

22 April 2010

**WH SMITH PLC
INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2010**

Good performance across the Group; confident in the outcome for the full year

KEY POINTS

- Group profit from trading operations¹ up 4% to £70m (2009: £67m):
 - Travel operating profit¹ up 15% to £23m (2009: £20m)
 - High Street operating profit¹ £47m (2009: £47m)
- Group profit before tax up 2% to £62m (2009: £61m)
- Group total sales down 2% with like-for-like (LFL) sales down 4%:
 - Travel total sales up 2% with LFL sales down 2%
 - High Street total sales down 4% with LFL sales down 4%, in line with our strategic plan
 - High Street LFL sales excluding Entertainment down 1%
- Gross margin improved by 160 basis points year on year
- Earnings per share² up 1% to 31.6p (2009: 31.2p)
- Interim dividend of 6.1p, up 13% on the prior year
- Strong balance sheet and cash generation:
 - Net cash at the half year of £48m
 - Strong free cash flow³ of £57m
 - Completed return of £35m cash to shareholders via rolling share buyback programme

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

“We have delivered a good performance. Both businesses have made further progress with the delivery of their distinct strategies.

“The Interim dividend is up 13%, demonstrating the Board’s confidence in the future prospects of the Group and its continued cash generative nature.

“Looking forward, we remain cautious about consumer spending and our plans reflect this. We are confident in the outcome for the full year.”

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

² EPS as per IAS 33 - diluted

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

- Ends -

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WH Smith PLC

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WH Smith PLC's Interim Results 2010 are available at www.whsmithplc.co.uk. A copy of the Interim Results 2010 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 was £70m, an increase of 4% on the prior year. The Group generated profit before tax of £62m (2009: £61m), an increase of 2% on the prior year.

Travel continued its good performance, with operating profit¹ increasing by 15% to £23m, driven by sales growth of 2% and strong gross margin growth. During the period, we opened 10 units in our established channels and made further progress with trials in international airports and UK workplaces.

High Street delivered a solid performance with an operating profit¹ of £47m, in line with the prior year. We continue with our strategy to rebalance the mix of our business towards our core categories, reducing our presence in Entertainment. Entertainment is disproportionately weighted towards the first half, and consequently the profile of profit generation will continue, as in previous years, to shift towards the second half. We continue to optimise margins and maintain tight cost control.

Total Group sales were £716m (2009: £731m) with LFL sales down 4%. Travel sales grew by 2% to £213m, down 2% on a LFL basis. High Street sales were down 4% at £503m and down 4% on a LFL basis. Excluding Entertainment, High Street LFL sales were down 1%.

Earnings per share² increased by 1% to 31.6p (2009: 31.2p). Earnings per share calculations reflect a lower basic weighted average number of shares in issue following the share buyback and an increase in the effective tax rate from 22% to 23%.

The Group has a strong balance sheet with high levels of cash generation. At 28 February 2010, the Group had net assets of £181m (2009: £193m). Net funds were £47m and the Group has committed working capital facilities of £90m through to June 2011. Group free cash flow³ was £57m (2009: £67m). We completed the return of £35m of cash to shareholders via a rolling share buyback programme.

The Board has declared an interim dividend of 6.1p per share. This is an increase of 13% 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.

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

² EPS as per IAS 33 - diluted

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

Trading Operations

Travel

Travel delivered further good operating profit growth, reflecting the strength of the Travel business model which enables us to deliver growth even in a tough climate. Operating profit¹ increased by 15% to £23m (2009: £20m) achieved as a result of increased sales, combined with improved underlying gross margin and tight cost control. Air passenger numbers remained soft, as expected, however the division is well-placed to benefit when passenger numbers recover.

Total Travel sales grew by 2%. On a LFL basis, Travel sales were down by 2% with sales continuing to outperform passenger numbers.

Gross margin increased by around 190bps during the period through better use of space, good category mix management and further buying improvements, resulting in more sales in higher margin categories such as books.

We opened 10 new units in the period: 4 in Air, 4 in Hospitals, and a further 2 units as part of our trial in the new workplace channel. This brings the total number of workplace units to 4.

We continue to learn from our trials in international travel retail locations and have agreed two further locations: Muscat (Oman) and the new Terminal 2 at Dublin Airport, the former on a franchise basis and the latter to be directly operated. This gives us further opportunity to evaluate different operating models.

We renewed 3 contracts and completed 3 refits in the period and closed 5 units primarily due to landlord redevelopments.

The Travel business now operates from 495 units, including motorway service area franchise units and coffee shops. Excluding motorway service area franchise units, Travel occupies 0.4m square feet (2009: 0.4m square feet).

High Street

High Street delivered a solid performance with an operating profit¹ of £47m (2009: £47m). We continued with our strategy to build on our authority in our core categories and rebalance the mix of the business away from Entertainment. As we do this, we focus on optimising margins and maintaining tight cost control.

High Street sales were down 4% and on a LFL basis down 4%, in line with our strategic plan. Excluding Entertainment LFL sales were down 1%. Gross margin improved by around 150bps driven by further category mix changes, better buying terms, improved sourcing and markdown management.

High Street delivered cost savings of £5m in the period, in line with our plan. Cost savings were delivered from a number of areas of the business including variable costs associated with entertainment, store efficiencies through improved use of technology and further supply chain efficiencies.

The High Street business now operates from 569 stores, which occupy 3.0m square feet (2009: 3.0m square feet). We opened 4 new stores during the period in line with our strategy to open in un-served catchments.

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

Category Performance

We continue to implement our strategy to build on our authority as a popular book specialist. Books LFL sales were down 4% but gross margin was up year on year. The books market was soft during the key Christmas period, but performance varied by sub-category with the poor publishing schedule in Non-Fiction acting as a key driver behind the market decline. We saw further good share performance versus the general retail market with strong shares in key releases, for example, *Guinness World Records*. Our flexible promotional plan enabled us to react quickly to market trends. During the first half, we have also given additional space to children's books, building on our strong performance in this category. In Travel, we have increased the range in our standalone bookshops by adding new categories such as specialist business titles.

Stationery LFL sales were up 2%, combined with an improvement in gross margin. We have made further progress with our strategy to build on our market-leading position in the category, using the benefits of our scale to continue to develop and expand our offer to customers. We saw growth in both general and seasonal stationery and came out of the key Christmas period with a good stock position which helped to support the margin growth in the category. This was delivered, in part, by giving additional space to seasonal stationery after Christmas which enabled us to manage the clearance of end of season merchandise in a way that enhanced margin. We continue to improve the ranges within the category, most recently extending our range of educational toys to improve our overall children's offer.

News and Impulse LFL sales were down 1% 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 growing bookazine category and we have introduced a wider range of titles to appeal to different customer groups and interests, with many of these titles now available in our Travel stores as well as High Street. Impulse categories continue to perform well.

Entertainment LFL sales were down 42% reflecting our strategy to reduce our presence in the category. During the period, we completed the exit from music and multimedia, as planned.

Non-Operating Activities

Net Investment Income

The results include net finance income of £nil (2009: £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 (2009: 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 £57m of free cash flow¹ during the period. The cash inflow from working capital was £1m 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 £15m 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. The cash generative nature of the High Street and Travel businesses is one of the strengths of the Group.

The Group had net funds of £47m with net cash of £48m as at 28 February 2010. The Group has committed working capital facilities of £90m through to June 2011. Management is confident that an appropriate replacement facility will be in place by June 2011.

The Group had net assets of £181m at the end of the period, a decrease of £7m since 31 August 2009, reflecting the cash generated in the first half and the £35m return of cash to shareholders.

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 2009, a copy which is available on the Group's website at www.whsmithplc.co.uk. These include: economic and market risks, competition in the retail industry, reliance on the WHSmith brand, key suppliers and supply chain management, store portfolio, business interruption, failure or interruption of information technology systems, reliance on key personnel, capital risk, liquidity risk, credit risk, interest rate risk, foreign currency risk 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 8 June 2010.

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

WH Smith PLC

Group Income Statement

For the 6 months to 28 February 2010

£m	Note	6 months to 28 Feb 2010	6 months to 28 Feb 2009	12 months to 31 Aug 2009
Continuing operations				
Revenue	2	716	731	1,340
Operating profit		62	61	83
Investment income		-	-	1
Finance costs		-	-	(2)
Profit before tax		62	61	82
Income tax expense	4	(14)	(13)	(18)
Profit after tax from continuing operations		48	48	64
Loss from discontinued operations		-	-	(1)
Profit for the period		48	48	63
Earnings per share¹				
Basic	6	32.7p	32.0p	42.0p
Diluted	6	31.6p	31.2p	40.6p
Non-GAAP measures				
Underlying earnings per share²				
Basic	6	32.7p	32.0p	42.7p
Diluted	6	31.6p	31.2p	41.3p
Equity dividends per share³	5	6.1p	5.4p	16.7p
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 Underlying earnings per share excludes exceptional items.

³ Current period dividend per share is the proposed interim dividend.

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Group Statement of Comprehensive Income

For the 6 months to 28 February 2010

£m	Note	6 months to 28 Feb 2010	6 months to 28 Feb 2009	12 months to 31 Aug 2009
Profit for the period		48	48	63
Other comprehensive income:				
Actuarial losses on defined pension schemes	3	(5)	(6)	(11)
Mark to market valuation		1	5	(1)
Other comprehensive income for the period, net of tax		(4)	(1)	(12)
Total comprehensive income for the period		44	47	51

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Group Balance Sheet

As at 28 February 2010

£m	Note	At 28 Feb 2010	At 28 Feb 2009	At 31 Aug 2009
Non-current assets				
Goodwill		32	32	32
Other intangible assets		24	22	24
Property, plant and equipment		159	171	163
Deferred tax assets		10	8	9
Trade and other receivables		4	4	4
Derivative financial assets		-	2	-
		229	239	232
Current assets				
Inventories		154	154	151
Trade and other receivables		56	59	56
Current tax asset		-	-	7
Derivative financial assets		2	5	1
Cash and cash equivalents	8	48	44	47
		260	262	262
Total assets		489	501	494
Current liabilities				
Trade and other payables		(246)	(245)	(242)
Current tax liabilities		(36)	(35)	(34)
Obligations under finance leases	8	(1)	(3)	(2)
Short-term provisions		(3)	(3)	(3)
		(286)	(286)	(281)
Non-current liabilities				
Retirement benefit obligation	3	(1)	(1)	(2)
Deferred tax liabilities		(6)	(8)	(8)
Long-term provisions		(5)	(4)	(5)
Obligations under finance leases	8	-	(1)	-
Other non-current liabilities		(10)	(8)	(10)
		(22)	(22)	(25)
Total liabilities		(308)	(308)	(306)
Total net assets		181	193	188
Total equity		181	193	188

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Group Balance Sheet (continued)

As at 28 February 2010

£m	At 28 Feb 2010	At 28 Feb 2009	At 31 Aug 2009
Shareholders' equity			
Called up share capital	33	35	35
Share premium	1	-	-
Capital redemption reserve	4	2	2
Revaluation reserve	2	2	2
ESOP reserve	(29)	(24)	(28)
Hedging reserve	2	7	1
Translation reserve	(2)	(2)	(2)
Other reserve	(191)	(185)	(187)
Retained earnings	361	358	365
Total equity	181	193	188

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Group Cash Flow Statement

For the 6 months to 28 February 2010

£m	Note	6 months to 28 Feb 2010	6 months to 28 Feb 2009	12 months to 31 Aug 2009
Net cash inflow from operating activities	9	73	79	113
Investing activities				
Interest received		-	-	1
Purchase of property, plant and equipment		(15)	(13)	(23)
Purchase of intangible assets		-	-	(5)
Net cash outflow from investing activities		(15)	(13)	(27)
Financing activities				
Interest paid		-	-	(1)
Dividend paid		(17)	(15)	(23)
Purchase of own shares for cancellation		(35)	-	-
Net purchase of own shares for employee share schemes		(4)	(2)	(8)
Repayments of borrowings		-	(25)	(25)
Repayments of obligations under finance leases		(1)	(2)	(4)
Net cash used in financing activities		(57)	(44)	(61)
Net increase in cash and cash equivalents in period		1	22	25
Opening net cash and cash equivalents		47	22	22
Closing net cash and cash equivalents		48	44	47

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

£m	Note	6 months to 28 Feb 2010	6 months to 28 Feb 2009	12 months to 31 Aug 2009
Net funds / (debt) at beginning of the period		45	(9)	(9)
Increase in cash and cash equivalents		1	22	25
Decrease in debt		-	25	25
Net movement in finance leases		1	2	4
Net funds at end of the period	8	47	40	45

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Reconciliation of Movements in Equity

For the 6 months to 28 February 2010

£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 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 2008	35	2	2	(28)	-	(179)	329	161
Total comprehensive income for the period	-	-	-	-	5	-	42	47
Recognition of share-based payments	-	-	-	-	-	-	3	3
Deferred tax on share-based payments	-	-	-	-	-	-	(1)	(1)
Dividends paid	-	-	-	-	-	-	(15)	(15)
Employee share schemes	-	-	-	4	-	(6)	-	(2)
Balance at 28 February 2009	35	2	2	(24)	5	(185)	358	193
Balance at 1 September 2008	35	2	2	(28)	-	(179)	329	161
Total comprehensive income for the period	-	-	-	-	(1)	-	52	51
Recognition of share-based payments	-	-	-	-	-	-	6	6
Current tax on share-based payments	-	-	-	-	-	-	1	1
Dividends paid	-	-	-	-	-	-	(23)	(23)
Employee share schemes	-	-	-	-	-	(8)	-	(8)
Balance at 31 August 2009	35	2	2	(28)	(1)	(187)	365	188

The 'Other' reserve includes reserves created in relation to the historical capital reorganisation, proforma restatement and the demerger from Smith News PLC.

Notes to the Interim Financial Statements

For the 6 months to 28 February 2010

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

The Interim Financial Statements for the 6 months ended 28 February 2010 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 2009, 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 2009 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 2009 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 2010.

The Group has adopted the following standards which became mandatory for the first time during the current financial year:

- IAS 1 (revised) 'Presentation of Financial Statements'. This is a presentational change only, affecting the titles and positioning of items within the financial statements. It has no impact on reported profits or total equity.
- IFRS 8 'Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the Board to allocate resources to the segments and to assess their performance.

Other new accounting standards from the IASB and interpretations from IFRIC which become mandatory for the first time during the current financial year but have no material impact on the Group are Amendment to IFRS 2 'Share-based Payment', Amendment to IFRS 7 'Improving disclosures about financial instruments', IFRS 3 (revised) 'Business Combinations' and Amendment to IAS 38 'Intangible Assets'.

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 2009 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 Group also has in place a £90m committed revolving credit facility which is due to mature on 26 June 2011. Management believe that an appropriate replacement facility will be renewed in advance of June 2011.

The Interim Financial Statements are unaudited but have been reviewed by our auditors and were approved by the Board of Directors on 22 April 2010.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2010

2 Segmental analysis of results

IFRS 8 'Operating Segments' was issued in November 2006. It replaces IAS 14 'Segmental Reporting' and requires operating segments to be disclosed on the same basis as that used for internal reporting. The Group has adopted IFRS 8 during the period, however this has not resulted in a change to the Group's reportable segments. 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.

a) Group revenue

£m	6 months to		12 months to
	28 Feb 2010	28 Feb 2009	31 Aug 2009
Continuing operations			
High Street	503	522	892
Travel	213	209	448
Group revenue	716	731	1,340

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 2010, the level of sales represented 56% (2009: 56%) of the annual level of sales in the year ended 31 August 2009.

b) Group results

£m	6 months to		12 months to
	28 Feb 2010	28 Feb 2009	31 Aug 2009
Continuing operations			
High Street	47	47	49
Travel	23	20	48
Trading profit	70	67	97
Unallocated costs	(8)	(6)	(14)
Group operating profit	62	61	83
Investment income	-	-	1
Finance costs	-	-	(2)
Income tax expense	(14)	(13)	(18)
Profit for the period	48	48	64

Group operating profit is stated after the write-down of inventories to net realisable value, £4m (2009: £5m).

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2010

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 2010	At 28 Feb 2009	At 31 Aug 2009
WH Smith Pension Trust	-	-	-
United News Shops Retirement Benefits Scheme	(1)	(1)	(2)
Retirement benefit obligation recognised in the balance sheet	(1)	(1)	(2)

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 2010	At 28 Feb 2009	At 31 Aug 2009
Present value of the obligations	(708)	(542)	(717)
Fair value of plan assets	757	701	743
Surplus in scheme	49	159	26
Amounts not recognised	(49)	(159)	(26)
Retirement benefit obligation recognised in the balance sheet	-	-	-

Movement in net retirement benefit surplus during the period:

£m	6 months to 28 Feb 2010	28 Feb 2009	12 months to 31 Aug 2009
At beginning of period	26	131	131
Current service cost	-	-	-
Interest cost	-	-	-
Contributions	6	5	10
Actuarial gains and losses	17	23	(115)
At end of period	49	159	26

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 £49m (2009: £159m) available on a reduction of future contributions is £nil (2009: £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 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 2010

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 2010	28 Feb 2009	31 Aug 2009
Actuarial gains / (losses)	17	23	(114)
Amounts not recognised	(23)	(28)	105
Amounts recognised in the SOCl	(6)	(5)	(9)

In addition, a £1m credit (2009: £1m charge) 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 2010	28 Feb 2009	31 Aug 2009
Tax on profit	17	18	22
<i>Standard rate of UK corporation tax 28% (2009: 28%)</i>			
Adjustment in respect of prior year UK corporation tax	(2)	(5)	(4)
Total current tax charge	15	13	18
Deferred tax – current year	(1)	-	-
Tax on profit	14	13	18
<i>Effective tax rate on continuing operations</i>	23%	22%	22%

5 Dividends

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

£m	6 months to		12 months to
	28 Feb 2010	28 Feb 2009	31 Aug 2009
Interim	-	-	8
Final	17	15	15
	17	15	23

The directors are recommending an interim dividend in respect of the period ending 28 February 2010 of 6.1p per ordinary share, which will absorb an estimated £9m of shareholders' equity. This will be paid on 10 June 2010 to shareholders registered at the close of business on 21 May 2010.

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Notes to the Interim Financial Statements

For the 6 months to 28 February 2010

6 Earnings per share

a) Earnings

£m	6 months to		12 months to
	28 Feb 2010	28 Feb 2009	31 Aug 2009
Underlying earnings attributable to shareholders (note i)	48	48	64
Exceptional items net of related taxation	-	-	(1)
Earnings attributable to shareholders	48	48	63

b) Basic earnings per share

Pence	6 months to		12 months to
	28 Feb 2010	28 Feb 2009	31 Aug 2009
Underlying earnings per share (note i)	32.7	32.0	42.7
Exceptional items net of related taxation	-	-	(0.7)
Earnings per share (note ii)	32.7	32.0	42.0

(i) Underlying earnings per share has been calculated using profit after tax but before exceptional items

(ii) Basic earnings per share has been calculated using profit after tax and exceptional items

c) Diluted earnings per share

Pence	6 months to		12 months to
	28 Feb 2010	28 Feb 2009	31 Aug 2009
Underlying earnings per share (note i)	31.6	31.2	41.3
Exceptional items net of related taxation	-	-	(0.7)
Earnings per share (note ii)	31.6	31.2	40.6

d) Weighted average share capital

Millions	6 months to		12 months to
	28 Feb 2010	28 Feb 2009	31 Aug 2009
Weighted average shares in issue for earnings per share	147	150	150
Add weighted average number of ordinary shares under option	5	4	5
Weighted average ordinary shares for diluted earnings per share	152	154	155

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Notes to the Interim Financial Statements

For the 6 months to 28 February 2010

7 Fixed charges cover

£m	6 months to 28 Feb 2010	28 Feb 2009	12 months to 31 Aug 2009
Net finance charges	-	-	1
Net operating lease rentals	88	85	180
Total fixed charges	88	85	181
Profit before tax	62	61	82
Profit before tax and fixed charges	150	146	263
Fixed charges cover – times	1.7x	1.7x	1.5x

8 Analysis of net funds

£m	At 28 Feb 2010	At 28 Feb 2009	At 31 Aug 2009
Cash and cash equivalents	48	44	47
Obligations under finance leases	(1)	(4)	(2)
Net funds	47	40	45

£m	At 31 Aug 2009	Cash flow	Non-cash	At 28 Feb 2010
Cash and cash equivalents	47	1	-	48
Obligations under finance leases	(2)	1	-	(1)
Net funds	45	2	-	47

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 £90m 5-year committed revolving credit facility, as at 28 February 2010 £90m of the facility was undrawn. The revolving credit facility is due to mature on 26 June 2011. The utilisation is interest bearing. During the period the interest charged was at LIBOR plus 60bps (2009: 60bps).

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2010

9 Net cash inflow from operating activities

£m	6 months to		12 months to
	28 Feb 2010	28 Feb 2009	31 Aug 2009
Operating profit from continuing operations	62	61	83
Adjustment for pension funding	(6)	(5)	(10)
Depreciation and amortisation	18	19	38
Impairment losses	1	1	3
Share-based payments	3	3	6
Increase in inventories	(3)	(7)	(4)
Decrease in receivables	-	9	10
Increase in payables	4	6	5
Income taxes paid	(6)	(7)	(17)
Cash spend against provisions	-	(1)	(1)
Net cash inflow from operating activities	73	79	113

10 Called Up Share Capital

a) Authorised

	28 Feb 2010		28 Feb 2009		31 Aug 2009	
	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 2010		28 Feb 2009		31 Aug 2009	
	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	150	33	157	35	157	35
Total	150	33	157	35	157	35

During the period the Company repurchased 6,866,759 of its own shares in the open market for an aggregate consideration of £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.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 28 February 2010

11 Contingent Liabilities

£m	At 28 Feb 2010	At 28 Feb 2009	At 31 Aug 2009
Bank and other loans guaranteed	4	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 2010 of £45m (28 February 2009: £61m).

12 Related Parties

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

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 2009.

By order of the Board

Kate Swann
Group Chief Executive

Robert Moorhead
Group Finance Director

22 April 2010

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 2010 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 12. 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 2010 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
22 April 2010

WH Smith PLC

Appendix

Analysis of retailing stores and selling space

Number of stores

	1 Sept 2009	Opened	Closed	28 Feb 2010
High Street	565	4	-	569
Travel	224	6	(1)	229
Total	789	10	(1)	798

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 2009	Opened	Closed	28 Feb 2010
Non franchise units	357	10	(5)	362
Franchise units	121	-	-	121
Caffé Nuovo	12	-	-	12
Total	490	10	(5)	495

Retail selling square feet (millions)

	1 Sept 2009	Opened	Closed	28 Feb 2010
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.