than one year</i>		<i>(25)</i>	<i>(27)</i>	<i>(26)</i>
Net cash		29	77	75

WH Smith PLC

Consolidated Statement of Total Recognised Gains and Losses

For the 6 months to 28 February 2002

	Note	6 months to		12 months to
		28 Feb 2002	28 Feb 2001	31 Aug 2001
		As restated	As restated	As restated
		£m	£m	£m
Profit attributable to shareholders		38	70	71
Currency translation differences		-	(2)	-
Total recognised gains for the period		38	68	71
Prior year adjustment	4	(8)		
Total recognised gains since last annual report		30		

Reconciliation of Movements in Consolidated Shareholders' Funds

For the 6 months to 28 February 2002

	Note	6 months to		31 Aug 2001
		28 Feb 2002	28 Feb 2001	As restated
		As restated	As restated	As restated
		£m	£m	£m
Shareholders' funds at beginning of period as previously stated		626	601	601
Prior year adjustment	4	(8)	(1)	(1)
Shareholders' funds at beginning of period as restated		618	600	600
Retained earnings		23	55	24
Issue of shares		-	-	3
Repurchase of shares		-	(9)	(9)
Currency translation differences		-	(2)	-
Net additions to shareholders' funds		23	44	18
Shareholders' funds at end of period		641	644	618

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

1 (A) Segmental Analysis of Sales and Profits

	6 months to				12 months to	
	28 Feb 2002		28 Feb 2001		31 Aug 2001	
	Sales £m	Profit £m	Sales £m	Profit £m	Sales £m	Profit £m
Retailing (note a)						
WHSmith High Street	720	76	665	74	1,120	76
UK Travel Retail (note b)	144	8	133	7	287	20
WHSmith Online	4	(2)	5	(4)	8	(7)
UK Retailing	868	82	803	77	1,415	89
USA Travel Retail	100	(12)	114	6	245	10
ASPAC (note c)	75	5	8	-	39	(2)
International Retailing	175	(7)	122	6	284	8
Total Retailing	1,043	75	925	83	1,699	97
Publishing (note d)	65	9	68	9	131	16
WHSmith News Distribution	538	14	507	12	1,024	26
Connect2U	-	(2)	-	(2)	-	(3)
Internal sales (note e)	(64)	-	(62)	-	(119)	-
Support costs	-	(7)	-	(6)	-	(12)
Internal rents (note g)	-	1	-	1	-	3
Operating profit before exceptional items	1,582	90	1,438	97	2,735	127
Exceptional items (note f)		(27)		-		(16)
Total operating profit		63		97		111

- a) Comparable sales growth for UK Retailing (adjusted for selling space) in the 6 months to 28 February 2002 was 6% (consisting of WHSmith High Street; 6% and UK Travel Retail; 6%). Comparable sales for USA Travel Retail were down 18%.
- b) UK Travel Retail includes sales of £3m (6 months to 28 February 2001; £3m) and profits of £1m (6 months to 28 February 2001; £1m) generated in continental Europe.
- c) Sales and profits related to the acquired businesses of Angus and Robertson in Australia and Whitcoulls in New Zealand (both acquired 14 June 2001) comprise sales £66m (6 months to 28 February 2001; £nil) and profits £6m (6 months to 28 February 2001; £nil). In the 12 months to August 2001, results included in ASPAC for these businesses comprise sales £23m and profit £nil.
- d) Sales from Publishing comprise Hodder Headline £64m (6 months to 28 February 2001; £67m) and Helicon Publishing £1m (6 months to 28 February 2001; £1m). Profits from Publishing comprise Hodder Headline £10m (6 months to 28 February 2001; £10m) and a Helicon loss of £1m (6 months to 28 February 2001; loss of £1m).
- e) Internal sales comprise sales to Group companies by WHSmith News Distribution £54m (6 months to 28 February 2001; £52m) and Hodder Headline £10m (6 months to 28 February 2001; £10m).
- f) Composition of Exceptional items is provided in Note 2.
- g) The results for Retailing are reported after an internal arm's length market rent on freehold and long leasehold properties owned and occupied by the Group. The internal income generated of £1m (6 months to 28 February 2001; £1m) is shown as a separate credit to the profit and loss account giving a nil effect to operating profit.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

1 (B) Analysis of Retailing Stores and Selling Space

Number of stores	1 Sept 2001	Opened	Closed	28 Feb 2002
WHSmith High Street	539	6	(1)	544
UK Travel Retail	189	4	-	193
UK Retailing	728	10	(1)	737
USA Travel Retail	573	8	(33)	548
ASPAC (<i>note a</i>)	207	2	(7)	202
Total	1,508	20	(41)	1,487

- a) ASPAC at 28 February 2002 consisted of 179 stores in Australia and New Zealand, which were acquired on 14 June 2001, and 23 stores in Asia Travel Retail (28 February 2001; 23).

Retail selling square feet (000's)	1 Sept 2001	Opened	Closed	28 Feb 2002	Growth in average sq ft *
WHSmith High Street	2,965	50	(4)	3,011	2%
UK Travel Retail	208	5	-	213	2%
UK Retailing	3,173	55	(4)	3,224	2%
USA Travel Retail	570	5	(28)	547	5%
ASPAC (<i>note a</i>)	794	4	(15)	783	0%
Total	4,537	64	(47)	4,554	2%

* Growth in average square feet compares the average square feet for the 6 months to 28 February 2002 to the average square feet for the 6 months to 28 February 2001.

- a) ASPAC at 28 February 2002 consisted of 754,000 square feet in Australia and New Zealand (acquired on 14 June 2001) and 29,000 square feet in Asia Travel Retail (28 February 2001; 34,000).

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

2. Exceptional Items

a) Exceptional items in the current year

Impairment and write down of USA Travel Retail assets

The tragic events in the USA on 11 September 2001 and their aftermath have had a material adverse effect on the trading of WHSmith USA Travel Retail.

The business has undertaken a review of WHSmith USA Travel Retail operations and made adjustments to reflect the effect on asset carrying values that has arisen as a result of the events 11 September 2001. The adjustment made to stock was US\$10m (£7.0m), to debtors was US\$9.1m (£6.0m), to tangible fixed assets was US\$10.5m (£7.3m) and to goodwill was US\$8.3m (£5.9m). Associated restructuring costs of US\$1.1m (£0.8m) have also been incurred.

b) Exceptional items in the prior year

Write off of tangible and intangible fixed assets

Following an impairment review at 31 August 2001 the Directors considered the goodwill and associated tangible fixed assets in respect of Helicon Publishing and Connect2U to be impaired. Therefore the carrying values of Helicon (£8m) and Connect2U (£3m) were written off.

Transaction costs associated with terminated disposal of WHSmith News Distribution

On 4 October 2001 WHSmith News Distribution was withdrawn from sale. The professional fees of £5m incurred during the year in connection with the disposal process were charged to the profit and loss account as an exceptional operating cost.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

3. Operating Lease Commitments

	28 Feb 2002			31 Aug 2001
	Annual net rental commitment £m	Future cumulative net rental commitment £m	Average Lease Term (years)	Annual net rental commitment £m
WHSmith High Street	74	760	10	71
UK Travel Retail	37	117	5	36
UK Retailing	111	877	8	107
International Retailing	48	178	4	58
Total Retailing	159	1,055	6	165
Publishing	3	24	9	3
WHSmith News Distribution	4	35	11	3
Property sublet to third parties	10	82	8	10
Gross rental commitment	176	1,196	7	181
Less - External rent receivable	(13)	(72)	4	(17)
- Internal rent receivable	(2)	(34)	17	(3)
Total	161	1,090	7	161

- (i) WHSmith High Street gross rental commitments includes internal rent of £1m (2001; £1m) relating to those properties which are owned by the Company. The cumulative future costs of internal rent are taken as the book value of those properties in the balance sheet at £34m, all of which relates to WHSmith High Street.
- (ii) External rent receivable relates to properties, which are let by the Company to third parties. Of the total external rent receivable £4m (2001; £8m) relates to USA Travel Retail which sublets retail space in airports where it operates a master contract and £8m (2001; £8m) represents income on subletting surplus property. Of the future cumulative external rent receivable, £23m relates to USA Travel Retail.
- (iii) Outstanding contingencies under previous assignments of leases where the liability would revert to the Company if the lease defaulted are estimated at £17m per year with a future cumulative rental commitment of approximately £165m and an average lease term of around 10 years.
- (iv) For those leases that are turnover related leases the annual net rental commitment is calculated using the minimum rental liability. The aggregate rental liability for these stores with minimum guaranteed rents is £66m (2001; £76m) and relates to UK Travel Retail and International Retailing stores.
- (v) International Retailing annual net rental commitment includes £34m relating to USA Travel Retail, and £14m relating to ASPAC. Future cumulative net rental commitment includes £129m relating to USA Travel Retail and £49m relating to ASPAC.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

4. Taxation

	6 months to		12 months to 31 Aug 2001
	28 Feb 2002	28 Feb 2001	
	£m	£m	£m
Corporation tax on UK profits	26	27	35
- Standard rate of UK corporation tax 30% (2001; 30%)			
Foreign tax	1	1	1
Total current tax charge	27	28	36
Deferred tax	(2)	-	-
Tax on profit on ordinary activities before exceptionals as previously stated	25	28	36
<i>Effective tax rate as previously stated</i>	28%	28%	28%
Tax on exceptionals	-	-	(1)
Tax on ordinary activities post exceptionals as previously stated	25	28	35
Prior year adjustment	-	2	7
Tax on profit on ordinary activities post exceptionals as restated	25	30	42
Tax on ordinary activities before exceptionals as restated	25	30	43
<i>Effective tax rate before exceptional items as restated</i>	28%	30%	33%

The effective tax rate of 28% for the 6 months to 28 February 2002 is below the UK standard corporation tax rate of 30% due mainly to over provision in prior years.

Financial Reporting Standard (FRS) 19 "Accounting for Deferred Tax" has been adopted with effect from 1 September 2001.

FRS19 requires that deferred tax be recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. The Group's previous accounting policy in respect of deferred tax was to recognise deferred tax only to the extent that a liability or asset was likely to be payable or recoverable.

The effect is to increase profit after tax by £2m (6 months to 28 February 2001 reduction £2m, 12 months to 31 August 2001 reduction £7m) from £36m to £38m and to reduce opening net assets as at 1 September 2001 by £8m from £631m to £623m. Deferred tax assets of £8m in respect of overseas losses and accelerated capital allowances have remained unrecognised under FRS19. In respect of the period ended 31 August 2001, this has caused the restated effective tax rate to be greater than the UK standard corporation tax rate of 30%.

Earnings per share for last half year have been restated from 29.2p to 27.9p and adjusted earnings per share from 29.6p to 28.3p. Other prior year comparatives have been restated accordingly.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

5. Dividends

	6 months to		12 months to
	28 Feb 2002	28 Feb 2001	31 Aug 2001
Interim	6.00p	6.00p	6.00p
Final			13.00p
Total			19.00p

	£m	£m	£m
Interim	15	15	15
Final			32
Total			47

The interim dividend will be paid on 28 June 2002 to shareholders registered at the close of business on 27 April 2002. As at 28 February 2002 the Company had 249,508,603 shares in issue.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

6. Earnings Per Share

	6 months to		12 months to
	28 Feb 2002	28 Feb 2001 As restated	31 Aug 2001 As restated
Profit attributable to shareholders as previously stated (£m)	38	72	78
Prior year adjustment	-	(2)	(7)
Profit attributable to shareholders as restated (£m)	38	70	71
Exceptional items net of related taxation	27	-	15
Amortisation of goodwill	2	1	2
Adjusted earnings	67	71	88
Weighted average shares in issue for earnings per share	246	247	246
Add weighted average number of ordinary shares under option	1	1	2
Weighted average ordinary shares for fully diluted earnings per share	247	248	248
Earnings per share – Basic	15.5p	27.9p	28.9p
Earnings per share – Diluted	15.4p	27.8p	28.6p
Adjusted earnings per share – Basic	27.2p	28.3p	35.8p
Adjusted earnings per share – Diluted	27.1p	28.2p	35.5p

The weighted number of ordinary shares in issue is stated after excluding 3,383,154 shares held solely for the purpose of satisfying obligations under employee share schemes.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

7. Fixed Charges Cover

	6 months to		12 months to
	28 Feb 2002	28 Feb 2001	31 Aug 2001
	£m	£m	£m
Interest income	-	(3)	(3)
Operating lease rentals	91	79	172
Property taxes	18	16	33
Other property costs	7	7	9
Total fixed charges	116	99	211
Profit before exceptional items and tax	90	100	130
Profit before exceptional items and tax and before fixed charges	206	199	341
Fixed charges cover	1.8x	2.0x	1.6x

Fixed charges cover is calculated by dividing profit before tax and fixed charges by total fixed charges.

8. Segmental Analysis of Operating Assets Employed

	At	At	At
	28 Feb 2002	28 Feb 2001	31 Aug 2001
	£m	As restated £m	As restated £m
WHSmith High Street	229	191	186
UK Travel Retail	41	39	34
Internet Trading	8	7	8
UK Retailing	278	237	228
International Retailing	109	107	121
Total Retailing	387	344	349
WHSmith News Distribution	11	21	(1)
Connect2U	-	2	-
Trading operations (excluding Publishing)	398	367	348
Publishing	235	232	235
Trading operations (including Publishing)	633	599	583
Freehold property	41	37	42
Support functions	(48)	(52)	(66)
Provisions for liabilities and charges	(9)	(13)	(11)
Operating assets employed	617	571	548
Net cash	29	77	75
Total net assets	646	648	623

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

9. Goodwill

	£m
Cost	
At 1 September 2001	251
Acquisitions	-
At 28 February 2002	251
Accumulated amortisation	
At 1 September 2001	15
Amortised in period	2
Impairment charge in the period	6
At 28 February 2002	23
Net book value	
At 28 February 2002	228
At 1 September 2001	236

Purchased goodwill is capitalised as an asset and amortised against profits over its useful economic life. In estimating the useful economic life of purchased goodwill, consideration is given to its durability.

Goodwill arising on the earlier acquisitions of John Menzies Retail, Internet Bookshop and WGL Retail Holdings Limited is regarded by the Directors as having a useful life of 20 years and is therefore amortised through the profit and loss account over that period.

In accordance with FRS10, where goodwill is regarded as having an indefinite life, it is not amortised but is subject to an annual test for impairment. As permitted under FRS10, this represents a departure, for the purposes of giving a true and fair view, from the requirements of the Companies Act 1985, which requires goodwill to be amortised.

Goodwill arising on the acquisitions of Hodder Headline (£172m) and Wayland (£3m) is regarded as having an indefinite useful life and is therefore not amortised in the profit and loss account. It is considered that the purchased goodwill is durable because both businesses are expected to maintain their market share and profitability in UK publishing over a long period. The majority of titles published and imprint names have significant lifespans due to copyright and licensing arrangements and range and strength of backlist titles. It is also considered that the barriers to entry which exist (and are anticipated to continue) and the nature of competition in the publishing industry are such that scale, relationships with third parties, intellectual property rights and quality of branding will prove this goodwill to be durable.

Since it is not possible to identify a finite useful life for goodwill on the purchase of both Hodder Headline and Wayland, it is not possible to quantify any amortisation that would be charged. The application of an impairment test (which is carried out annually) supports the value of goodwill and, as a result, no charge for impairment is required at the balance sheet date.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

10. Fixed Assets

(A) Changes in Fixed Assets

	Fixed assets £m	Costs of shares acquired for employee share schemes £m	Investment in associated undertakings £m	Total £m
Net Book Value at 1 September 2001	326	13	1	340
Additions	30	-	-	30
Depreciation	(26)	-	-	(26)
Impairment charge in the period	(7)	-	-	(7)
Currency translation differences	1	-	-	1
Net Book Value at 28 February 2002	324	13	1	338

(B) Analysis of Fixed Assets

	At 28 Feb 2002 £m	At 28 Feb 2001 £m	At 31 Aug 2001 £m
Freehold and long leasehold property	41	37	43
Short leasehold	106	110	114
Fixtures, fittings and equipment	177	159	169
Net Book Value	324	306	326

11. Provisions for Liabilities and Charges

	Non-trading property provisions £m	Post- retirement medical benefits £m	John Menzies acquisition reorganisation provisions £m	Total £m
At 1 September 2001	7	3	1	11
Utilised in period	(1)	-	(1)	(2)
At 28 February 2002	6	3	-	9

In the 6 months to 28 February 2002 the amount charged to non-trading property provisions comprised £1m of net rent paid on surplus properties which will continue to be charged for around 5 years. The provision for post-retirement medical benefits will continue to be utilised over the remaining lives of the relevant employees.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

12. Financial Assets and Liabilities

	At 28 Feb 2002	At 28 Feb 2001	At 31 Aug 2001
	£m	£m	£m
Cash at bank and in hand	54	104	138
Repayable within one year	-	-	(37)
Repayable in more than five years	(25)	(27)	(26)
Net cash	29	77	75

The company has additional committed facilities of £150m available but not utilised maturing in May 2002.

	At 28 Feb 2002	At 28 Feb 2001	At 31 Aug 2001
	£m	£m	£m
Cash at bank and in hand <i>(note a)</i>	54	104	138
Debt			
- Sterling floating rate <i>(note b)</i>	(23)	(25)	(61)
- Sterling fixed rate <i>(note c)</i>	(2)	(2)	(2)
Net cash	29	77	75

- a) Cash at bank is held on short-term deposit, bearing interest at an average rate of 4.1%. The only material foreign exchange exposure at 28 February 2002 relates to the financial assets and liabilities in International Retailing.
- b) Floating rate debt represents loan notes repayable in 2008 and bearing interest at a rate of 1% per annum below LIBOR.
- c) Sterling fixed rate debt includes 5.125% redeemable unsecured loan stock of £2m (2001; £2m).
- d) In addition to the above, at 28 February 2002, the Group had unredeemed 'B' shares of £4.4m which carry a non-cumulative preferential dividend set at 75% of six month LIBOR.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

13. Share Capital

	At 28 Feb 2002	At 28 Feb 2001	At 31 Aug 2001
	£m	£m	£m
Ordinary shares at 55.55p each	139	139	139
'B' shares of 53.75p each	2	2	2
	141	141	141

	Number of Shares (millions)	Number of shares (millions)	Number of Shares (millions)
Ordinary shares of 55.55p each	249	249	249
'B' shares of 53.75p each	4	4	4

At 28 February 2002, the number of options held under employee share schemes was 13.4 million shares (28 February 2001; 11.5 million). The proceeds due to the Company upon exercise of these options would be approximately £54m (28 February 2001; £60m).

The 'B' shares are redeemable at their nominal value at the shareholder's option during any other period declared by the Company, at the Company's option or at maturity on 31 August 2008.

14. Reserves

	Share premium account £m	Capital Redemption Reserve £m	Revaluation reserve £m	Profit and Loss Account £m
At 1 September 2001 as previously stated	89	156	8	232
Prior year adjustment	-	-	-	(8)
At 1 September 2001 as restated	89	156	8	224
Profit retained for the period	-	-	-	23
Reserves at 28 February 2002	89	156	8	247

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2002

15. Notes to the Cash Flow Statement

(A) Reconciliation of operating profit to net cash flow from operating activities

	6 months to		12 months to
	28 Feb 2002	28 Feb 2001	31 Aug 2001
	£m	£m	£m
Operating profit	63	97	111
Exceptional items	27	-	16
Depreciation of fixed assets	26	23	47
Amortisation of goodwill	2	1	3
Increase in stock	(27)	(31)	(18)
Increase in debtors	(12)	(16)	(22)
(Decrease)/increase in creditors	(43)	(13)	31
Cash spend against provisions	(2)	(1)	(3)
Currency translation differences	(1)	-	-
Net cash inflow from operating activities	33	60	165

(B) Reconciliation of net cash flow to movement in net cash

	6 months to		12 months to
	28 Feb 2002	28 Feb 2001	31 Aug 2001
	£m	£m	£m
Net cash at the start of the period	75	123	123
(Decrease) in cash in the period	(84)	(48)	(20)
Cash in subsidiaries acquired	-	-	6
Cash flow from Decrease/(Increase) in debt	38	2	(34)
Net cash at the end of the period	29	77	75

WH Smith PLC

- a) The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's Annual Report and Accounts for the 12 months ended 31 August 2001 with the exception of the adoption of the new accounting standard on deferred tax. Details of this change in accounting policy are set out in note 4.
- b) International trading results are expressed in sterling at the average rates of exchange ruling during the period. International net assets and UK loans denominated in foreign currencies are expressed in sterling at the closing rate of exchange on the balance sheet date. The effect of currency movements on assets and liabilities is taken to reserves. The effect of restating 2001/2002 operating profits at 1999/2001 average rates would not be material.
- c) The financial information contained in this report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The half year results are unaudited but have been reviewed by the auditors. The year 31 August 2001 figures have been extracted from the audited accounts for that year. The accounts for the year ended 31 August 2001 on which the auditors issued an unqualified audit report and which did not contain a statement under either section 237(2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies.

Independent review report to WH Smith PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 28 February 2002 which comprises the profit and loss account, the balance sheets, the cash flow statement and related notes 1 to 15. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 28 February 2002.

Deloitte & Touche

Chartered Accountants
17 April 2002

Hill House
1 Little New Street
London
EC4A 3TR