

WH SMITH PLC

PRELIMINARY ANNOUNCEMENT

12 MONTHS TO 31 AUGUST 2003

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Group Profit and Loss Account For the 12 months to 31 August 2003

£m	Note	2003			2002		
		Before exceptional items & goodwill amortisation	Exceptional items & goodwill amortisation	Total	Before exceptional items & goodwill amortisation As restated	Exceptional items & goodwill amortisation As restated	Total As restated
Sales	1	2,900	-	2,900	2,936	-	2,936
Operating profit	1, 2	106	(57)	49	109	(33)	76
Profit on sale of fixed assets	2	-	7	7	-	-	-
Interest	5	(4)	-	(4)	8	-	8
Profit on ordinary activities before taxation		102	(50)	52	117	(33)	84
Tax on profit on ordinary activities	6	(31)	2	(29)	(37)	-	(37)
Profit on ordinary activities after taxation		71	(48)	23	80	(33)	47
Minority interests		-	-	-	-	-	-
Profit attributable to shareholders		71	(48)	23	80	(33)	47
Dividends	7	(47)	-	(47)	(47)	-	(47)
Retained earnings / (losses)		24	(48)	(24)	33	(33)	-

All results derive from continuing operations

<i>Earnings per share</i>	8	<i>9.4p</i>	<i>19.1p</i>
<i>Diluted earnings per share</i>	8	<i>9.4p</i>	<i>19.0p</i>
<i>Adjusted earnings per share</i>	8	<i>29.1p</i>	<i>32.5p</i>
<i>Dividends per share</i>	7	<i>19.0p</i>	<i>19.0p</i>
<i>Net assets per share</i>		<i>174p</i>	<i>204p</i>
<i>Net assets per share excluding net pension liabilities</i>		<i>236p</i>	<i>245p</i>
Fixed charges cover – times	9	1.4x	1.5x
Dividend cover – times	7	0.5x	1.0x
Dividend cover before exceptional items and goodwill amortisation - times	7	1.5x	1.7x
Tax rate – before exceptional items and goodwill amortisation	6	30%	32%

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Group Balance Sheet

As at 31 August 2003

£m	Note	2003	2002 As restated
Fixed assets			
Goodwill	12	228	240
Fixed assets	13	272	326
Investments	13	27	17
Total fixed assets		527	583
Current assets			
Stock	14	257	254
Debtors	14	209	192
Cash at bank and in hand	16	90	98
		556	544
Creditors due within one year			
Debt	16	(20)	(52)
Other	14	(443)	(432)
		(463)	(484)
Net current assets		93	60
Total assets less current liabilities		620	643
Creditors due after more than one year			
Debt	16	(2)	(2)
Other		-	(2)
		(2)	(4)
Provisions for liabilities and charges	15	(27)	(25)
Net assets excluding pension liabilities		591	614
Net pension liabilities	3	(156)	(104)
Total net assets		435	510
Equity			
Share capital	17	139	139
Share premium	18	93	91
Capital redemption reserve	18	156	156
Revaluation reserve	18	4	8
Profit and loss account	18	39	111
Equity shareholders' funds		431	505
Non equity share capital	17	2	2
Shareholders' funds		433	507
Minority interests		2	3
Total equity		435	510

Approved by the Board of Directors on 16 October 2003.

Richard Handover
Chief Executive

John Warren FCA
Finance Director

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Group Cash Flow Statement

For the 12 months to 31 August 2003

£m	Note	2003	2002 As restated
Net cash inflow from operating activities	19	135	128
Returns on investment and servicing of finance		(4)	8
Taxation		(32)	(36)
Capital expenditure and financial investment			
Purchase of fixed assets		(47)	(66)
Purchase of shares for employee share schemes		(10)	(3)
Disposal of tangible fixed assets		26	2
Cash outflow from capital expenditure and financial investment		(31)	(67)
Acquisitions and disposals			
Proceeds on disposal of operation		-	2
Acquisitions - cash consideration		(2)	(22)
Net cash in subsidiaries acquired		1	2
Cash outflow from acquisitions and disposals		(1)	(18)
Equity dividends paid		(47)	(47)
Cash inflow / (outflow) before financing		20	(32)
Financing			
Premium on issue of shares		2	2
Decrease in debt	16	(32)	(9)
Cash outflow from financing		(30)	(7)
Decrease in cash		(10)	(39)
Reconciliation of net cash flow to movement in net funds		2003	2002 As restated
Net funds at the start of the period		44	75
Decrease in cash in the period		(10)	(39)
Decrease in debt		32	9
Currency translation differences		2	(1)
Net funds at the end of the period		68	44

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Group Statement of Total Recognised Gains and Losses

For the 12 months to 31 August 2003

£m	Note	2003	2002 As restated
Profit attributable to shareholders		23	47
Actuarial loss relating to the pension schemes		(77)	(142)
UK deferred tax attributable to the pension schemes liabilities		21	43
UK current tax attributable to the additional pension schemes contributions		2	-
Net actuarial loss on post retirement medical benefits		(2)	-
Currency translation differences		4	(10)
Total recognised losses for the financial period		(29)	(62)
Prior year adjustment for FRS 17	3	(104)	
Total recognised losses since last annual report		(133)	

Reconciliation of Movements in Group Shareholders' Funds

For the 12 months to 31 August 2003

£m	Note	2003	2002 As restated
Shareholders' funds at beginning of period as previously stated		611	614
Prior year adjustment for FRS 17	3	(104)	-
Shareholders' funds at beginning of period as restated		507	614
Retained losses		(24)	-
Premium on issue of shares		2	2
Other recognised gains and losses		(52)	(109)
Net deductions to shareholders' funds		(74)	(107)
Shareholders' funds at end of period		433	507

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Notes to Preliminary Announcement

For the 12 months to 31 August 2003

1 Segmental analysis of results

(a) Analysis of Retailing Stores and Space

Number of stores	1 Sept 2002 As restated	Opened	Closed	31 Aug 2003
WHSmith High Street	553	2	(10)	545
UK Travel Retail (<i>note a</i>)	132	3	(3)	132
UK Retailing	685	5	(13)	677
USA Travel Retail - Hotels	345	2	(69)	278
USA Travel Retail - Airports	183	11	(34)	160
ASPAC Retail	200	13	(9)	204
Total Retailing Businesses	1,413	31	(125)	1,319

Retail selling square feet (000's)	1 Sept 2002	Opened	Closed	31 Aug 2003
WHSmith High Street	3,045	16	(27)	3,034
UK Travel Retail	212	5	(5)	212
UK Retailing	3,257	21	(32)	3,246
USA Travel Retail - Hotels	349	1	(64)	286
USA Travel Retail - Airports	181	9	(36)	154
ASPAC Retail	778	26	(26)	778
Total Retailing Businesses	4,565	57	(158)	4,464

a) UK Travel Retail store numbers have been restated to reflect the number of stores rather than the number of units.

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Notes to Preliminary Announcement

For the 12 months to 31 August 2003

1 Segmental analysis of results

(b) Segmental analysis of sales

£m		2003	2002
Retailing (note a)			
WHSmith High Street		1,177	1,189
UK Travel Retail (note b)		291	306
WHSmith Online		8	6
UK Retailing		1,476	1,501
USA Travel Retail		181	216
ASPAC Retail		150	138
Total Retailing Businesses		1,807	1,855
<hr/>			
Publishing Businesses	- Total sales (note c)	144	138
	- Internal sales	(22)	(19)
Publishing Businesses		122	119
<hr/>			
WHSmith News Distribution	- Total sales	1,080	1,069
	- Internal sales	(109)	(107)
WHSmith News Distribution		971	962
Sales		2,900	2,936

- a) Like for like sales declined in the UK Retailing business by 1% (consisting of WHSmith High Street; down 2% and UK Travel Retail; up 3%) and for ASPAC Retail like for like sales fell by 2%. In USA Travel Retail, like for like sales increased by 1%.
- b) In the year to 31 August 2002, UK Travel Retail generated sales from phonecards of £19m and stores sold to TM Retail of £6m. Since October 2002, phonecards have not been sold in the UK Travel Retail business. Sales include £6m (2002; £6m) generated in continental Europe.
- c) Publishing Businesses include sales from Hodder Headline of £136m (2002; £134m) and £8m (2002; £4m) from acquisitions and disposals in the prior year.

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Notes to Preliminary Announcement

For the 12 months to 31 August 2003

1 Segmental analysis of results

(c) Segmental analysis of operating profits

£m	2003				2002 As restated			
	Base business	Exceptional items	Goodwill amortisation	Total operating profit	Base business	Exceptional items	Goodwill amortisation	Total operating profit
Retailing								
WHSmith High Street	73	(6)	(1)	66	79	1	(1)	79
UK Travel Retail (<i>note a</i>)	19	-	-	19	21	-	-	21
WHSmith Online	(2)	-	(1)	(3)	(3)	-	(1)	(4)
UK Retailing	90	(6)	(2)	82	97	1	(2)	96
USA Travel Retail	(16)	(35)	(1)	(52)	(16)	(27)	(2)	(45)
ASPAC Retail	5	-	(1)	4	5	-	(1)	4
Total Retailing Businesses	79	(41)	(4)	34	86	(26)	(5)	55
Publishing Businesses (<i>note b</i>)	19	-	-	19	19	(2)	-	17
News Distribution	32	-	-	32	29	-	-	29
Connect2U	-	-	-	-	(2)	-	-	(2)
Trading profit	130	(41)	(4)	85	132	(28)	(5)	99
Support functions	(14)	(12)	-	(26)	(14)	-	-	(14)
Pension service costs (<i>note c</i>)	(13)	-	-	(13)	(13)	-	-	(13)
Internal rents (<i>note d</i>)	3	-	-	3	4	-	-	4
Operating profit	106	(53)	(4)	49	109	(28)	(5)	76

a) UK Travel Retail includes profits of £1m (2002; £1m) generated in continental Europe.

b) In the 12 months to 31 August 2003, Hodder Headline generated profits of £17m (2002; £20m) and profits from acquisitions in the prior year of £2m (2002; £nil). Helicon, sold in the prior year, incurred losses of £1m in the year to 31 August 2002.

c) The annual pension service costs have been allocated between the businesses based on pensionable salaries as follows: WHSmith High Street £7m (2002; £7m), UK Travel Retail £1m (2002; £1m), Publishing £1m (2002; £1m), News Distribution £3m (2002; £3m) and Support functions £1m (2002; £1m).

d) The results for the Retailing Businesses 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 £3m (2002; £4m) is shown as a separate credit to the profit and loss account giving a nil net effect to operating profit.

Exceptional items incurred during the year are analysed in Note 2.

(d) Geographical split

£m	Sales		Profit before taxation		Net assets	
	2003	2002	2003	2002	2003	2002
UK / Europe	2,545	2,558	112	129	465	480
USA	181	216	(16)	(16)	26	64
Asia / Pacific	174	162	6	4	32	26
	2,900	2,936	102	117	523	570
Exceptional items and goodwill amortisation			(50)	(33)	-	-
			52	84	523	570
Unallocated net liabilities					(88)	(60)
					435	510

Sales are disclosed by origin. There is no material difference in sales by destination. Net operating assets by division are analysed in Note 10.

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Notes to Preliminary Announcement

For the 12 months to 31 August 2003

2 Exceptional items

£m	2003	2002
USA impairment (<i>note a (2002; note e)</i>)	(35)	(27)
Surplus property provision (<i>note b</i>)	(12)	-
Write-down of fixed assets (<i>note c</i>)	(6)	-
Disposal of High Street stores (<i>note f</i>)	-	1
Post acquisition costs (<i>note g</i>)	-	(2)
Operating exceptional items before taxation	(53)	(28)
Sale of fixed assets (<i>note d</i>)	7	-
Exceptional items before taxation	(46)	(28)
Tax thereon - relating to surplus property provision	3	-
- relating to sale of fixed assets	(1)	-
Exceptional items after taxation	(44)	(28)

Exceptional items in the current year

(a) Further impairment and write down of USA Travel Retail assets

During the first half of the previous financial year, a review of the carrying value of assets in the USA Travel Retail operations was undertaken. It was concluded that as a result of the significant impact of the events of 11 September 2001 on the trading prospects of the business, the value of certain assets was impaired and an exceptional impairment charge £27m was recognised (see below for details). In arriving at this charge, assumptions were made about the rate of recovery of the US travel market. However, these assumptions proved optimistic and a further impairment charge was taken at the half year. At the half year, an exceptional write down of \$55m (£35m) was charged to operating profit. The charge has been applied against goodwill US\$15m (£9m) and fixed assets US\$40m (£26m).

The Board have reviewed the carrying value of the US business following the write-down of the assets taken at the half year. As a result of the most recent review, no further impairment charge has been taken. As identified in Note 20, the Group announced the conditional sale of the USA Travel Retail Hotel and Airports businesses on Thursday 18 September 2003.

(b) Surplus property provisions

As a result of a sub-tenant default and a deterioration in the London commercial property market in the last 12 months, there is a requirement to significantly increase the provision for onerous leases. Following a review of the provision at year end, it has been increased by £12m.

(c) Write-down of fixed assets

WHSmith High Street have written down surplus fixed assets of £6m. These assets relate to loss making stores and other sundry impaired short life assets.

(d) Sale of fixed assets

In August 2003, WHSmith High Street completed the sale and leaseback of twenty freehold properties and sold a further four freehold properties. The profit on the sale of these transactions was £6m. In August 2003, ASPAC Retail also completed the sale and leaseback of three properties in New Zealand. The profit on the sale of these properties was £1m. In accordance with FRS 3 "Reporting financial performance", this has been disclosed separately in the profit and loss account.

Exceptional items in the prior year

(e) Impairment and write down of USA Travel Retail assets

The Group undertook a review of USA Travel Retail following the events of 11 September 2001 and made adjustments to reflect the effect on asset carrying values. The adjustment made to stock was US\$10m (£6.9m), to debtors was US\$1.6m (£1.1m), to provisions was US\$7.5m (£5.2m), to tangible fixed assets was US\$7.5m (£5.2m) and to goodwill was US\$11.3m (£7.8m). Associated restructuring costs of US\$1.1m (£0.8m) were also incurred.

(f) Disposal of WHSmith High Street stores

On 22 July 2002, WHSmith High Street sold ten of its stores based in hospitals to TM Retail. The total proceeds for the fixed assets and stock were £1.8m. The related profit on disposal was £1.2m.

(g) John Murray post-acquisition exceptional costs

John Murray (Publishers) Limited was acquired on 8 May 2002. Following the acquisition, a distribution contract that was no longer required was terminated at a cost of £1.1m. In addition, associated reorganisation and redundancy costs were incurred at a cost of £0.6m.

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Notes to Preliminary Announcement

For the 12 months to 31 August 2003

3 Pensions arrangements

(a) Restatement of comparatives

Financial Reporting Standard 17 "Retirement benefits" (FRS 17) has been adopted with effect from 1 September 2002.

The adoption of FRS 17 has required a change to the accounting treatment of pensions and the prior year results have been restated accordingly as follows:

(i) Consolidated balance sheet

£m	Other debtors due within one year	Other creditors due after more than one year	Provisions for liabilities and charges	Net pension liabilities	Profit and loss account
At 31 August 2002	196	(3)	(28)	-	215
Adoption of FRS 17	(4)	1	3	(104)	(104)
31 August 2002 restated	192	(2)	(25)	(104)	111

Under FRS 17, the difference between the market value of the assets of the Group's principal defined benefit pension funds and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet, net of deferred tax. Previously, the only balance sheet items were a prepayment representing the cumulative difference between pension charges included in the profit and loss account, and actual payments made to the scheme and a provision for un-funded pension obligations and other post retirement benefits.

(ii) Consolidated profit and loss account

£m	Operating profit	Interest	Profit attributable to shareholders
At 31 August 2002	89	-	52
Adoption of FRS 17	(13)	8	(5)
31 August 2002 restated	76	8	47

The profit and loss charge, under Statement of Standard Accounting Practice 24 "Accounting for pension costs" (SSAP 24), comprised a regular pension cost net of spreading of the surplus over the average remaining service lives of the relevant employees and a notional interest credit. Under FRS 17, the following items are included in the profit and loss account:

Charged to operating profit

- the full service cost of pension provision relating to the period, together with the costs of any benefits relating to past service.

Included in interest

- a charge equal to the expected increase in the present value of the scheme liabilities, because the benefits are closer to settlement and netted against this.

- a credit equivalent to the Group's long-term expected return on assets based on market value of the scheme assets at the start of the period.

Included in the statement of total recognised gains and losses is the difference between the expected return on pension assets at the start of the period and the actual return achieved along with the differences, which arise from experience or assumption changes, in pension liabilities.

Notes to Preliminary Announcement

For the 12 months to 31 August 2003

3 Pensions arrangements**(b) Pension plans**

The Group operates pension plans in a number of countries around the world. Pension arrangements for UK employees are operated through two defined schemes (the WHSmith Pension Trust and Hodder Headline Staff Retirement Benefits Plan) and a defined contribution scheme, WHSmith Pension Builder. The most significant is the defined benefit WHSmith Pension Trust for the Group's UK employees. In other countries, benefits are determined in accordance with local practice and regulations and funding is provided accordingly. There are defined benefit arrangements in the UK and the United States of America with the remainder being either defined contribution or state sponsored schemes. The assets of the pension plans are held in separate funds administered by Trustees, which are independent of the Group's finances.

The WHSmith Pension Trust

The latest full actuarial valuation of the Scheme was carried out as at 31 March 2003 by independent actuaries, Mercer Human Resource Consulting, using the market value basis. A full actuarial valuation of the Scheme is carried out every three years with interim reviews in the intervening years. This scheme was closed in September 1995 and under the projected unit method the current service cost would be expected to increase as members approach retirement and the aged profile of members increases.

The Group has reached agreement with the pension trustees to substantially increase the contributions to fund the deficit. Annual cash contributions of £42m have been approved for the year ended 31 August 2004. This will be subject to an annual review.

Hodder Headline Staff Retirement Benefits Plan

The latest full actuarial valuation of the Scheme was carried out as at 1 July 2001 by independent actuaries, Mercer Human Resource Consulting, using the projected unit method. A full actuarial valuation of the Scheme is carried out every three years with interim reviews in the intervening years.

Annual cash contributions of £2m have been approved for the year ended 31 August 2004. This will be subject to an annual review.

Pension valuations

The valuation of the Group's defined benefit pension schemes used for the FRS 17 disclosures are based upon the most recent actuarial valuations. These have been updated by professionally qualified actuaries (Mercer Human Resource Consulting) to take into account the requirements of FRS 17 and to assess the liabilities of the schemes at 31 August 2003. Scheme assets are stated at their market value at 31 August 2003.

The weighted average principal long term assumptions used in the actuarial valuation were:

%	2003	2002	2001
Rate of increase in salaries	4.4%	4.2%	4.3%
Rate of increase in pensions payments and deferred pensions	2.7%	2.4%	2.5%
Discount rate	5.5%	5.6%	5.8%
Inflation assumptions	2.7%	2.4%	2.5%

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Notes to Preliminary Announcement

For the 12 months to 31 August 2003

3 Pensions arrangements

(b) Pension plans (cont.)

The aggregate fair values of the assets in the Group's defined benefit schemes, the aggregate net pension liabilities and their expected weighted average long-term rates of return at 31 August 2003 were:

	2003		2002 As restated		2001 As restated	
	£m	%	£m	%	£m	%
Equities	408	7.6	372	7.5	475	8.0
Bonds	219	4.6	219	4.5	213	4.8
Cash	4	4.6	5	4.2	5	5.7
Total fair value of assets	631		596		693	
Present value of schemes liabilities	(846)		(740)		(694)	
Deficit in the schemes	(215)		(144)		(1)	
Related deferred tax asset	64		43		-	
Net defined benefit schemes liabilities	(151)		(101)		(1)	
Net retirement medical benefits	(5)		(3)		(3)	
Net pension liabilities	(156)		(104)		(4)	

(i) Defined benefit pension schemes

Analysis of the amount charged to operating profit

£m	2003	2002
Current service cost	(13)	(13)

Analysis of the amount (charged) / credited to interest

£m	2003	2002
Expected return on pension scheme assets	38	47
Interest on pension scheme liabilities	(41)	(39)
	(3)	8

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Notes to Preliminary Announcement

For the 12 months to 31 August 2003

3 Pensions arrangements

(b) Pension plans (cont.)

Analysis of the actuarial loss in the statement of total recognised gains and losses

£m	2003	2002
Actual return less expected return on pension scheme assets	6	(117)
Experience gains and losses arising on the scheme liabilities	3	(19)
Changes in assumptions underlying the present value of the scheme liabilities	(86)	(6)
	(77)	(142)

£2m (2002; £1m) of actuarial loss relates to the US pension scheme.

Movement in scheme deficit during the period

£m	2003	2002 As restated
At beginning of period	(144)	(1)
Current service cost	(13)	(13)
Contributions	22	4
Interest (cost) / income	(3)	8
Actuarial loss	(77)	(142)
Deficit in scheme	(215)	(144)

History of the weighted average experience gains and losses

	2003	2002 As restated	2001
Difference between actual and expected returns on assets:			
Amount (£m)	6	(117)	(180)
% of scheme assets	1%	(20%)	(26%)
Experience gains and losses on scheme liabilities:			
Amount (£m)	3	(19)	-
% of present value of the scheme liabilities	1%	(3%)	-
Total amount recognised in Statement of Total Recognised Gains and Losses:			
Amount (£m)	(77)	(142)	(215)
% of present value of the scheme liabilities	(9%)	(20%)	(31%)

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Notes to Preliminary Announcement

For the 12 months to 31 August 2003

3 Pensions arrangements

(b) Pension plans (cont.)

Post retirement medical benefits

WH Smith PLC provides retirement medical benefits to certain pensioners. Total premiums paid during the year in respect of those benefits were £0.4m (2002; £0.3m). The present value of the future liabilities under this arrangement have been assessed by our actuary (Mellon Human Resources & Investor Solutions (Actuaries & Consultants) Limited) and this amount is included on the balance sheet, net of deferred taxation under pension and other post retirement liabilities as follows:

£m	2003	2002
Post retirement medical benefits	(5)	(3)

(ii) Defined contribution pension scheme

The Group's pension cost charge to its defined contribution scheme, WHSmith Pension Builder, for the period amounted to £2m (2002; £2m).

Notes to Preliminary Announcement

For the 12 months to 31 August 2003

4 Operating lease commitments

The total annual commitment for continuing businesses of £179m (2002; £179m), comprises £20m (2002; £13m) expiring within one year, £76m (2002; £87m) between two and five years, and £83m (2002; £79m) over five years. The annual net rental is further analysed as follows:

	2003			2002
	Annual net lease commitment £m	Future cumulative net lease commitment £m	Average lease Term (years)	Annual net lease commitment £m
WHSmith High Street	82	776	10	80
UK Travel Retail	39	110	5	39
UK Retailing	121	886	8	119
USA Travel Retail	31	100	3	37
ASPAC Retail	18	78	4	14
Total Retailing Businesses	170	1,064	7	170
Publishing Businesses	4	21	5	4
WHSmith News Distribution	4	37	10	3
Support functions	8	21	2	9
Property sublet to third parties	10	62	6	9
Gross rental commitment	196	1,205	6	195
Less - external rent receivable	(14)	(61)	4	(13)
- internal rent receivable	(3)	(31)	10	(3)
Total	179	1,113	6	179

- (i) WHSmith High Street lease commitments include internal rent of £3m (2002; £3m) relating to those properties which are owned by the Group. The cumulative future costs of internal rent are taken as the book value of those properties in the balance sheet at £31m, all of which relates to WHSmith High Street.
- (ii) External rent receivable relates to properties let by the Group to third parties. Of the total external rent receivable, £5m (2002; £5m) relates to USA Travel Retail which sublets retail space in airports where it operates a master contract and £9m (2002; £9m) represents income on subletting surplus property. Of the future cumulative external rent receivable, £18m (2002; £20m) relates to USA Travel Retail.
- (iii) Outstanding contingencies under previous assignments of leases where the liability would revert to the Group if the lessee defaulted are estimated at £17m (2002; £17m) per year with a future cumulative rental commitment of approximately £141m (2002; £149m), and an average lease term of around eight years (2002; nine years).
- (iv) For those leases that are turnover related leases, the annual net lease commitment is calculated using the minimum lease liability. The aggregate lease liability for these stores with minimum guaranteed leases is £65m (2002; £70m) and relates to UK Travel Retail and USA Travel Retail stores.

5 Interest

£m	2003	2002 As restated
Interest payable on bank loans and overdrafts	(2)	(3)
Net (charge) / return on pension schemes (Note 3)	(3)	8
Interest receivable	1	3
Interest (expense) / income	(4)	8

WH Smith PLC

Notes to Preliminary Announcement

For the 12 months to 31 August 2003

6 Taxation

£m	2003	2002
Tax on profit before exceptional items and goodwill amortisation	40	37
- <i>Standard rate of UK corporation tax 30% (2002; 30%)</i>		
Adjustment in respect of prior year UK corporation tax	(6)	(4)
Foreign tax	1	1
Total current tax charge	35	34
Deferred tax – origination and reversal of timing differences	(4)	3
Tax on profit on ordinary activities before exceptional items and goodwill amortisation	31	37
Tax on exceptional items and goodwill amortisation	(2)	-
Tax on profit on ordinary activities after exceptional items and goodwill amortisation	29	37
<i>Effective tax rate before exceptional items and goodwill amortisation (2002; As restated)</i>	30%	32%

The effective tax rate for the prior year has been restated as a result of the adoption of FRS 17 “Retirement benefits” giving rise to a decrease in profit before tax.

Reconciliation of the taxation charge

£m	2003	2002 As restated
Tax on profit on ordinary activities before exceptional items and goodwill amortisation at standard rate of UK corporation tax 30% (2002; 30%)	31	35
Capital allowances for period in excess of depreciation	(1)	(3)
Other short term timing differences	3	-
Depreciation for which no tax relief is available	2	2
Losses not available for group relief	5	7
Adjustment in respect of prior years	(6)	(4)
Other	1	(3)
Total current tax charge before exceptional items and goodwill amortisation	35	34
Tax on exceptional items and goodwill amortisation at standard rate of UK corporation tax of 30% (2002; 30%)	(15)	(10)
Losses not available for group relief	-	8
Goodwill	1	2
Write off of tangible and intangible assets	13	-
Non-taxable income	(1)	-
Total current tax charge after exceptional items and goodwill amortisation	33	34

Other than an unprovided deferred tax asset in respect of overseas losses of approximately £16m (2002; £15m) which have yet to be agreed with overseas tax authorities, there are no items which are likely to materially affect ongoing tax charges in future years. The losses will be utilised if and when suitable taxable profits are made in the relevant territories.

WH Smith PLC

Notes to Preliminary Announcement

For the 12 months to 31 August 2003

7 Dividends

	2003	2002
Interim	6.0p	6.0p
Final	13.0p	13.0p
Total dividend per share	19.0p	19.0p

£m	2003	2002
Interim	15	15
Final – proposed	32	32
Total dividend	47	47

	2003	2002 As restated
Dividend cover – times	0.5x	1.0x
Dividend cover before exceptional items and goodwill amortisation – times	1.5x	1.7x

The final dividend will be paid on 30 January 2004 to shareholders registered at the close of business on 5 January 2004. At 31 August 2003, the Group had 250,437,430 (2002; 249,890,474) ordinary shares in issue.

8 Earnings per share

(a) Earnings per share

	2003			2002		
	£m	Basic	Diluted	£m	Basic	Diluted
Profit attributable to shareholders as previously stated	23	9.4p	9.4p	52	21.1p	21.0p
Prior year adjustment	-	-	-	(5)	(2.0p)	(2.0p)
Profit attributable to shareholders as restated	23	9.4p	9.4p	47	19.1p	19.0p
Exceptional items	44	18.1p	18.1p	28	11.4p	11.3p
Amortisation of goodwill	4	1.6p	1.6p	5	2.0p	2.0p
Adjusted earnings	71	29.1p	29.1p	80	32.5p	32.3p

In the current period, earnings per share was not diluted by shares under option, as the average share option price was higher than the fair market value of all shares in the year to 31 August 2003.

(b) Weighted average share capital

Millions	2003	2002
Weighted average shares in issue for earnings per share	244	246
Add weighted average number of ordinary shares under option	-	2
Weighted average ordinary shares for fully diluted earnings per share	244	248

The weighted average number of ordinary shares in issue is stated after excluding 6,541,345 shares held in the Employee Share Trust.

WH Smith PLC

Notes to Preliminary Announcement

For the 12 months to 31 August 2003

9 Fixed charges cover

£m	2003	2002 As restated
Interest expense / (income)	4	(8)
Operating lease rentals	206	207
Property taxes	36	36
Other property costs	13	15
Total fixed charges	259	250
Profit before exceptional items, goodwill amortisation and tax	102	117
Profit before exceptional items, goodwill amortisation and tax and before fixed charges	361	367
Fixed charges cover	1.4x	1.5x

Fixed charges cover is calculated by dividing profit before exceptional items, goodwill amortisation, tax and fixed charges by total fixed charges.

10 Segmental analysis of operating assets employed

	2003 £m	Return on capital employed %	ROCE% after capitalised net operating leases including internal rent %	2002 as restated £m	Return on capital employed as restated %	ROCE% after capitalised net operating leases including internal rent as restated %
WHSmith High Street	221	33%	15%	224	35%	15%
UK Travel Retail	30	63%	38%	28	75%	37%
WHSmith Online	8	-	-	7	-	-
UK Retailing	259	35%	18%	259	37%	18%
USA Travel Retail	26	-	-	64	-	-
ASPAC Retail	28	18%	2%	22	23%	15%
Total retailing businesses	313	25%	15%	345	25%	15%
WHSmith News Distribution	(14)	-	-	(9)	-	-
Trading operations (excl Publishing)	299	37%	18%	336	34%	17%
Publishing	266	7%	6%	263	7%	7%
Trading operations (incl Publishing)	565	23%	16%	599	22%	15%
Freehold property	24			42		
Support functions	(39)			(46)		
Provisions for liabilities and charges	(27)			(25)		
Operating assets employed	523	20%	14%	570	19%	14%
Net cash	68			44		
Net assets excluding pension deficit	591			614		
Net pension deficit	(156)			(104)		
Total net assets	435			510		

a) Return on Capital Employed is calculated as the operating profit before exceptional items as a percentage of operating capital employed.

b) Return on Capital Employed after capitalised net operating leases including internal rent is calculated as adjusted profit as a percentage of operating assets after capitalising leases. Adjusted profit is stated after adding back the annual net rent and charging depreciation on the value of capitalised leases. The value of capitalised leases is based on the net present value of future rent commitments.

WH Smith PLC

Notes to Preliminary Announcement

For the 12 months to 31 August 2003

11 Acquisitions

On 21 October 2002, the Group acquired a further 25% holding of the share capital of Angus & Robertson Bookworld Calendar Club Pty Limited and Calendar Club New Zealand Limited bringing its total ownership in both entities to 75%. Total cash consideration including fees and expenses was £2m and the capitalised goodwill arising on the transaction was £1m.

Since acquisition, these two companies have had sales of £5m (proforma 2002; £5m) with associated profits of £1m (proforma 2002; £1m) in the year. No fair value adjustments to the assets acquired were necessary.

12 Goodwill

	£m
Cost:	
At 1 September 2002	268
Acquisitions (<i>Note 11</i>)	1
At 31 August 2003	269
Accumulated amortisation:	
At 1 September 2002	28
Amortised in period	4
Impairment charge in the period	9
At 31 August 2003	41
Net book value	
At 31 August 2003	228
At 1 September 2002	240

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 this period.

In accordance with FRS 10 "Goodwill and intangible assets", 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 FRS 10, 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), Wayland (£3m), John Murray (£14m) and Robert Gibson (£1m) 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 these 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 Hodder Headline, Wayland, John Murray and Robert Gibson 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 Preliminary Announcement

For the 12 months to 31 August 2003

13 Fixed assets and Investments

13(a) Changes in Fixed assets and Investments

£m	Tangible Fixed Assets	Investments
Net book value at 1 September 2002	326	17
Additions	47	10
Disposals	(22)	-
Impairment charge in the period	(32)	-
Depreciation	(49)	-
Currency translation differences	2	-
Net book value at 31 August 2003	272	27

13(b) Analysis of Fixed assets

£m	2003	2002
Freehold and long leasehold property	24	42
Short leasehold	90	109
Fixtures, fittings and equipment	158	175
Net book value at 31 August 2003	272	326

WH Smith PLC

Notes to Preliminary Announcement

For the 12 months to 31 August 2003

14 Working Capital

£m	2003	2002 As restated
Stock	257	254
Debtors	209	192
Creditors due within one year - Continuing operations	(372)	(360)
- Corporation tax	(39)	(40)
- Dividends	(32)	(32)
	(443)	(432)

15 Provisions for liabilities and charges

£m	Business partner guarantees	Deferred taxation	Non-trading property provisions	Total
At 1 September 2002 as restated	5	15	5	25
(Credited) / charged during the period	-	(4)	12	8
Utilised in period	(1)	-	(5)	(6)
At 31 August 2003	4	11	12	27

Business partners guarantees is a provision against exposures with US business partners, and will be utilised in the next financial year.

Non-trading property provisions have been made for onerous leases on vacant or surplus properties. The undiscounted provision is £16m at 31 August 2003. This provision has been discounted at 10%. It is anticipated that most of the expenditure will take place between 2004 and 2009.

In the 12 months to 31 August 2003, the amount spent against non-trading property provisions comprised £5m net rent paid and lease termination costs and will be utilised over an average period of 6 years.

The deferred tax balance comprises the following:

£m	2003	2002
Accelerated capital allowances	16	15
Short term timing differences	(5)	-
At 31 August 2003	11	15

Notes to Preliminary Announcement

For the 12 months to 31 August 2003

16 Financial assets and liabilities

The Group's policies as regards derivatives and financial instruments are set out in the accounting policies. The Group's policies with regards derivatives for managing these risks, which have remained unchanged since 1 September 1998, are reviewed and agreed with the Board.

£m	2003	2002 As restated
Cash at bank and in hand	90	98
Repayable in one year or less or on demand	(20)	(52)
Repayable in more than five years	(2)	(2)
Net funds	68	44

At 31 August 2002, £17m stated as being repayable in more than one year but less than five years and £22m stated as being repayable in more than five years have now been reclassified as repayable within one year or on demand.

£m	2003	Cashflow	Currency translation differences	2002
Cash at bank and in hand <i>(note a)</i>	90	(10)	2	98
Debt - Sterling floating rate <i>(note b)</i>	(20)	32	-	(52)
- Sterling fixed rate <i>(note c)</i>	(2)	-	-	(2)
Net funds	68	22	2	44

a) Cash at bank is held on short-term deposit, bearing interest at a weighted average rate of 3.78% during the year. The only material foreign exchange exposure at 31 August 2003 relates to the financial assets and liabilities in USA Travel Retail and ASPAC Retail (in Australia and New Zealand). Cash at bank and in hand includes £10m of US dollars (2002: £16m), £10m of Australian dollars (2002: £8m), £7m of New Zealand Dollars (2002: £8m), £1m of Euros (2002: £nil), £1m of Hong Kong Dollars (2002: £nil) and £1m of Singapore Dollars (2002: £1m).

b) Sterling floating rate debt constitutes £20m of unsecured loan notes. These loan notes are repayable at par on-demand up until expiry on 28 February 2008 and bear an interest rate of 100 basis points below six month LIBOR.

At 31 August 2003, the Group had unutilised multi-currency revolving committed facilities of £200m, of which £67m, which bears an interest rate of LIBOR plus 45 basis points, expires in May 2004 (with a one year extension option renewable annually until May 2006) and £133m, which bears an interest rate of LIBOR plus 50 basis points, expires in May 2007.

c) Sterling fixed rate debt constitutes 5.125% undated unsecured (redeemable at par) loan stock of £2m (2002: £2m).

d) In addition to the above, at 31 August 2003 the Group had unredeemed 'B' shares of £2m (2002: £2m) which carry a net non-cumulative preferential dividend set at 75% of six month LIBOR.

WH Smith PLC

Notes to Preliminary Announcement

For the 12 months to 31 August 2003

17 Share capital

(a) Authorised

	2003		2002	
	Number of shares (millions)	Nominal value £m	Number of shares (millions)	Nominal value £m
Ordinary shares of 55.55p each	333	185	333	185
'B' shares of 53.75p each	286	153	286	153
At 31 August		338		338

(b) Allotted and fully paid

	2003		2002	
	Number of shares (millions)	Nominal Value £m	Number of shares (millions)	Nominal value £m
Ordinary shares of 55.55p each	250	139	250	139
'B' shares of 53.75p each	4	2	4	2
At 31 August		141		141

The number of shares issued in the year to 31 August 2003 was 546,956 (2002; 571,329 shares) ordinary shares with a nominal value of £0.3m relating to share options exercised for a cash consideration of £2m (2002; £2m).

The 'B' shares are redeemable at their nominal value at the shareholder's option during any period declared by the Group, at the Group's option or on maturity on 31 August 2008. Additionally, 'B' shares have no rights to dividends or voting.

At 31 August 2003, the number of options held under employee share schemes was 16.7 million shares (2002; 13.8 million).

18 Reserves

£m	Share premium account	Capital redemption reserve	Revaluation reserve	Profit & loss account
Reserves at 1 September 2002 as previously stated	91	156	8	215
Prior period restatement for FRS 17	-	-	-	(104)
Reserves at 1 September 2002 as restated	91	156	8	111
Loss retained for the period	-	-	-	(24)
Profit realised on sale of freehold property	-	-	(4)	4
Premium on the issue of shares	2	-	-	-
Currency translation differences	-	-	-	4
Reserves excluding current period pension deficit	93	156	4	95
Current period net pension deficit adjustment	-	-	-	(54)
Current period net post retirement medical benefits	-	-	-	(2)
Reserves at 31 August 2003	93	156	4	39

The profit and loss account reserve at 31 August 2003 is stated after writing off previously acquired goodwill of £58m - including USA Travel Retail £39m.

WH Smith PLC

Notes to Preliminary Announcement

For the 12 months to 31 August 2003

19 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

£m	2003	2002 As restated
Operating profit	49	76
Adjustment for pension funding (<i>note a</i>)	(6)	1
Operating exceptional items	53	28
Depreciation of fixed assets	49	52
Amortisation of goodwill	4	5
Decrease / (increase) in stock	3	(7)
Increase in debtors	(17)	(9)
Increase / (decrease) in creditors	6	(12)
Cash spend against provisions	(4)	(3)
Net cash inflow from operating activities before exceptional items	137	131
Cash outflow relating to operating exceptional items (<i>note b</i>)	(2)	(3)
Net cash inflow from operating activities after exceptional items	135	128

a) For the year ended 31 August 2003, £22m (2002; £4m) cash contributions have been made to the pension schemes. The associated profit and loss charge comprises £13m (2002; £13m) for operating costs and £3m charge (2002; £8m credit) for financing. The Group has made an additional contribution of £6m over and above the required profit and loss charge (2002; £1m shortfall).

b) Cash outflow relating to exceptional items consists of £2m lease termination costs incurred in WHSmith High Street. In the prior year, cash outflow relating to exceptional items consisted of £0.8m restructuring costs incurred in USA Travel Retail, and the termination of a distribution contract of £1.1m and associated reorganisation and restructuring costs £0.6m following the acquisition of John Murray (Publishers) Limited.

20 Post balance sheet events

The Group announced the sale of the USA Travel Retail Airports and Hotel businesses on Thursday 18 September 2003 for £49m (\$76.5m) consideration. Both transactions are conditional on receiving the necessary regulatory approvals and assignment of leases from the respective airport and hotel landlords.

The Airports business is being sold to the Hudson Group for £41m (\$64m) consisting of £25m cash and £16m deferred consideration payable by way of an interest bearing loan note with a 5% coupon. The Hotels business is being sold to former management for £8m (\$12.5m), satisfied by way of an interest bearing loan note with a 5% coupon conditional on the trading cash flows of the new company. WH Smith PLC will also provide the new company with a loan facility of up to £4m. Both transactions are anticipated to complete by the end of the calendar year. On completion of these transactions, the loss will be disclosed as an exceptional loss on disposal in accordance with FRS 3 "Reporting financial performance".

This will include, inter alia, £39m of goodwill previously written off to reserves. This is required to be charged to the profit and loss account on disposal by FRS 10 "Goodwill and intangible assets".

WH Smith PLC

Notes to Preliminary Announcement

For the 12 months to 31 August 2003

21 PREPARATION OF PRELIMINARY ANNOUNCEMENT

21 (a) Basis of preparation

The preliminary announcement for the 12 months to 31 August 2003 has been prepared on the basis of the accounting policies set out in the Company's Annual Report for the 12 months to 31 August 2002 with the exception of the adoption of the new accounting standard on retirement benefits. Financial Reporting Standard 17 "Retirement benefits" has been adopted with effect from 1 September 2002 and the prior year results have been restated accordingly as set out in Note 3.

21 (b) Preliminary announcement

The results for the 12 months to 31 August 2003 and 12 months to 31 August 2002 do not comprise statutory accounts for the purpose of Section 240 of the Companies Act 1985, and have been extracted from the Company's accounts for the 12 months to 31 August 2003. The statutory accounts for the 12 months to 31 August 2002 have been filed with the Registrar of Companies and those for the 12 months to 31 August 2003 will be filed following the Company's annual general meeting. The auditors' reports on these accounts were unqualified and did not include a statement under Section 237 (2) or (3) of the Companies Act 1985.

The annual report and accounts will be posted to shareholders in November 2003.

Appendices

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Five Year Financial Summary Group Profit and Loss Account

£m	12 months to				
	31 August 2003	31 August 2002 As restated	31 August 2001 As restated	31 August 2000	31 August 1999
Total sales	2,900	2,936	2,735	2,584	2,391
Operating profit - continuing operations	106	109	130	137	122
Exceptional items & goodwill amortisation	(57)	(33)	(19)	(2)	(2)
Operating profit	49	76	111	135	120
Profit on sale of operations	-	-	-	1	-
Profit on sale of fixed assets	7	-	-	-	-
Amount written off investment in own shares	-	-	-	(2)	-
Profit on ordinary activities before interest and taxation	56	76	111	134	120
Interest	(4)	8	3	6	14
Profit on ordinary activities before taxation	52	84	114	140	134
Tax on profit on ordinary activities	(29)	(37)	(39)	(39)	(38)
Profit on ordinary activities after taxation	23	47	75	101	96
Minority interests	-	-	(1)	(1)	-
Profit attributable to shareholders	23	47	74	100	96
Dividends	(47)	(47)	(47)	(48)	(45)
Retained earnings	(24)	-	27	52	51

All results derive from continuing operations.

<i>Earnings per share</i>	<i>9.4p</i>	<i>19.1p</i>	<i>30.1p</i>	<i>40.2p</i>	<i>38.4p</i>
<i>Diluted earnings per share</i>	<i>9.4p</i>	<i>19.0p</i>	<i>29.8p</i>	<i>40.0p</i>	<i>38.1p</i>
<i>Adjusted earnings per share</i>	<i>29.1p</i>	<i>32.5p</i>	<i>37.4p</i>	<i>41.3p</i>	<i>38.9p</i>
<i>Dividend per share apportioned to 12 months</i>	<i>19.0p</i>	<i>19.0p</i>	<i>19.0p</i>	<i>19.0p</i>	<i>18.2p</i>
<i>Net assets per share</i>	<i>174p</i>	<i>204p</i>	<i>249p</i>	<i>242p</i>	<i>217p</i>
<i>Net assets excluding pension liabilities per share</i>	<i>236p</i>	<i>245p</i>	<i>249p</i>	<i>242p</i>	<i>217p</i>
<i>Fixed charges cover *</i>	<i>1.4x</i>	<i>1.5x</i>	<i>1.6x</i>	<i>1.7x</i>	<i>1.8x</i>
<i>Dividend cover *</i>	<i>1.5x</i>	<i>1.7x</i>	<i>1.9x</i>	<i>2.1x</i>	<i>2.1x</i>
<i>Tax charge *</i>	<i>30%</i>	<i>32%</i>	<i>30%</i>	<i>28%</i>	<i>20%</i>

* before exceptional items and goodwill amortisation

The 2002 and 2001 figures above have been presented after adjustment for the adoption of FRS 19 "Deferred tax". Also, the 2002 figures have been presented after adjustment for the adoption of FRS 17 "Retirement benefits". It has not been practicable to restate comparative years 1999 to 2000.

Five Year Financial Summary Group Balance Sheet

£m	31 August 2003	31 August 2002 As restated	31 August 2001 As restated	31 August 2000	31 August 1999
Fixed assets					
Goodwill	228	240	236	222	205
Tangible assets	272	326	326	294	273
Investments	27	17	14	1	2
Total fixed assets	527	583	576	517	480
Current assets					
Stock	257	254	255	216	203
Debtors	209	192	185	160	143
Creditors	(443)	(432)	(447)	(394)	(368)
Net current operating assets / (liabilities)	23	14	(7)	(18)	(22)
Long term creditors	-	(2)	(2)	(4)	(2)
Provisions for liabilities and charges	(27)	(25)	(23)	(14)	(19)
Operating capital employed	523	570	544	481	437
Net cash	68	44	75	123	105
Total equity excluding pension liabilities	591	614	619	604	542
Net pension liabilities	(156)	(104)	-	-	-
Total equity	435	510	619	604	542
<i>Return on operating capital employed</i>	<i>20%</i>	<i>19%</i>	<i>24%</i>	<i>28%</i>	<i>28%</i>
<i>Average number of shares in issue (millions)</i>	<i>250</i>	<i>250</i>	<i>249</i>	<i>250</i>	<i>250</i>

The 2002 and 2001 figures above have been presented after adjustment for the adoption of FRS19 "Deferred tax". Also, the 2002 figures have been presented after adjustment for the adoption of FRS 17 "Retirement benefits". It has not been practicable to restate comparative years 1999 to 2000.

Five Year Financial Summary
Group Cash Flow Statement

£m	12 months to				
	31 August 2003	31 August 2002 As restated	31 August 2001	31 August 2000	31 August 1999
Cash flow from operating activities	135	128	165	163	145
Returns on investments and servicing of finance	(4)	8	3	6	14
Taxation	(32)	(36)	(38)	(27)	(37)
Purchase of fixed assets	(47)	(66)	(68)	(60)	(60)
Purchase of shares for employee share schemes	(10)	(3)	(13)	-	-
Disposal of tangible fixed assets	26	2	2	3	54
Cash flow from capital expenditure and financial investment	(31)	(67)	(79)	(57)	(6)
Cash flow for acquisitions and disposals	(1)	(18)	(51)	(22)	(171)
Equity dividends paid	(47)	(47)	(48)	(47)	(55)
Cash flow before financing	20	(32)	(48)	16	(110)
Premium on issue of shares	2	2	3	2	5
Repurchase of own shares	-	-	(9)	-	(24)
(Decrease) / increase in debt	(32)	(9)	34	(40)	(63)
Cash flow from financing	(30)	(7)	28	(38)	(82)
Decrease in cash	(10)	(39)	(20)	(22)	(192)

Five Year Financial Summary
Group Cash Flow Statement

<i>Analysis of free cash flow (before dividends)</i>	<i>12 months to</i>				
	<i>31 August 2003</i>	<i>31 August 2002 As restated</i>	<i>31 August 2001 As restated</i>	<i>31 August 2000 As restated</i>	<i>31 August 1999 As restated</i>
<i>£m</i>					
<i>Profit before tax, exceptional items and goodwill amortisation</i>	102	117	133	143	136
<i>Depreciation</i>	49	52	47	41	41
<i>Movement in working capital</i>	(8)	(28)	(9)	(10)	(9)
<i>Capital expenditure on fixed assets</i>	(47)	(66)	(68)	(60)	(60)
<i>Disposal of tangible fixed assets</i>	1	2	2	1	8
<i>Tax paid</i>	(32)	(36)	(38)	(27)	(29)
<i>Cash spend against provisions</i>	(4)	(3)	(3)	(5)	(9)
<i>Free cash flow (before dividends and investment activity)</i>	61	38	64	83	78
<i>Dividends</i>	(47)	(47)	(48)	(47)	(55)
<i>Adjustment for pension funding</i>	(6)	1	-	-	-
<i>Premium on issue of shares</i>	2	2	3	2	5
<i>Sale and leaseback proceeds</i>	25	-	-	-	-
<i>Proceeds on disposals</i>	-	2	-	3	46
<i>Acquisitions</i>	(2)	(22)	(51)	(23)	(198)
<i>Purchase of own shares and ACT on repurchases</i>	(10)	(3)	(22)	-	(32)
<i>Cash outflow relating to exceptional items</i>	(2)	(3)	-	-	-
<i>Cash movement in debt</i>	21	(32)	(54)	18	(156)
<i>Opening net cash</i>	44	75	123	105	266
<i>Cash/(debt) in subsidiaries acquired</i>	1	2	6	-	(5)
<i>Currency translation movements</i>	2	(1)	-	-	-
<i>Closing net cash</i>	68	44	75	123	105

**Five Year Financial Summary
Segmental Analysis of Sales and Operating profit**

Five Year Financial Summary

Segmental Analysis of Sales and Operating profit

Sales £m	12 months to				
	31 August 2003	31 August 2002	31 August 2001	31 August 2000	31 August 1999
Retailing					
WHSmith High Street	1,177	1,189	1,120	1,058	1,033
UK Travel Retail	291	306	287	265	242
WHSmith Online	8	6	8	7	5
UK Retailing	1,476	1,501	1,415	1,330	1,280
USA Travel Retail	181	216	245	192	178
ASPAC Retail	150	138	39	12	8
Total Retailing Businesses	1,807	1,855	1,699	1,534	1,466
Publishing Businesses	144	138	131	119	30
- Less Internal	(22)	(19)	(16)	(14)	(2)
Publishing Businesses	122	119	115	105	28
WHSmith News Distribution	1,080	1,069	1,024	1,047	995
- Less Internal	(109)	(107)	(103)	(102)	(98)
WHSmith News Distribution	971	962	921	945	897
Total Sales	2,900	2,936	2,735	2,584	2,391

Operating Profit £m	12 months to				
	31 August 2003	31 August 2002 As restated	31 August 2001 As restated	31 August 2000 As restated	31 August 1999 As restated
Retailing					
WHSmith High Street	73	79	77	70	61
UK Travel Retail	19	21	20	17	14
WHSmith Online	(2)	(3)	(6)	(7)	(3)
UK Retailing	90	97	91	80	72
USA Travel Retail	(16)	(16)	11	13	14
ASPAC Retail	5	5	(2)	-	-
Total Retailing Businesses	79	86	100	93	86
Publishing Businesses	19	19	16	16	4
News Distribution	32	29	26	38	39
Connect2U	-	(2)	(3)	(1)	-
Trading profit	130	132	139	146	129
Support functions	(14)	(14)	(12)	(12)	(12)
Internal rents	3	4	3	3	5
Net pension costs	(13)	(13)	-	-	-
Operating profit before exceptional items and goodwill amortisation	106	109	130	137	122
Exceptional items and goodwill amortisation	(57)	(33)	(19)	(2)	(2)
Operating profit	49	76	111	135	120