

13 April 2016

WH SMITH PLC
INTERIM RESULTS ANNOUNCEMENT
For the six months ended 29 February 2016

Strong first half performance across the Group

Group Financial Summary

	6 months to		% change
	Feb 2016	Feb 2015	
Group profit before tax	£80m	£72m	11%
Diluted earnings per share	57.4p	50.8p	13%
Travel trading profit ¹	£35m	£32m	9%
High Street trading profit ¹	£53m	£50m	6%
Group profit from trading operations ¹	£88m	£82m	7%
Headline Group profit before tax ²	£80m	£73m	10%
Headline diluted earnings per share ²	57.4p	51.7p	11%

Stephen Clarke, Group Chief Executive said:

“The Group has delivered a strong first half with both our Travel and High Street businesses performing well.

“The Travel performance reflects our ongoing investment in the UK business and growing passenger numbers while internationally we have now secured over 200 stores, including our first airport shops in Spain and Germany.

“In High Street, the flat like-for-like sales – our best performance for many years – were driven by a very strong performance of seasonal products over the key five week Christmas period.

“Stationery sales were particularly strong, driven by investment in new product ranges and both our Stationery and Books business continue to benefit from strong sales in adult activity books, such as colour therapy, extreme dot-to-dot and querkles.

“In March we announced our new exclusive Book Club for young adults headed by the UK’s most popular vlogger and bestselling author, Zoe Sugg. The ‘Zoella Book Club’ will help us to further strengthen our position in a key part of the market.

“The strong performance is only possible through the hard work of the entire team in all parts of our business. I am very grateful for their support.

“Looking ahead, we will continue to focus on profitable growth, cash generation and investing in the business to position us well for the future.”

¹ Group profit from trading operations and High Street and Travel trading profit are stated after directly attributable share-based payment and pension service charges and before central costs, interest and taxation. See Note 2 to the financial statements

² Headline Group profit before tax excludes the non-cash income statement charge for pensions. A reconciliation of Headline Group profit before tax to statutory Profit before tax is provided in the Condensed Group Income Statement on page 10

- Group total sales up 4% with like-for-like³ (LFL) sales up 2%
 - Travel total sales up 11% with LFL sales up 5%
 - High Street total sales down 1% with LFL sales flat
- Gross margin improved by 50 basis points
- Headline EPS² of 57.4p, up 11% on the prior year
- Interim dividend of 13.4p, up 11% on the prior year
- Strong cash generation and balance sheet; free cash flow⁴ of £58m
- At 12 April, 1.1m shares had been purchased and £18m of cash returned to shareholders as part of the up to £50m return of cash to shareholders announced on 15 October 2015.
- 17 international units won in the half, including wins in Dusseldorf and Alicante airports, giving a total of 217 units won internationally
- Continue to deliver cost savings in High Street; £5m delivered in the first half and on target to deliver £4m planned cost savings identified for the second half

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WH Smith PLC's Interim Results 2016 are available at www.whsmithplc.co.uk. A copy of the Interim Results 2016 will shortly be available for inspection at the UK Listing Authority, 25 The North Colonnade, London E14 5HS.

FINANCIAL REVIEW

Total Group sales were up 4% at £633m (2015: £611m) with Group LFL sales up 2%.

Group profit from trading operations¹ increased by 7% on the prior year to £88m (2015: £82m) and Headline Group profit before tax² increased by 10% to £80m (2015: £73m).

Travel

Travel delivered a strong performance with LFL sales improving across all channels and trading profit¹ increasing by 9% to £35m (2015: £32m), which includes £3m (2015: £2m) from our growing international channel. Total sales were up 11% compared to last year and up 5% on a LFL basis, driven by our ongoing investment and an improvement in passenger numbers. We saw a further improvement in gross margin of 30bps and continued good cash generation. We continue to invest in the business and are on track to open around 20 new units in the UK this year. We won a further 17 new units in our international channel in the half, including our first wins in Germany and Spain as well as further units in Australia. We have now won a total of 217 units internationally, of which 181 are open. As at 29 February 2016 Travel operated from 757 units.

³ Like-for-like sales are calculated on stores with a similar selling space that have been open for more than a year (constant currency basis)

⁴ Net cash flow from operating activities adjusted for net capital expenditure, repayments to HMRC (See Note 5), pension deficit funding and net interest paid. See also analysis of cash flow (page 8)

High Street

High Street delivered a good performance in the half with trading profit¹ up 6% to £53m (2015: £50m) and continued high levels of cash generation. LFL sales were flat with total sales down 1%, driven by the performance in the 5 weeks to 2 January 2016 when like-for-like sales were up 2%. We saw a good gross margin performance, up 90bps in the period. Given the better sales performance in the period, we actively decided to re-invest £2m of variable cost savings to ensure service and availability were maintained and made cost savings of £5m in the half. We remain on course to deliver our second half cost saving target of £4m, making a total of £9m of cost savings in the year. As at 29 February 2016 High Street operated from 618 stores.

Group

Headline diluted earnings per share² increased by 11% to 57.4p (2015: 51.7p). This reflects the increase in profit and a lower basic weighted average number of shares in issue following the share buyback. The effective tax rate was 17% and we expect the full year effective tax rate also to be around 17%.

The Group remains highly cash generative and has a strong balance sheet. Net funds before finance leases were £9m (2015: £16m) and total net debt including finance leases was £1m (2015: net funds £10m). Group free cash flow⁴ was £58m (2015: £55m). The Group has a committed revolving credit working capital facility of £93m through to June 2019.

On 15 October 2015 the Board announced a further return of cash to shareholders of up to £50m through a rolling share buyback programme. As at 12 April we have purchased 1.1m shares and returned £18m of cash to shareholders.

The Board has declared an interim dividend of 13.4p per share, an 11% increase on last year. The increase in the interim dividend reflects the Board's confidence in the future prospects of the Group, the strong cash generative nature of the business, and our progressive dividend policy.

Both the Travel and High Street businesses are cash generative and we continue to utilise our cash efficiently by investing in the business and in new opportunities. Capital expenditure in the period was £21m (2015: £21m). As well as making appropriate acquisitions, we have consistently grown dividends and returned cash to shareholders as part of our long-term strategy to create value for shareholders. Including the share buyback announced on 15 October 2015 and the declared interim dividend, since our 2007 financial year, we will have returned £737m of cash to shareholders and reduced our issued share capital by 38%.

Financial Year	Ordinary Dividend £m	Buyback £m	Special Dividend £m	Total £m
2016	46 ⁵	50 ⁶	-	96
2015	42	50	-	92
2014	38	50	-	88
2013	34	50	-	84
2012	31	50	-	81
2011	29	55	-	84
2010	26	35	-	61
2009	23	-	-	23
2008	21	33	57	111
2007	17	-	-	17
	307	373	57	737

⁵ Cash dividend paid and interim dividend declared

⁶ Buyback announced on 15 October 2015

Trading Operations

Travel

Travel delivered a strong first half with trading profit¹ up 9% to £35m (2015: £32m). Total Travel sales were up 11%, with LFL sales up by 5%.

We delivered a good sales performance across all our key channels driven by our ongoing investment and an improvement in passenger numbers. In air, total sales were up 6% with LFL sales also up 6%; in rail, total sales were up 6% with LFL sales up 5%; and in hospitals, total sales were up 23% with LFL sales up 5%. Total sales in hospitals were supported by the opening of 9 new stores over the past 12 months, including a further 2 M&S Simply Food stores in the first half, in John Radcliffe Hospital Oxford and Edinburgh Royal Infirmary. Travel's sales performance follows the 5% LFL sales growth we delivered in the second half of last year against which we now start to annualise. Gross margin increased by 30 bps during the period, driven by mix.

Whilst a key driver for growth in the UK will be passenger numbers, we continue to invest in Travel to drive growth and position ourselves well for the future. Our investment falls in to four key areas: improved store environment and fabric; more staff in our busiest stores and improved customer service; format development and space management; and new space.

We continue to invest to improve the store environment and fabric. During the half we refitted a number of our key stores, for example, Victoria Station; completed the renewal of all point of sale and navigational signage across the estate; and further upgraded our chillers.

As we did last year, we have continued to invest in more staff for our busiest stores to drive improved customer service. We have seen the benefits of this through higher sales and in achieving some of our best ever mystery shopper scores in surveys conducted by our landlords.

Space in Travel is expensive and complex to manage. It varies substantially by channel, location and within location. Active space management and investment in our stores enables us to evolve the offer in each channel to best meet the changing needs of our customers and landlords. We have a very good understanding of the space and category elasticities for every metre of display space in every store and how they are changing over time. This active space management enables us to improve our customer offer by tailoring our ranges in each specific location.

During the period, space changes have included an extended food to go range in many of our Travel stores and we have expanded our digital ranges. As part of this we are currently trialling a 'store in store' headphone and digital shop in Victoria Station and a standalone digital shop in Liverpool Airport.

As part of our broader store investment programme we have also started to trial a new format and brand called Coffee House in five hospital locations where we operate a WHSmith café. The results have been encouraging and we now plan to convert all 17 WHSmith cafés to Coffee House. Whilst it gives us an opportunity in Hospital cafés, we also have been trialling a Coffee House counter within WHSmith stores in Liverpool Women's Hospital and Carlisle Railway Station to provide a coffee offer and to optimise the space in each of these locations. We now plan to extend the trial into more WHSmith stores in existing regional rail and hospital sites.

We see further opportunities for growth and continue to invest in new space in Travel. In the first half we opened 10 units in the UK, including 2 M&S Simply Food stores and an M&S Café, making a total of 13 M&S Simply Food units now open. We are on track to open around 20 units in the UK this year across all our channels.

We have built a successful Travel business in the UK based on the different operating models in each channel, our active space management and our focus on providing a compelling offer to customers and landlords. We have been, and continue to be, successful in exporting this model overseas where the WHSmith brand has been well received and we have consistently demonstrated we can deliver improved performance and add value relative to the previous incumbent. Where we have opened new stores, sales per passenger continue to outperform previous incumbents.

We continue to grow our international business. Although it is still relatively small, it is profitable and continues to grow rapidly. Total sales in our international business for the half were £35m (2015: £25m), up 40% versus the previous year and up 9% on a like-for-like basis as we annualise against the first few months of the opening of the new airport in Qatar. Profit for the half was £3m, an increase of £1m on the previous year.

During the half we won a further 17 new units outside of the UK, including units in Dusseldorf and Alicante airports. Europe is becoming an area of focus for WHSmith. Our stores in Scandinavia and Dublin are performing well although strong local and international incumbents have meant further progress has been constrained. Both Dusseldorf and Alicante will be directly-run and will give us our first presence in the German and Spanish markets. We have also won an additional unit in Melbourne and two Fresh Plus cafés, further strengthening our business in Australia. We have now won 217 units internationally across four channels (air, rail, hospitals and malls) of which 181 are open. Of the 181 units open, 53% are franchise, 40% direct lease and the remainder are joint venture.

We are now present in 19 countries and in 30 airports outside of the UK. However, our share of the news, books and convenience travel market is still very small. We continue to see opportunities to grow using our three operating models of directly-run, joint venture and franchise.

As at 29 February 2016 the Travel business operated from 757 units, including motorway service area franchise units. 7 UK units were closed in the period, primarily due to landlord redevelopment. We renewed 15 contracts and completed 16 refits during the half. Excluding franchise units, Travel occupies 0.60m square feet.

High Street

High Street had a good first half, with an increase in trading profit¹ to £53m (2015: £50m), up 6% on the prior year. Our strategy of actively managing our space to optimise our core categories, gross margin growth and good cost control continues to deliver sustainable profit and good cash generation.

High Street sales were down 1% in total and flat on a LFL basis. This improved performance was driven by the performance in the 5 weeks to 2 January 2016 when LFL sales were up 2%. During the period we saw a good performance from stationery, particularly new product development and in some of our seasonal categories, as well as the continued success of 'colour therapy' titles. Gross margin improved by around 90bps, through rebalancing the mix of our business, better buying, improved sourcing and markdown management.

As we do with our Travel business, we consider space as a strategic asset and we utilise our space to maximise profitability in the current year in ways that are sustainable for future years. We have extensive and detailed space and range elasticity data for every store, built up over many years and we utilise our space to maximise the return on every metre drop in every store through improving margins, reducing costs and driving third party income opportunities.

In the half, space changes have included continuing to extend our Stationery category and providing more, better quality space towards the front of the store. We have also extended our Stationery 'Brights' initiative and plan to roll it out to more, smaller stores in the second half. Looking ahead, we will continue to manage space in this way.

Driving efficiencies remains a core part of our strategy and we focus on all areas of cost in the business. We continue to deliver savings as part of our cost efficiency programme whilst adjusting our variable costs to sales. Given the better than forecasted sales in the period, we actively decided to re-invest £2m of variable cost savings to ensure service and availability were maintained. We achieved cost savings of £5m in the half and remain on plan to deliver our second half cost savings target of £4m, giving a total of £9m of cost savings for the year. These savings come from right across the business, including rent savings at lease renewal, a more efficient store operating model through greater use of technology and productivity improvements in our distribution centres.

During the period we have made good progress with our franchise initiative under the brand WHSmith LOCAL. We now have 105 franchisees signed up with 60 stores open. While some of these stores have been converted only recently, we continue to see consistently good results, delivering incremental profits for franchisees. There is a large number of small, independent newsagents and, whilst the signing-up process takes time, we believe this initiative has long-term growth potential.

Over the past 16 months we have opened 30 cardmarket trial stores. Sales are still building with performance varying by store. Although the stores traded well over the Christmas period, with good like for like sales growth, we would require additional significant sales build to justify a further rollout. We are therefore not planning any further rollout at this stage but will keep this under review. We will continue to operate the existing 30 stores to assess where the sales build in the current stores settles.

Since 2006 we have successfully run Post Offices and improved service levels for our customers. We currently operate 107 Post Offices. We have now entered into a new commercial deal with Post Office Limited (POL) to relocate up to an additional 61 Post Offices to WHSmith High Street stores over the next 12 months either as franchises or run by POL under a concession arrangement. This new agreement will run for ten years. This new deal reflects our continuous focus on space management to create sustainable profit streams, and cements our position in the heart of the communities in which we operate.

The High Street business now operates from 618 stores, which occupy 2.90m square feet. We opened 10 cardmarket trial stores in the half and closed 7 stores. In addition, there are 60 WHSmith LOCAL franchised stores.

Category Performance

Stationery:

Our strategy to build on our market leading position in Stationery remains unchanged. Like-for-like sales were up 5%, with gross margin in line with last year. During the half, Stationery has benefited from additional space in many stores and better quality space towards the front of the store. This space, combined with strong promotional offers and our increased focus on design, fashion and product quality helped drive the performance. Range improvements in our seasonal categories meant we drove good year on year growth in boxed and single Christmas cards, wrap, diaries and decorations. Stock was managed tightly. Our Stationery 'Brights' initiative continues to be well received by customers and is in 118 of our stores, with more, smaller stores planned for the second half.

Funkypigeon.com performed well over the key seasons delivering good profit, with extended gifting ranges. We continue to see good growth in our volume of traffic and, following further investment in the website and apps, we saw increased conversion particularly for mobile devices.

Books:

In Books, we have seen some stabilisation in the General Retail Market, however the quality of publishing is still the biggest driver of market performance. Kids book sales remain the most resilient and we have adjusted our book space accordingly. In Adult, 'colour therapy' titles continue to be a key driver of sales, with the phenomenon now extending into new 'Extreme Dot-To-Dot' titles and 'Querkles' (extreme colour by numbers). Like-for-like sales were down 1% in the period with gross margin up compared to last year.

Our approach to the books business is to focus on areas of market growth, build on our relative strengths and drive the overall net profitability of the category. For example, we are strong in books for children and young adults and we have recently signed a contract to launch a new young adult Book Club with bestselling author and vlogger, Zoe Sugg. More commonly known by her YouTube username, Zoella, her debut novel, *Girl Online*, was released in November 2014 and was the fastest selling book of the year, breaking the record for the highest first week of sales for a first-time novelist since records began. The launch of the Zoella Book Club, which is exclusive to WHSmith, will help to further strengthen our recommendation credentials, which is key for WHSmith books customers.

In Travel, we opened a new standalone bookshop in Heathrow Terminal 5 and we continue to see good sales from our 'Fresh Talent' recommendations, highlighting new authors.

News and Impulse:

News and Impulse like-for-like sales were up 1% compared to last year with further improvement in gross margin. The newspaper and magazine market continues to be challenging but we held our market share through a number of successful promotions. We saw a good performance from some seasonal categories over Christmas, for example, TV listings. In Travel, we continue to develop our food to go ranges with more healthy eating options and the introduction of new brands such as Graze.

Non-Operating Activities

Net Finance Cost

£m	6 months to	
	Feb 2016	Feb 2015
Bank interest	-	(1)
Pension interest	-	(1)
Net finance costs	-	(2)

Net finance costs relating to bank loans were £nil compared with £1m last year. The non-cash pension interest charge was also £nil (2015: £1m).

Fixed Charges Cover

Fixed charges, comprising property operating lease rentals and net finance charges, were covered 1.8 times (2015: 1.8 times) by profit before tax and fixed charges. In the full year we expect fixed charges cover to be consistent with the prior year at around 1.6 times. The difference to the half year reflects the seasonality of profits.

Cash Flow and Balance Sheet

Free cash flow reconciliation

£m	6 months to	
	Feb 2016	Feb 2015
Group operating profit	80	74
Depreciation, amortisation & amounts written off fixed assets	21	19
Working capital	(16)	(8)
Employers payroll tax on exercised share awards	(2)	(1)
Net capital expenditure	(21)	(21)
Tax ⁷	(9)	(10)
Interest paid	-	(1)
Share-based payments	5	3
Free cash flow	58	55

The Group generated free cash flow of £58m during the period. Non-cash charges from depreciation and share based payments were £4m higher than last year. Working capital outflow was £16m reflecting the seasonality of the business and the investment in new stores as we continue to open stores in the UK and internationally. Capital expenditure in the half was £21m, in line with last year. Capital expenditure includes new stores in High Street and Travel, together with the ongoing investment in technology and the existing estate. During the period we paid £2m of employers' payroll tax on exercised share awards compared to £1m last year. Net corporation tax paid was £9m in the period compared to £10m last year.

As at 29 February 2016 the Group had net debt of £1m with net cash⁸ of £9m.

⁷ Excludes £13m repayment to HMRC (See Note 5)

⁸ Net cash is Cash and cash equivalents (£34m) less bank overdrafts and other borrowings (£25m). See Condensed Group Balance Sheet on page 12.

Reconciliation of net funds

£m	6 months to	
	Feb 2016	Feb 2015
Opening net cash	25	22
Free cash flow generated	58	55
Equity dividends paid	(31)	(28)
Pension deficit funding	(1)	(3)
Net purchase of shares for employee share schemes	(6)	(2)
Purchase of own shares for cancellation	(23)	(24)
Return of payment on account to HMRC	(13)	-
Acquisitions	-	(3)
Other	-	(1)
Net cash⁸	9	16
Finance leases	(10)	(6)
Net (debt) / funds	(1)	10

In addition to the free cash generated, the Group has seen a net outflow in relation to non-trading operations, including last year's final dividend of £31m, pension deficit funding of £1m and net ESOP trust purchases of £6m. As at 29 February 2016 the Group had returned £23m of cash to shareholders via an on market buyback of which £18m relates to the up to £50m buyback announced on 15 October 2015. As expected, the Group repaid £13m to HMRC in respect of a payment on account received from HMRC in 2010 relating to a historical commercial structure which was put in place in the year ended 31 August 2009. This historical structure is the subject of ongoing discussions with HMRC.

The Group had net assets of £166m before the IFRIC 14 pension liability and associated deferred tax asset, £14m higher than last year end, reflecting cash generation and capex investment, movement in working capital and the share buyback programme. Net assets after the pension liability and associated deferred tax asset were £161m compared to £147m at 31 August 2015.

Trading Update

The Group will issue its third quarter Trading Update on 8 June 2016.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year remain those detailed on pages 20 and 21 of the Group's Annual Report and Accounts 2015, a copy of which is available on the Group's website at www.whsmithplc.co.uk. These include: economic, political, competitive and market risks; brand and reputation; key suppliers and supply chain management; store portfolio; business interruption; reliance on key personnel; treasury, financial and credit risk management; and cyber risk and data security.

This announcement contains certain forward looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. Nothing in this announcement should be construed as a profit forecast. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

WH Smith PLC
Condensed Group Income Statement
For the 6 months to 29 February 2016

£m	Note	6 months to 29 Feb 2016 (unaudited)	6 months to 28 Feb 2015 (unaudited)	12 months to 31 Aug 2015 (audited)
Continuing operations				
Revenue	2	633	611	1,178
Operating profit	2	80	74	124
Finance costs	4	-	(2)	(3)
Profit before tax		80	72	121
Income tax expense	5	(14)	(12)	(20)
Profit for the period		66	60	101

Earnings per share

Basic	7	57.9p	51.3p	87.1p
Diluted	7	57.4p	50.8p	85.6p
Equity dividends per share¹	6	13.4p	12.1p	39.4p

Non GAAP measures

£m	Note	6 months to 29 Feb 2016 (unaudited)	6 months to 28 Feb 2015 (unaudited)	12 months to 31 Aug 2015 (audited)
Reconciliation of Profit before tax to Headline Group profit before tax				
Profit before tax		80	72	121
Adjusted for:				
Non-cash income statement charge for pensions	4	-	1	2
Headline Group profit before tax		80	73	123
Headline earnings per share				
Basic	7	57.9p	52.1p	88.8p
Diluted	7	57.4p	51.7p	87.3p
Fixed charges cover	8	1.8x	1.8x	1.6x

¹ Current period dividend per share is the interim dividend.

WH Smith PLC
Condensed Group Statement of Comprehensive Income
For the 6 months to 29 February 2016

£m	Note	6 months to 29 Feb 2016 (unaudited)	6 months to 28 Feb 2015 (unaudited)	12 months to 31 Aug 2015 (audited)
Profit for the period		66	60	101
Other comprehensive income:				
Items that will not be reclassified subsequently to the income statement:				
Actuarial gains / (losses) on defined benefit pension schemes	3	(1)	34	47
Tax on defined benefit pension schemes		-	(7)	(9)
		(1)	27	38
Items that may be reclassified subsequently to the income statement:				
Cash flow hedges		1	1	-
Exchange differences on translation of foreign operations		2	(1)	(2)
		3	-	(2)
Other comprehensive income for the period, net of tax		2	27	36
Total comprehensive income for the period		68	87	137

WH Smith PLC
Condensed Group Balance Sheet
As at 29 February 2016

£m	Note	At 29 Feb 2016 (unaudited)	At 28 Feb 2015 (unaudited)	At 31 Aug 2015 (audited)
Non-current assets				
Goodwill		37	36	36
Other intangible assets		24	23	23
Property, plant and equipment		155	155	155
Deferred tax assets		10	11	10
Trade and other receivables		3	2	2
		229	227	226
Current assets				
Inventories		145	145	141
Trade and other receivables		45	51	52
Current tax asset		-	1	3
Derivative financial asset	14	1	1	-
Cash and cash equivalents	10	34	36	34
		225	234	230
Total assets		454	461	456
Current liabilities				
Trade and other payables		(212)	(219)	(231)
Bank overdrafts and other borrowings	10	(25)	(20)	(9)
Retirement benefit obligation	3	(1)	(2)	(1)
Current tax liabilities		(23)	(39)	(35)
Obligations under finance leases	10	(2)	(1)	(2)
Short-term provisions		(1)	(2)	(1)
		(264)	(283)	(279)
Non-current liabilities				
Retirement benefit obligation	3	(5)	(17)	(5)
Deferred tax liabilities		-	-	-
Long-term provisions		(3)	(3)	(3)
Obligations under finance leases	10	(8)	(5)	(8)
Other non-current liabilities		(13)	(15)	(14)
		(29)	(40)	(30)
Total liabilities		(293)	(323)	(309)
Total net assets		161	138	147
Shareholders' equity				
Called up share capital	12	25	26	25
Share premium		5	5	5
Capital redemption reserve		12	11	12
Revaluation reserve		2	2	2
ESOP reserve		(8)	(9)	(11)
Hedging reserve		1	1	-
Translation reserve		(3)	(4)	(5)
Other reserve		(247)	(239)	(239)
Retained earnings		374	345	358
Total equity		161	138	147

WH Smith PLC
Condensed Group Cash Flow Statement
For the 6 months to 29 February 2016

£m	Note	6 months to		12 months to
		29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Net cash inflow from operating activities	11	65	74	145
Investing activities				
Purchase of property, plant and equipment		(16)	(18)	(34)
Purchase of intangible assets		(5)	(3)	(5)
Acquisition of business		-	(3)	(3)
Net cash outflow from investing activities		(21)	(24)	(42)
Financing activities				
Interest paid		-	(1)	(1)
Dividend paid	6	(31)	(28)	(42)
Purchase of own shares for cancellation		(23)	(24)	(54)
Purchase of own shares for employee share schemes		(6)	(2)	(4)
Repayments of borrowings		-	-	(3)
Proceeds from borrowings		16	8	-
Repayments of obligations under finance leases		(1)	-	(1)
Proceeds from sale and leaseback of property, plant and equipment		-	-	3
Net cash used in financing activities		(45)	(47)	(102)
Net (decrease) / increase in cash and cash equivalents in the period		(1)	3	1
Opening net cash and cash equivalents		34	34	34
Effect of movements in foreign exchange rates		1	(1)	(1)
Closing net cash and cash equivalents		34	36	34

Reconciliation of net cash flow to movement in net debt / funds

£m	Note	6 months to		12 months to
		29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Net funds at beginning of the period		15	22	22
(Decrease) / increase in cash and cash equivalents		(1)	3	1
(Increase) / decrease in debt		(16)	(8)	3
Net movement in finance leases		-	(6)	(10)
Effect of movements in foreign exchange rates		1	(1)	(1)
Net (debt) / funds at end of the period	10	(1)	10	15

WH Smith PLC
Condensed Group Statement of Changes in Equity
For the 6 months to 29 February 2016

£m	Share capital and share premium	Capital redemption reserve	Revaluation reserve	ESOP reserve	Hedging and translation reserves	Other reserve ¹	Retained earnings	Total
Balance at 1 September 2015	30	12	2	(11)	(5)	(239)	358	147
Profit for the period	-	-	-	-	-	-	66	66
Other comprehensive income/(expense):								
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	-	(1)	(1)
Cash flow hedges	-	-	-	-	1	-	-	1
Exchange differences on translation of foreign operations	-	-	-	-	2	-	-	2
Total comprehensive income for the period	-	-	-	-	3	-	65	68
Transactions with owners in their capacity as owners								
Recognition of share-based payments	-	-	-	-	-	-	4	4
Current tax on share-based payments	-	-	-	-	-	-	1	1
Dividends paid (Note 6)	-	-	-	-	-	-	(31)	(31)
Employee share schemes	-	-	-	3	-	(8)	-	(5)
Purchase of own shares for cancellation	-	-	-	-	-	-	(23)	(23)
Balance at 29 February 2016 (unaudited)	30	12	2	(8)	(2)	(247)	374	161
Balance at 1 September 2014	30	11	2	(11)	(3)	(235)	307	101
Profit for the period	-	-	-	-	-	-	60	60
Other comprehensive income/(expense):								
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	-	34	34
Tax on defined benefit pension schemes	-	-	-	-	-	-	(7)	(7)
Cash flow hedges	-	-	-	-	1	-	-	1
Exchange differences on translation of foreign operations	-	-	-	-	(1)	-	-	(1)
Total comprehensive income for the period	-	-	-	-	-	-	87	87
Transactions with owners in their capacity as owners								
Recognition of share-based payments	-	-	-	-	-	-	3	3
Premium on issue of shares	1	-	-	-	-	-	-	1
Dividends paid (Note 6)	-	-	-	-	-	-	(28)	(28)
Employee share schemes	-	-	-	2	-	(4)	-	(2)
Purchase of own shares for cancellation	-	-	-	-	-	-	(24)	(24)
Balance at 28 February 2015 (unaudited)	31	11	2	(9)	(3)	(239)	345	138
Balance at 1 September 2014	30	11	2	(11)	(3)	(235)	307	101
Profit for the period	-	-	-	-	-	-	101	101
Other comprehensive income/(expense):								
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	-	47	47
Tax on defined benefit pension schemes	-	-	-	-	-	-	(9)	(9)
Exchange differences on translation of foreign operations	-	-	-	-	(2)	-	-	(2)
Total comprehensive income for the period	-	-	-	-	(2)	-	139	137
Transactions with owners in their capacity as owners								
Recognition of share-based payments	-	-	-	-	-	-	5	5
Current tax on share-based payments	-	-	-	-	-	-	1	1
Deferred tax on share-based payments	-	-	-	-	-	-	1	1
Premium on issue of shares	1	-	-	-	-	-	-	1
Dividends paid (Note 6)	-	-	-	-	-	-	(42)	(42)
Employee share schemes	-	-	-	-	-	(4)	-	(4)
Purchase of own shares for cancellation	(1)	1	-	-	-	-	(53)	(53)
Balance at 31 August 2015 (audited)	30	12	2	(11)	(5)	(239)	358	147

¹ The 'Other' reserve includes reserves created in relation to the historical capital reorganisation, proforma restatement and the demerger from Connect Group PLC (formerly Smiths News PLC) in 2006, as well as movements relating to employee share schemes of £8m (2015: £4m).

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 29 February 2016

1. Basis of preparation, Accounting policies and Approval of Interim Statement

The Condensed Interim Financial Statements for the 6 months ended 29 February 2016 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. This report should be read in conjunction with the Group's Annual Report and Accounts 2015, which have been prepared in accordance with IFRSs as adopted by the European Union.

The financial information set out in this report does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The Annual Report and Accounts 2015 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under s498(2) or s498(3) of the Companies Act 2006.

The Condensed Interim Financial Statements have been prepared in accordance with the accounting policies set out in the 2015 Annual Report and Accounts and it is these accounting policies which are expected to be followed in the preparation of the full financial statements for the financial year ended 31 August 2016, except as outlined below.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to the expected total annual profit or loss

The Group has adopted the following standards and interpretations which became mandatory for the first time during the current financial year. The adoption of these standards has had no material impact on the Group.

Annual improvements 2010-2012

Annual improvements 2011-2013

Amendments to IAS 19

Defined Benefit Plans: Employee Contributions

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not yet effective, including IFRS 16 'Leases' which is effective for periods beginning on or after 1 January 2019, but is not yet endorsed by the EU. The Group anticipates that the adoption of IFRS 16 will have a material impact on the Income statement and Balance sheet including operating profit, profit before tax, property plant and equipment and net debt. There is no cash impact of adoption of this standard. The Group will assess the full impact in due course.

The Group has identified certain measures that it believes will assist the understanding of the performance of the business. The Group believes that High Street and Travel trading profit, Group profit from trading operations, Headline Group profit before tax, Headline earnings per share, Fixed charges cover and Free cash flow provide useful information to users of the financial statements. The terms are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

The Group's business activities together with the factors that are likely to affect its future developments, performance and position are set out in the Financial Review. The Financial Review describes the Group's financial position, cash flows and borrowing facilities and also highlights the principal risks and uncertainties facing the Group. The Annual Report and Accounts 2015 includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The directors report that they have reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure, proposed dividends and borrowing facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate financial resources to continue its current operations, including contractual and commercial commitments for the foreseeable future. For these reasons, the going concern basis has been adopted in preparing the financial statements.

The Condensed Interim Financial Statements are unaudited but have been reviewed by our auditors and were approved by the Board of Directors on 13 April 2016.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 29 February 2016

2. Segmental analysis of results

For management and financial reporting purposes, the Group is organised into two operating divisions – High Street and Travel. These divisions are the basis on which the Group reports its IFRS 8 operating segment information to the Board (the Chief Operating Decision maker for the Group).

a) Group revenue

£m	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Travel	263	237	521
High Street	370	374	657
Group revenue	633	611	1,178

Seasonality

Sales in the High Street business are subject to seasonal fluctuations, with peak demand in the Christmas trading period, which falls in the first half of the Group's financial year. Sales in the Travel business are also subject to seasonal fluctuations, with higher demand during peak travel periods particularly during the summer holiday months.

b) Group results

£m	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Travel	35	32	80
High Street	53	50	59
Profit from trading operations	88	82	139
Unallocated costs	(8)	(8)	(15)
Group operating profit	80	74	124
Finance costs	-	(2)	(3)
Income tax expense	(14)	(12)	(20)
Profit for the period	66	60	101

Included within Travel revenue and trading profit is International revenue of £35m (2015: £25m) and International trading profit of £3m (2015: £2m).

Group profit before finance charges and taxation for the period to 29 February 2016 is stated after the write-down of inventories to net realisable value, £1m (2015: £1m).

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 29 February 2016

3. Retirement benefit obligation

WH Smith PLC has operated a number of defined benefit schemes (which are closed to new entrants and future service accrual) and defined contribution pension schemes. The main pension arrangements for employees are operated through a defined benefit scheme, WHSmith Pension Trust, and a defined contribution scheme, WH Smith Retirement Savings Plan. The most significant scheme is the defined benefit WHSmith Pension Trust.

The retirement benefit obligations recognised in the balance sheet for the respective schemes at the relevant reporting dates were:

£m	At 29 Feb 2016 (unaudited)	At 28 Feb 2015 (unaudited)	At 31 Aug 2015 (audited)
WHSmith Pension Trust	(5)	(18)	(5)
United News Shops Retirement Benefits Scheme	(1)	(1)	(1)
Retirement benefit obligation recognised in the balance sheet	(6)	(19)	(6)

WHSmith Pension Trust

The market value of the assets and the present value of the liabilities in the scheme at the relevant reporting dates were:

£m	At 29 Feb 2016 (unaudited)	At 28 Feb 2015 (unaudited)	At 31 Aug 2015 (audited)
Present value of the obligations	(915)	(1,049)	(948)
Fair value of scheme assets	1,134	1,159	1,162
Surplus before consideration of asset ceiling	219	110	214
Amounts not recognised due to effect of asset ceiling	(219)	(110)	(214)
Additional liability recognised due to minimum funding requirements	(5)	(18)	(5)
Retirement benefit obligation recognised in the balance sheet	(5)	(18)	(5)

Total (expense) / income recognised in the Statement of Comprehensive Income ("SOCl"):

£m	6 months to 29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	12 months to 31 Aug 2015 (audited)
Total actuarial gain / (loss) before consideration of asset ceiling	31	(118)	(18)
(Loss) / return on scheme assets excluding amounts included in net interest cost	(31)	67	67
(Loss) / gain resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	(1)	48	(52)
Gain resulting from changes in additional liability due to minimum funding requirements excluding amounts recognised in net interest cost	-	38	51
Total actuarial (loss) / gain recognised in other comprehensive income	(1)	35	48

In the prior year an additional £1m debit was recognised in the statement of comprehensive income in relation to actuarial losses in the period on the United News Shops Retirement Benefits Scheme. For the 6 months ended 29 February 2016 this was £nil.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 29 February 2016

3. Retirement benefit obligation (continued)

WHSmith Pension Trust (continued)

Movement in net retirement benefit liability during the period:

£m	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
At beginning of period	(5)	(55)	(55)
Current service cost	-	-	-
Net interest cost on the defined benefit liability	-	(1)	(2)
Contributions	1	3	4
Actuarial (losses) / gains on defined benefit pension schemes	(1)	35	48
At end of period	(5)	(18)	(5)

The defined benefit pension schemes are closed to further accrual and given the Liability Driven Investment policy adopted by the WHSmith Pension Trust Trustees, the present value of the economic benefits of the IAS 19 surplus in the pension scheme of £219m (2015: £110m) available on a reduction of future contributions is £nil (2015: £nil). As a result the Group has not recognised this IAS 19 surplus on the balance sheet. There is an ongoing actuarial deficit primarily due to the different assumptions and calculation methodologies on interpretation of IAS 19. We have recognised the schedule of contributions as a liability of £5m (2015: £18m) in accordance with the requirements of IFRIC 14.

A full actuarial valuation of the scheme is carried out every three years, with interim reviews in the intervening years. The latest full actuarial valuation of the Pension Trust was carried out at 31 March 2014 by independent actuaries using the projected unit credit method. Following this valuation, the deficit was £24m, and a revised deficit funding schedule of approximately £3m per annum from 1 October 2014 for the following nine years was agreed with the Trustee. With effect from 1 September 2015 the Group agreed to pay certain investment management costs on behalf of the Trustee. The annual deficit funding agreement is around £1m per annum with effect from 1 September 2015.

During the period, the Group made a contribution of £1m to the WHSmith Pension Trust (2015: £3m) in accordance with the agreed pension deficit funding schedule. The Group expects the cash payments for the year ended 31 August 2016, payable to the Trustee, to be £1m, and approximately £3m in total in relation to the scheme.

The principal long-term assumptions used in the IAS 19 valuation were:

%	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Rate of increase in pension payments	3.04	3.08	3.22
Rate of increase in deferred pensions	2.00	2.30	2.20
Discount rate	3.75	3.20	3.75
RPI Inflation assumption	3.10	3.20	3.30
CPI Inflation assumption	2.00	2.30	2.20

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 29 February 2016

4. Finance costs

£m	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Interest payable on bank loans and overdrafts	-	1	1
Net interest cost on the defined benefit pension liability	-	1	2
	-	2	3

5. Income tax expense

£m	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Tax on profit	18	17	32
Adjustment in respect of prior year UK corporation tax	(3)	(4)	(11)
Total current tax charge	15	13	21
Deferred tax – current year	(1)	(1)	(1)
Tax on profit	14	12	20
<i>Effective tax rate</i>	17%	17%	17%

As expected, during the period we made a £13m repayment to HMRC of a previous payment on account in respect of a historical commercial structure put in place in the year ended 31 August 2009. This matter is still subject to final resolution.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. This included a reduction in the main of corporation tax to 17% from 1 April 2020 (previously a reduction to 18%). As the change had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

6. Dividends

Amounts paid and recognised as distributions to shareholders in the period are as follows:

£m	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Dividends			
2014 Final dividend of 24.2p per ordinary share	-	28	28
2015 Interim dividend of 12.1p per ordinary share	-	-	14
2015 Final dividend of 27.3p per ordinary share	31	-	-
	31	28	42

The directors have declared an interim dividend in respect of the period ending 29 February 2016 of 13.4p per ordinary share, which will absorb an estimated £15m of shareholders' equity. This will be paid on 4 August 2016 to shareholders registered at the close of business on 15 July 2016.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 29 February 2016

7. Earnings per share

a) Earnings

£m	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Earnings attributable to shareholders	66	60	101
Adjusted for non-headline items (net of taxation):			
Non-cash income statement charge for pensions	-	1	2
Headline earnings attributable to shareholders	66	61	103

b) Weighted average share capital

Millions	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Weighted average ordinary shares in issue	115	118	118
Less weighted average ordinary shares held in ESOP Trust	(1)	(1)	(2)
Weighted average ordinary shares for basic earnings per share	114	117	116
Add weighted average number of ordinary shares under option	1	1	2
Weighted average ordinary shares for diluted earnings per share	115	118	118

c) Basic and diluted earnings per share

Pence	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Basic earnings per share	57.9	51.3	87.1
Adjustments for non-headline items	-	0.8	1.7
Basic headline earnings per share	57.9	52.1	88.8
Diluted earnings per share	57.4	50.8	85.6
Adjustments for non-headline items	-	0.9	1.7
Diluted headline earnings per share	57.4	51.7	87.3

Diluted earnings per share takes into account various share awards and share options including SAYE schemes, which are expected to vest, and for which a sum below fair value will be paid.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 29 February 2016

8. Fixed Charges Cover – Non GAAP

£m	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Net finance charges	-	2	3
Net operating lease rentals	96	92	190
Total fixed charges	96	94	193
Profit before tax and non-underlying items	80	72	121
Profit before tax, non-underlying items and fixed charges	176	166	314
Fixed charges cover - times	1.8x	1.8x	1.6x

9. Capital Expenditure

In the financial period, there were additions to property, plant and equipment, including finance leases, of £17m (28 February 2015: £24m) and additions to intangible assets of £5m (28 February 2015: £3m).

In the financial period, there were disposals of property, plant and equipment with a cost of £3m and a net book value of £nil (28 February 2015: cost £1m and net book value £nil). There were no material disposals of intangible assets during the period (28 February 2015: £nil).

10. Analysis of net debt / funds

Net debt / funds can be analysed as follows:

£m	At	At	At
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Cash and cash equivalents	34	36	34
Debt			
- Revolving credit facility	(25)	(20)	(9)
- Obligations under finance leases	(10)	(6)	(10)
Net (debt) / funds	(1)	10	15

Movement in net debt / funds:

£m	At	Cash flow	Non Cash	Currency translation	At
	31 Aug 2015 (audited)				29 Feb 2016 (unaudited)
Cash and cash equivalents	34	(1)	-	1	34
Debt					
- Revolving credit facility	(9)	(16)	-	-	(25)
- Obligations under finance leases	(10)	(1)	1	-	(10)
Net funds / (debt)	15	(18)	1	1	(1)

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The Group has a £93.3m 5-year committed revolving credit facility. As at 29 February 2016 this Group had drawn down £25m (28 February 2015: £20m) on this facility. The revolving credit facility is due to mature on 9 June 2019. During the period the interest rate on the facility was LIBOR plus 90bps.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 29 February 2016

11. Net cash inflow from operating activities

£m	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Operating profit from continuing operations	80	74	124
Depreciation and amortisation	19	17	36
Impairment losses (relating to store closures)	2	2	2
Share-based payments	5	3	6
(Increase) / decrease in inventories	(4)	(1)	3
Decrease in receivables	6	3	2
Decrease in payables	(20)	(11)	-
Adjustment for pension funding	(1)	(3)	(4)
Income taxes paid	(22)	(10)	(23)
Cash spend against provisions	-	-	(1)
Net cash inflow from operating activities	65	74	145

12. Called Up Share Capital

	29 Feb 2016 (unaudited)		28 Feb 2015 (unaudited)		31 Aug 2015 (audited)	
	Number of shares (millions)	Nominal value £m	Number of shares (millions)	Nominal value £m	Number of shares (millions)	Nominal value £m
Equity						
Ordinary shares of 22 6/67p	114	25	117	26	115	25
Total	114	25	117	26	115	25

During the six month period the Company repurchased 1,417,746 (six months to 28 February 2015: 2,091,000) of its own shares in the open market for an aggregate consideration of £23m (2015: £24m).

The holders of ordinary shares are entitled to receive dividends as declared from time-to-time and are entitled to one vote per share at the meetings of the Company.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 29 February 2016

13. Contingent liabilities and capital commitments

£m	6 months to		12 months to
	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)	31 Aug 2015 (audited)
Bank and other loans guaranteed	4	5	6

Other potential liabilities that could crystallise are in respect of previous assignments of leases where the liability could revert to the Group if the lessee defaulted. Pursuant to the terms of the Demerger Agreement with Connect Group PLC (formerly Smiths News PLC), any such contingent liability, which becomes an actual liability, will be apportioned between the Group and Connect Group PLC in the ratio 65:35 (provided that the actual liability of Connect Group PLC in any 12 month period does not exceed £5m). The Group's 65 per cent share of these leases has an estimated future rental commitment at 29 February 2016 of £4m (28 February 2015: £5m).

At 29 February 2016, contracts placed for future capital expenditure approved by the directors but not provided for amounted to £5m (28 February 2015: £3m).

14. Financial Instruments

IFRS 13 requires disclosure of fair value measurements by level based on the following measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All fair value measurements made by the group are in the Level 2 category. The fair value of forward foreign exchange contracts has been determined using forward currency exchange rates at the balance sheet date. These have been provided by the individual banking institutions with whom the contracts are held. There have been no transfers of assets or liabilities between any levels of the fair value hierarchy.

There were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values at the balance sheet date.

£m	29 Feb 2016 (unaudited)	28 Feb 2015 (unaudited)
Financial assets		
Cash flow hedges:		
Forward foreign currency contracts	1	1
	1	1

15. Related Parties

There have been no material related party transactions during the interim period under review.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 29 February 2016

Statement of Directors' Responsibilities

The Directors confirm to the best of their knowledge that this condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The Directors of WH Smith PLC are listed on the website at www.whsmithplc.co.uk/about_whsmith/directors/.

By order of the Board

Stephen Clarke
Group Chief Executive

Robert Moorhead
Chief Financial Officer and Chief Operating Officer

13 April 2016

INDEPENDENT REVIEW REPORT TO WH SMITH PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed WH Smith Plc's interim financial statements (the "interim financial statements") in the interim results announcement of WH Smith Plc for the 6 month period ended 29 February 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements, which are prepared by WH Smith Plc, comprise:

- The Condensed Group Balance Sheet as at 29 February 2016;
- The Condensed Group Income Statement and Condensed Group Statement of Comprehensive Income for the period then ended;
- The Condensed Group Cash Flow Statement for the period then ended;
- The Condensed Group Statement of Changes in Equity for the period then ended; and
- The explanatory notes to the Condensed Interim Financial Statements.

The interim financial statements included in the interim results announcement have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results Announcement 6 months to 29 February 2016, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results Announcement in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the interim financial statements in the Interim Results Announcement based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results Announcement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
13 April 2016
London

Notes:

- (a) The maintenance and integrity of the WH Smith PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

WH Smith PLC

Appendix

Analysis of retailing stores and selling space

Number of High Street stores¹

	1 Sept 2015	Opened	Closed	29 Feb 2016
Total	615	10 ²	(7)	618

¹ Excludes 60 WH Smith LOCAL franchised stores

² Includes 10 Cardmarket stores

Number of Travel units

A Travel store may consist of multiple units within one location. On an individual unit basis, Travel stores can be analysed as follows:

	1 Sept 2015	Opened	Closed	29 Feb 2016
Non franchise units	510	21	(9)	522
Joint Venture and Franchise units ³	226	10	(1)	235
Total	736	31	(10)	757

³ Travel units include motorway and international franchise units, and exclude kiosks in India, and *Supanews* and *Wild Cards and Gifts* franchisees in Australia.

Retail selling square feet ('000s)

	1 Sept 2015	Opened	Closed	29 Feb 2016
High Street	2,892	10 ²	(47)	2,855
Travel	579	25	(7)	597
Total	3,471	35	(54)	3,452

Total Retail selling square feet does not include franchise units.