

14 April 2011

**WH SMITH PLC
INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011**

Good performance with profits in line with expectations and interim dividend up 18%

KEY POINTS

- Group profit from trading operations¹ up 3% to £72m (2010: £70m):
 - Travel operating profit¹ up 9% to £25m (2010: £23m)
 - High Street operating profit¹ £47m (2010: £47m)
- Group profit before tax up 3% to £64m (2010: £62m)
- Earnings per share² up 11% to 35.2p (2010: 31.6p)
- Group total sales down 4% with like-for-like (LFL) sales down 5%:
 - Travel total sales in line with last year with LFL sales down 3%
 - High Street total sales down 6% with LFL sales excluding Entertainment down 3% and overall LFL sales down 6%, in line with our strategic plan
- Gross margin improved by 170 basis points year on year
- Strong balance sheet and cash generation:
 - Net cash of £70m at half year end
 - Strong free cash flow³ of £74m for the half
 - Good progress with return of cash to shareholders through on market share buyback programme
 - Replacement £70m committed revolving credit working capital facility agreed, maturing in 2016
- Interim dividend of 7.2p, up 18% on the prior year

Commenting on the results, Kate Swann, Group Chief Executive said:

“We have delivered a good performance across the Group, despite a difficult consumer environment.

“In Travel we have grown profit by 9%, demonstrating the strength of the business model. We are encouraged by the performance of our international units and now have a total of 40 units either opened or planned. Our High Street business continues to be highly profitable and cash generative.

“During the first half we have returned £27m to shareholders through the share buyback and increased the interim dividend by 18%, demonstrating the Board’s confidence in the future prospects of the Group and its continued cash generative nature.

“Looking forward, we expect the economic environment to remain challenging and we have planned accordingly.”

¹ Trading operations profit is stated after directly attributable share-based payment and pension service charges and before central costs, interest and taxation

² EPS as per IAS 33 - diluted

³ Net cash flow from operating activities adjusted for capital expenditure, pension deficit funding and net interest received

- Ends -

Enquiries:

WH Smith PLC

Nicola Hillman

Mark Boyle

Media Relations

Investor Relations

020 7851 8850

020 7851 8820

Brunswick

Tom Buchanan / Catriona McDermott

020 7404 5959

WH Smith PLC's Interim Results 2011 are available at www.whsmithplc.co.uk. A copy of the Interim Results 2011 will shortly be available for inspection at the UK Listing Authority, 25 The North Colonnade, London E14 5HS.

FINANCIAL REVIEW

Group Summary

Group profit from trading operations¹ increased to £72m, up 3% on the prior year. The Group generated profit before tax of £64m (2010: £62m), an increase of 3% on the prior year.

Travel continued its good performance, with operating profit¹ increasing by 9% to £25m, driven by further improvement in gross margin and tight cost control. We made further progress in both our established and newer channels and opened a total of 19 units in the period.

High Street delivered a resilient performance with operating profit¹ of £47m, in line with the prior year. We continued with our strategy to rebalance the mix of our business, focusing on our core categories whilst reducing our presence in Entertainment. We continued to optimise margins and maintain tight cost control.

Earnings per share² increased by 11% to 35.2p (2010: 31.6p). This reflects the increase in profit, a lower basic weighted average number of shares in issue following the share buyback, and a decrease in the effective tax rate from 23% to 21%.

Total Group sales were £686m (2010: £716m) with LFL sales down 5%. Travel total sales were £213m, down 3% on a LFL basis. High Street total sales were down 6% at £473m. Excluding Entertainment, LFL sales in the High Street were down 3%, with overall LFL sales down 6%.

The Group has a strong balance sheet with high levels of cash generation. At 28 February 2011, the Group had net assets of £179m (2010: £181m) with net cash of £70m. The Group has committed working capital facilities of £70m through to January 2016. Group free cash flow³ was £74m (2010: £64m). As of 13 April 2011, we have purchased 8.4 million shares and returned £40m of cash to shareholders via the share buyback.

¹ Trading operations profit is stated after directly attributable share-based payment and pension service charges and before central costs, interest and taxation

² EPS as per IAS 33 - diluted

³ Net cash flow from operating activities adjusted for capital expenditure, pension deficit funding and net interest received

The Board has declared an interim dividend of 7.2p per share, an increase of 18% on the prior year, reflecting the Board's confidence in the future prospects of the Group and the continuing strong cash generative nature of the business. This continues our track record of consistently growing dividends and returning cash to shareholders. By the end of this financial year we will have returned £291m of cash to shareholders since 2007. We have done this through a combination of ordinary dividends, share buybacks and a special dividend, whilst continuing to invest in the business.

Financial year	Ordinary Dividend ⁽¹⁾ £m	Buyback £m	Special Dividend £m	Total £m
2011	29	50 ⁽²⁾	-	79
2010	26	35	-	61
2009	23	-	-	23
2008	21	33	57	111
2007	17	-	-	17
	116	118	57	291

¹ Cash dividend paid

² £40m returned as at 13 April 2011

Trading Operations

Travel

Travel delivered further operating profit growth despite continued soft passenger numbers. Air and Rail were inevitably impacted by the weather pre-Christmas and the economic climate more generally. Operating profit³ increased by 9% to £25m (2010: £23m) reflecting an improved underlying gross margin and tight cost control. This demonstrates the strength of the business model, with variable rents based on turnover, which has enabled us to continue to grow even in a tough economic climate. It also underlines our confidence that the division is well-placed to benefit when the economy improves.

Total Travel sales were £213m. On a LFL basis, Travel sales were down by 3%, with sales continuing to perform strongly compared to passenger numbers.

Gross margin increased by around 150bps during the period through good category mix management and further buying improvements.

We continue to identify opportunities for growth in the UK, and opened 11 new units in the period: 2 in Air, 1 in Rail, 3 in Hospitals and 5 Workplace units. During the second half we would expect to open a total of 22 units: 5 in Air, 5 in Rail, 6 in Hospitals, 3 Workplace units and in addition, a further 3 units under the Funky Pigeon brand in rail locations.

In our international markets, the WHSmith brand and offer have been well received and we have demonstrated that we can add value and deliver improved performance. So far we have focused on airport locations but we are now identifying opportunities in other international channels, for example, railway stations and hospitals. We have 24 units open internationally and a further 4 units previously announced will open shortly. In addition, we have recently won a further 12 units, including non-airport locations, in India and Kuwait, bringing the total number of units internationally to 40. In light of the results to date, we will continue to expand into this market, doing so in a pragmatic and low risk way and choosing the appropriate operating model for each location.

As at 28 February 2011, the Travel business operated from 532 units, including motorway service area franchise units and coffee shops. Three units were closed due to landlord redevelopments and we renewed 7 contracts and completed 15 refits in the period. Excluding franchise units, Travel occupies 0.4m square feet (2010: 0.4m square feet).

³ Trading operations profit is stated after directly attributable share-based payment and pension service charges and before central costs, interest and taxation

High Street

High Street delivered a resilient performance with an operating profit¹ of £47m (2010: £47m). We continued with our strategy to focus on our core categories and rebalance the mix of the business away from Entertainment. As we do this, we are focused on optimising margins and maintaining tight cost control. Cash generation in the division continues to be strong.

Excluding Entertainment, LFL sales for the half were down 3%. Total and LFL sales were down 6% for the period, in line with our strategic plan. Gross margin improved by around 180 bps driven by further category mix changes, better buying terms, and improved sourcing and markdown management.

High Street delivered cost savings of £7m in the period, £1m ahead of plan. We managed costs tightly, particularly during the poor weather pre-Christmas. Cost savings were delivered from a number of areas of the business including variable costs associated with entertainment, store efficiencies through the use of more technology and further supply chain efficiencies. In the second half we have identified a further £2m of new cost savings and therefore expect full year cost savings to be £3m ahead of our previously published targets.

As at 28 February 2011, the High Street business operated from 581 stores, which occupy 3.0m square feet (2010: 3.0m square feet). We opened 8 new stores during the period in line with our strategy to open in unserved catchments and acquired 22 stores from British Bookshops and Stationers Limited (in administration), which will transfer to WHSmith in the second half.

Category Performance

We continue with our strategy to build on our market leading position in Stationery. LFL sales were down 2 %, but we saw further improvement in gross margin. We saw a good share performance in both general and seasonal stationery despite the challenging weather conditions before Christmas. Our post-Christmas stock position was in line with our plan which helped to support margin growth along with good markdown management. We continue to make progress developing the category, and new ranges like educational toys continue to perform well and enhance our strong children's offer. Our personalised greetings cards website, Funky Pigeon, delivered an encouraging performance through the key card seasons with high levels of interest in the brand.

In Books, LFL sales were down 3% but gross margin was up year on year. The books market continues to be soft with performance varying by sub-category. Non-fiction saw an improvement year on year whilst fiction and kids annualised strong publishing releases from 2009/10. We saw encouraging share performance versus the general retail market as we continue to implement our strategy to build our authority as a popular books specialist and took some strong shares in key Christmas releases, for example, *Guinness World Records*, *The Family*, by Martina Cole and *Jamie's 30 Minute Meals*, and also post-Christmas, driven by the Richard and Judy Book Club. We continue to make progress developing a strong presence in both the eBooks hardware and download market.

News and Impulse LFL sales were down 4% year on year with an improvement in gross margin. The magazine market continues to be challenging, particularly for monthly magazines, however we maintained our market share. We continue to develop the strongly growing bookazine category with new titles such as *iPhone Apps Directory* and *Guide to iPad*. Impulse categories continue to perform well and we have continued to develop our seasonal confectionery ranges with an extended range of gifting confectionery at Christmas.

Entertainment LFL sales were down 53% reflecting our strategy to reduce our presence in the category. Entertainment now accounts for less than 5% of the business.

¹ Trading operations profit is stated after directly attributable share-based payment and pension service charges and before central costs, interest and taxation

Non-Operating Activities

Net Investment Income

Net finance income was £nil (2010: £nil) reflecting the current low rates of interest on cash balances.

Fixed Charges Cover

Fixed charges, comprising property operating lease rentals and net finance charges, were covered 1.7 times (2010: 1.7 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 1.5 times.

Cash Flow and Balance Sheet

The Group generated £74m of free cash flow¹ during the period. Cash flow from working capital was flat in the period, with the increase in inventories, which has mainly been caused by new space, offset by efficient management of payables and receivables. Capital expenditure was £17m in the period, a £2m increase on the prior year as a result of new stores in High Street and Travel together with the ongoing capital refurbishment of the existing estate. Net corporation tax received was £5m in the period and includes a tax refund relating to a payment on account of an unresolved item from prior years. The cash generative nature of the High Street and Travel businesses is one of the strengths of the Group. As at 28 February 2011 the Group had returned £27m of cash to shareholders as part of the share buyback programme and had net cash of £70m.

During the period we agreed a five year committed revolving credit working capital facility of £70m. This facility is provided equally by Barclays Corporate, Lloyds Banking Group and Santander UK PLC and will mature on 24 January 2016.

The Group had net assets of £179m at the end of the period, a decrease of £7m since 31 August 2010, reflecting the cash generated in the period offset by the share buyback programme.

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 13 and 14 of the Group's Annual Report and Accounts 2010, a copy which is available on the Group's website at www.whsmithplc.co.uk. These include: economic and market risks, reliance on the WHSmith brand, key suppliers and supply chain management, store portfolio, business interruption, reliance on key personnel, treasury and financial risk, and pensions and investment risk.

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.

INTERIM MANAGEMENT STATEMENT

The Group will issue its Interim Management Statement on 7 July 2011.

¹ Net cash flow from operating activities adjusted for capital expenditure, pension deficit funding and net interest received

WH Smith PLC

Group Income Statement

For the 6 months to 28 February 2011

£m	Note	6 months to 28 Feb 2011	6 months to 28 Feb 2010	12 months to 31 Aug 2010
Continuing operations				
Revenue	2	686	716	1,312
Operating profit		64	62	89
Investment income		1	-	1
Finance costs		(1)	-	(1)
Profit before tax		64	62	89
Income tax expense	4	(13)	(14)	(20)
Profit after tax from continuing operations		51	48	69
Profit for the period		51	48	69
Earnings per share¹				
Basic	6	35.7p	32.7p	47.6p
Diluted	6	35.2p	31.6p	45.7p
Equity dividends per share²	5	7.2p	6.1p	19.4p
Fixed charges cover	7	1.7x	1.7x	1.5x

¹ Earnings per share is calculated in accordance with IAS 33 'Earnings per share'.

² Current period dividend per share is the proposed interim dividend.

WH Smith PLC

Group Statement of Comprehensive Income

For the 6 months to 28 February 2011

£m	Note	6 months to 28 Feb 2011	6 months to 28 Feb 2010	12 months to 31 Aug 2010
Profit for the period		51	48	69
Other comprehensive income:				
Actuarial losses on defined pension schemes	3	(7)	(5)	(12)
Mark to market valuation		-	1	(1)
Other comprehensive income for the period, net of tax		(7)	(4)	(13)
Total comprehensive income for the period		44	44	56

WH Smith PLC

Group Balance Sheet

As at 28 February 2011

£m	Note	At 28 Feb 2011	At 28 Feb 2010	At 31 Aug 2010
Non-current assets				
Goodwill		32	32	32
Other intangible assets		23	24	24
Property, plant and equipment		154	159	158
Deferred tax assets		9	10	10
Trade and other receivables		4	4	4
		222	229	228
Current assets				
Inventories		152	154	151
Trade and other receivables		58	56	57
Current tax asset		7	-	21
Derivative financial assets		-	2	-
Cash and cash equivalents	8	70	48	56
		287	260	285
Total assets		509	489	513
Current liabilities				
Trade and other payables		(247)	(246)	(246)
Current tax liabilities		(56)	(36)	(51)
Obligations under finance leases	8	-	(1)	-
Short-term provisions		(3)	(3)	(3)
		(306)	(286)	(300)
Non-current liabilities				
Retirement benefit obligation	3	-	(1)	(1)
Deferred tax liabilities		(4)	(6)	(6)
Long-term provisions		(5)	(5)	(5)
Other non-current liabilities		(15)	(10)	(15)
		(24)	(22)	(27)
Total liabilities		(330)	(308)	(327)
Total net assets		179	181	186
Total equity		179	181	186

WH Smith PLC

Group Balance Sheet (continued)

As at 28 February 2011

£m	At 28 Feb 2011	At 28 Feb 2010	At 31 Aug 2010
Shareholders' equity			
Called up share capital	32	33	33
Share premium	1	1	1
Capital redemption reserve	5	4	4
Revaluation reserve	2	2	2
ESOP reserve	(20)	(29)	(29)
Hedging reserve	-	2	-
Translation reserve	(2)	(2)	(2)
Other reserve	(207)	(191)	(191)
Retained earnings	368	361	368
Total equity	179	181	186

WH Smith PLC

Group Cash Flow Statement

For the 6 months to 28 February 2011

£m	Note	6 months to 28 Feb 2011	28 Feb 2010	12 months to 31 Aug 2010
Net cash inflow from operating activities	9	84	73	104
Investing activities				
Interest received		-	-	1
Purchase of property, plant and equipment		(15)	(15)	(24)
Purchase of intangible assets		(2)	-	(5)
Net cash outflow from investing activities		(17)	(15)	(28)
Financing activities				
Dividend paid		(19)	(17)	(26)
Purchase of own shares for cancellation		(27)	(35)	(35)
Net purchase of own shares for employee share schemes		(7)	(4)	(4)
Repayments of obligations under finance leases		-	(1)	(2)
Net cash used in financing activities		(53)	(57)	(67)
Net increase in cash and cash equivalents in period		14	1	9
Opening net cash and cash equivalents		56	47	47
Closing net cash and cash equivalents		70	48	56

Reconciliation of net cash flow to movement in net funds

£m	Note	6 months to 28 Feb 2011	28 Feb 2010	12 months to 31 Aug 2010
Net funds at beginning of the period		56	45	45
Increase in cash and cash equivalents		14	1	9
Net movement in finance leases		-	1	2
Net funds at end of the period	8	70	47	56

WH Smith PLC

Group Statement of Changes in Equity

For the 6 months to 28 February 2011

£m	Share capital and share premium	Capital redemption reserve	Revaluation reserve	ESOP reserve	Hedging and translation reserves	Other reserve	Retained earnings	Total
Balance at 1 September 2010	34	4	2	(29)	(2)	(191)	368	186
Total comprehensive income for the period	-	-	-	-	-	-	44	44
Recognition of share-based payments	-	-	-	-	-	-	4	4
Dividends paid	-	-	-	-	-	-	(19)	(19)
Employee share schemes	-	-	-	9	-	(16)	-	(7)
Purchase of own shares for cancellation	(1)	1	-	-	-	-	(29)	(29)
Balance at 28 February 2011	33	5	2	(20)	(2)	(207)	368	179
Balance at 1 September 2009	35	2	2	(28)	(1)	(187)	365	188
Total comprehensive income for the period	-	-	-	-	1	-	43	44
Recognition of share-based payments	-	-	-	-	-	-	3	3
Deferred tax on share-based payments	-	-	-	-	-	-	2	2
Premium on issue of shares	1	-	-	-	-	-	-	1
Dividends paid	-	-	-	-	-	-	(17)	(17)
Employee share schemes	-	-	-	(1)	-	(4)	-	(5)
Purchase of own shares for cancellation	(2)	2	-	-	-	-	(35)	(35)
Balance at 28 February 2010	34	4	2	(29)	-	(191)	361	181
Balance at 1 September 2009	35	2	2	(28)	(1)	(187)	365	188
Total comprehensive income / (loss) for the period	-	-	-	-	(1)	-	57	56
Recognition of share-based payments	-	-	-	-	-	-	7	7
Premium on issue of shares	1	-	-	-	-	-	-	1
Dividends paid	-	-	-	-	-	-	(26)	(26)
Employee share schemes	-	-	-	(1)	-	(4)	-	(5)
Purchase of own shares for cancellation	(2)	2	-	-	-	-	(35)	(35)
Balance at 31 August 2010	34	4	2	(29)	(2)	(191)	368	186

The 'Other' reserve includes reserves created in relation to the historical capital reorganisation, proforma restatement and the demerger from Smith News PLC in 2006, as well as movements relating to employee share schemes of £16m (2010: £4m).

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2011

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

The Interim Financial Statements for the 6 months ended 28 February 2011 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services 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 2010, 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 the Companies Act 2006. The Annual Report and Accounts 2010 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 Interim Financial Statements have been prepared in accordance with the accounting policies set out in the 2010 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 2011.

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.

IAS 32 (Revised)	Classification of Rights Issues
IAS 39 (Revised)	Financial Instruments: Recognition and Measurement
IFRIC 9 (Revised)	Embedded Derivatives
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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 2010 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 Interim Financial Statements are unaudited but have been reviewed by our auditors and were approved by the Board of Directors on 14 April 2011.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2011

2 Segmental analysis of results

For management purposes, the Group is currently organised into two operating divisions – High Street and Travel. These divisions are the basis on which the Group currently reports its operating segment information under IFRS 8.

a) Group revenue

£m	6 months to		12 months to
	28 Feb 2011	28 Feb 2010	31 Aug 2010
Continuing operations			
High Street	473	503	860
Travel	213	213	452
Group revenue	686	716	1,312

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. For the 26 weeks ended 28 February 2011, the level of sales represented 55% (2010: 56%) of the annual level of sales in the year ended 31 August 2010.

b) Group results

£m	6 months to		12 months to
	28 Feb 2011	28 Feb 2010	31 Aug 2010
Continuing operations			
High Street	47	47	51
Travel	25	23	53
Trading profit	72	70	104
Unallocated costs	(8)	(8)	(15)
Group operating profit	64	62	89
Investment income	1	-	1
Finance costs	(1)	-	(1)
Income tax expense	(13)	(14)	(20)
Profit for the period	51	48	69

Group operating profit for the period to 28 February 2011 is stated after the write-down of inventories to net realisable value, £2m (2010: £4m).

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2011

3 Retirement benefit obligation

WH Smith PLC has operated a number of defined benefit plans, which are closed to service accrual, and defined contribution pension plans. 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 28 Feb 2011	At 28 Feb 2010	At 31 Aug 2010
WH Smith Pension Trust	-	-	-
United News Shops Retirement Benefits Scheme	-	(1)	(1)
Retirement benefit obligation recognised in the balance sheet	-	(1)	(1)

WH Smith 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 28 Feb 2011	At 28 Feb 2010	At 31 Aug 2010
Present value of the obligations	(705)	(708)	(761)
Fair value of plan assets	786	720	786
Surplus in scheme	81	12	25
Amounts not recognised	(81)	(12)	(25)
Retirement benefit obligation recognised in the balance sheet	-	-	-

Movement in net retirement benefit surplus during the period:

£m	6 months to 28 Feb 2011	28 Feb 2010	12 months to 31 Aug 2010
At beginning of period	25	26	26
Current service cost	-	-	-
Interest income	1	-	-
Contributions	7	6	13
Actuarial gains and losses	48	(20)	(14)
At end of period	81	12	25

The defined pension schemes are closed to further accrual and given the Liability Driven Investment policy adopted by the WH Smith Pension Trust Trustees, the present value of the economic benefits of the IAS 19 surplus in the pension scheme of £81m (2010: £12m) available on a reduction of future contributions is £nil (2010: £nil). As a result the Group has not recognised this IAS 19 surplus on the balance sheet. Following a change in investment managers the fair value of plan assets at 28 February 2010 and 31 August 2010 has been re-presented to reflect a change in valuation on a section of the scheme's assets. This has no impact on the Group's primary statements as at 28 February 2010 and 31 August 2010. Included in the movement in the surplus during the period is the effect of the switch from RPI to CPI on future deferred member liabilities. There is an ongoing actuarial deficit primarily due to the different assumptions and calculation methodologies used compared to those under IAS 19.

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 2009 by independent actuaries using the projected unit credit method. Following this valuation, the deficit was £113m.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2011

3 Retirement benefit obligation (continued)

WH Smith Pension Trust (continued)

Amounts recognised in Statement of Comprehensive Income ("SOCl")

£m	6 months to		12 months to
	28 Feb 2011	28 Feb 2010	31 Aug 2010
Actuarial (losses) / gains	48	(20)	(14)
Amounts not recognised	(56)	14	1
Amounts recognised in the SOCl	(8)	(6)	(13)

In addition, a £1m credit (2010: £1m credit) has been recognised in the Statement of Comprehensive Income in relation to actuarial gains in the period on the United News Shops Retirement Benefits Scheme.

4 Income tax expense

£m	6 months to		12 months to
	28 Feb 2011	28 Feb 2010	31 Aug 2010
Tax on profit	19	17	27
<i>Standard rate of UK corporation tax 28% (2010: 28%)</i>			
Adjustment in respect of prior year UK corporation tax	(5)	(2)	(4)
Total current tax charge	14	15	23
Deferred tax – current year	(1)	(1)	(1)
Deferred tax – prior year	-	-	(2)
Tax on profit	13	14	20
<i>Effective tax rate on continuing operations</i>	21%	23%	23%

5 Dividends

Amounts paid and recognised in equity in the period are as follows:

£m	6 months to		12 months to
	28 Feb 2011	28 Feb 2010	31 Aug 2010
Interim	-	-	9
Final	19	17	17
	19	17	26

The directors are recommending an interim dividend in respect of the period ending 28 February 2011 of 7.2p per ordinary share, which will absorb an estimated £10m of shareholders' equity. This will be paid on 9 June 2011 to shareholders registered at the close of business on 20 May 2011.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2011

6 Earnings per share

a) Basic and diluted earnings per share

Pence	6 months to 28 Feb 2011	28 Feb 2010	12 months to 31 Aug 2010
Basic	35.7	32.7	47.6
Diluted	35.2	31.6	45.7

Earnings per share is calculated in accordance with IAS 33 'Earnings per share'.

b) Weighted average share capital

Millions	6 months to 28 Feb 2011	28 Feb 2010	12 months to 31 Aug 2010
Weighted average shares in issue for earnings per share	143	147	145
Add weighted average number of ordinary shares under option	2	5	6
Weighted average ordinary shares for diluted earnings per share	145	152	151

7 Fixed charges cover

£m	6 months to 28 Feb 2011	28 Feb 2010	12 months to 31 Aug 2010
Net finance charges	-	-	-
Net operating lease rentals	89	88	182
Total fixed charges	89	88	182
Profit before tax	64	62	89
Profit before tax and fixed charges	153	150	271
Fixed charges cover – times	1.7x	1.7x	1.5x

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2011

8 Analysis of net funds

£m	At 28 Feb 2011	At 28 Feb 2010	At 31 Aug 2010
Cash and cash equivalents	70	48	56
Obligations under finance leases	-	(1)	-
Net funds	70	47	56

£m	At 31 Aug 2010	Cash flow	At 28 Feb 2011
Cash and cash equivalents	56	14	70
Obligations under finance leases	-	-	-
Net funds	56	14	70

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 £70m 5-year committed revolving credit facility. As at 28 February 2011 the facility was undrawn. The revolving credit facility is due to mature on 24 January 2016. During the period the interest rate on the facility was LIBOR plus 110bps.

9 Net cash inflow from operating activities

£m	6 months to 28 Feb 2011	28 Feb 2010	12 months to 31 Aug 2010
Operating profit from continuing operations	64	62	89
Depreciation and amortisation	18	18	36
Impairment losses	1	1	3
Share-based payments	4	3	7
Increase in inventories	(1)	(3)	-
Increase in receivables	(1)	-	(1)
Increase in payables	2	4	4
Adjustment for pension funding	(7)	(6)	(13)
Income taxes received / (paid)	5	(6)	(20)
Charge to provisions	-	-	1
Cash spend against provisions	(1)	-	(2)
Net cash inflow from operating activities	84	73	104

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2011

10 Called Up Share Capital

a) Authorised

	28 Feb 2011		28 Feb 2010		31 Aug 2010	
	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	272	60	272	60	272	60
Total	272	60	272	60	272	60

b) Allotted and fully paid

	28 Feb 2011		28 Feb 2010		31 Aug 2010	
	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	145	32	150	33	151	33
Total	145	32	150	33	151	33

During the period the Company repurchased 5,957,792 (2010: 6,866,759) of its own shares in the open market for an aggregate consideration of £29m (2010: £35m).

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.

11 Contingent Liabilities

£m	At	At	At
	28 Feb 2011	28 Feb 2010	31 Aug 2010
Bank and other loans guaranteed	3	4	4

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 Smiths News PLC, any such contingent liability, which becomes an actual liability, will be apportioned between the Group and Smith News PLC in the ratio 65:35 (provided that the actual liability of Smiths News 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 28 February 2011 of £35m (28 February 2010: £45m).

12 Related Parties

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

13 Post balance sheet events

As at 13 April 2011, the Company has repurchased a further 2.4 million of its own shares in the open market as part of the Company's share buy back programme.

During March 2011, WH Smith PLC acquired 22 stores from the administrators of British Bookshops and Stationers Limited (in administration) for a cash consideration of £1m. As at 28 February 2011, two leases had transferred resulting in recognition of an intangible asset. The stores commenced trading during March 2011.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2011

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 in the WH Smith PLC Annual Report and Accounts 2010.

By order of the Board

Kate Swann
Group Chief Executive

Robert Moorhead
Group Finance Director

14 April 2011

INDEPENDENT REVIEW REPORT TO WH SMITH PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2011 which comprises the group income statement, the group statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated reconciliation of movements in equity and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company 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. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

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 inquiries, 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom
14 April 2011

WH Smith PLC

Appendix

Analysis of retailing stores and selling space

Number of stores

	1 Sept 2010	Opened	Closed	28 Feb 2011
High Street	573	8	-	581
Travel	243	11	(2)	252
Total	816	19	(2)	833

A Travel store may consist of multiple units within one location. On an individual unit basis, Travel stores and the motorway stores (operated under franchise and not included in the store numbers above) can be analysed as follows:

Number of Travel units

	1 Sept 2010	Opened	Closed	28 Feb 2011
Non franchise units	376	15	(3)	388
Franchise units	128	4	-	132
Caffé Nuovo	12	-	-	12
Total	516	19	(3)	532

Retail selling square feet (millions)

	1 Sept 2010	Opened	Closed	28 Feb 2011
High Street	3.0	-	-	3.0
Travel	0.4	-	-	0.4
Total	3.4	-	-	3.4

Total Retail selling square feet does not include franchise units.