14 May 2020

WH SMITH PLC
INTERIM RESULTS ANNOUNCEMENT
For the six months ended 29 February 2020

Good first half performance; significant mitigating actions implemented following the Covid-19 outbreak; resilient Group well positioned for the recovery

Group financial summary:

	6 months to Feb 2020 (IFRS*)	6 months to Feb 2020 (IAS 17)	6 months to Feb 2019 (IAS 17)	% Change (IAS 17)
Travel trading profit**	**£50m**	**£49m**	**£44m**	**11%**
High Street trading profit**	**£47m**	**£44m**	**£48m**	**(8)%**
Group profit from trading operations**	**£97m**	**£93m**	**£92m**	**1%**
Headline Group profit before tax**	**£80m**	**£80m**	**£81m**	**(1)%**
Headline earnings per share**	**56.1p**	**56.1p**	**60.6p**	**(7)%**
Non-underlying costs**	**£(17)m**	**£(17)m**	**£(16)m**	**6%**
Group profit before tax	**£63m**	**£63m**	**£65m**	**(3)%**
Basic earnings per share	**41.6p**	**41.6p**	**47.2p**	**(12)%**
Diluted earnings per share	**41.2p**	**41.2p**	**46.8p**	**(12)%**

Revenue performance:

	£m	Total % change	LFL** % change
Travel	**432**	**19%**	**2%**
High Street	**315**	**(5)%**	**(4)%**
Group	**747**	**7%**	**(1)%**

* The Group adopted IFRS 16 'Leases' with effect from 1 September 2019 using the modified retrospective approach to transition and has accordingly not restated prior periods. The results for the six months ended 29 February 2020 are not directly comparable with those reported in the prior period under the previous applicable accounting standard, IAS 17 'Leases'. To provide meaningful comparatives, the results for the six months ended 29 February 2020 have therefore also been presented under IAS 17 with the growth rates shown on an IAS 17 basis. All references to Trading profit are stated on a comparable IAS 17 basis. Group revenue was not affected by the adoption of IFRS 16, and therefore all references to and discussion of revenue, and like-for-like revenue are based on statutory measures. See page 12 for more information.
** Denotes first instance of an Alternative Performance Measure (APM) term defined and explained in the Glossary on page 41. Unless otherwise stated, all references in this announcement to growth rates and period-on-period comparisons relating to the Group's statutory and alternative performance measures are stated on a consistent basis under IAS 17.

Carl Cowling, Group Chief Executive, commented:

"The emergence of Covid-19 and the associated global pandemic has affected all of us in ways that were unimaginable only a short while ago. I have enormous admiration for how our colleagues across WH Smith have responded to these unprecedented times and I would like to thank them all.

"Our primary focus over the past eight weeks has been to protect our colleagues across all areas of our business and our customers. We have supported many good causes and we have kept over 300 stores open to serve the communities that most need our services at this critical time, including the NHS and the communities that rely on the Post Office services we provide on the high street.

"There was very little impact of Covid-19 on our first half results, however inevitably the performance in the second half will be very different. During the first half, we continued to see strong sales growth in our Travel business with total revenue up 19%, driven by our ongoing investment and initiatives in our UK business and our growing international businesses. Trading profit in the first half was up 11%. Our recently acquired US business, MRG, continued to perform well and maintained its momentum of securing significant tender wins across major US airports. Our High Street business also performed well delivering Trading profit of £44m in the period.

"Since March, we have seen a significant impact on our business as a result of Covid-19, with the majority of our stores closed around the world. We were fast to react to the situation and issued new equity via a placing, raising c.£162m on 6 April 2020. We also secured an additional £120m of bank funding.

"We are a resilient and versatile business and with the operational actions we have taken including managing costs and the new financing arrangements, we are in a strong position to navigate this time of uncertainty and are well positioned to benefit in due course from the normalisation and growth of our key markets."

First half results overview:

- Group revenue up 7% with Group like-for-like revenue down 1%
- Travel revenue up 19% (up 4% excluding InMotion and MRG) and up 2% on a like-for-like basis
- Strong profit growth in Travel with Trading profit up 11% to £49m (2019: £44m)
- Integration of Marshall Retail Group (MRG) progressing well; 12 new units won in North America, including a major airport win
- International Travel now has 599 units open across 31 countries, including over 280 units in North America
- High Street trading profit at £44m (2019: £48m)
- Headline profit before tax at £80m (2019: £81m)
- Statutory profit before tax at £63m (2019: £65m)

Covid-19 has had a significant impact on current trading:

- In our UK Travel business, we have seen a significant decline in passenger numbers as a result of travel bans; the vast majority of our stores at airports and railway stations have been temporarily closed
- We remain committed to serving the communities which most need our services at this critical time; we are proud to continue to serve NHS staff from c.130 stores located in hospitals across the UK and have extended our groceries range to provide further support for these key workers
- Internationally, we are seeing broadly similar trends to the UK with all large airport stores closed
- In our High Street business, 203 stores with Post Offices continue to serve their local communities by providing vital postal and banking services at this time
- Our online businesses have performed strongly, particularly in books where we have seen a 400% increase in sales during the past month
- In April, Group total revenue was down 85% on the same period last year, as expected, with Travel revenue down 91% and High Street revenue down 74%

Mitigating actions taken to support our colleagues, customers and business:

- Our number one priority remains the health and wellbeing of our colleagues and our customers
- Stores that continue to trade have effective safety measures in place, including social distancing measures, PPE for colleagues' use, protective screens at the till point, guidelines to limit the number of customers in store
- Distribution centres remain operational albeit at reduced capacity with effective social distancing measures in place
- Head office staff working from home, where possible
- Reduced stock purchases to reflect ongoing demand, returning sale or return stock and negotiating extended payment terms

- All non-essential and non-contractual capital expenditure delayed
- Stopping all discretionary expenditure and reducing corporate overheads to a minimum
- Working with landlords to significantly reduce or remove rent payments and ensuring rent is aligned with revenue
- Suspension of business rates in the UK
- Significant reduction in headcount across stores and head offices through furlough arrangements; participating in the UK Government Job Retention Scheme
- Deferring tax payments in line with UK government announcements
- The Board will not be making an interim dividend payment in the current financial year

Actions taken to strengthen the balance sheet and liquidity position:

- A new £120m 12 month + 7 month, at the option of the Group, committed banking facility from BNP Paribas, HSBC Bank PLC and Santander UK PLC; in addition to our existing facilities
- Waiver on existing bank covenants at August 2020 and February 2021
- As at 12 May our liquidity reserves were approximately £400m
- Secured eligibility for the government's Covid Corporate Financing Facility (CCFF)

Continued focus in the second half of the financial year:

- Ensure the health and wellbeing of our colleagues and customers is at the forefront of everything we do
- Continue to focus on managing costs
- Plans on track for phased re-opening of stores in the second half
- Focus on driving spend per passenger across Travel channels as stores re-open
- Continue to invest in flagship new store formats across the UK and North America
- MRG is well positioned to continue to grow when the US travel market re-opens
- Maintain strong relationships with landlord partners
- Expand relationship with M&S; extend pilot to a further 2 High Street stores
- Maintain sales momentum of online businesses

WEBCAST:

A live webcast will be held today at 8.30am BST for investors and analysts and will be available on our website at www.whsmithplc.co.uk.

ENQUIRIES:

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WH Smith PLC's Interim Results 2020 are available at www.whsmithplc.co.uk.

GROUP OVERVIEW

Group Summary
Total Group revenue was up 7% compared to last year at £747m (2019: £695m) with Group LFL revenue down 1%.

Group profit from trading operations increased to £93m (2019: £92m) with Headline Group profit before tax at £80m (2019: £81m). Including non-underlying items (relating primarily to the acquisition of MRG), Group profit before tax was £63m (2019: £65m).

Headline earnings per share was 56.1p (2019: 60.6p). This reflects Headline profit, a 19% effective tax rate** and a higher basic weighted average number of shares in issue following the share placement in October 2019.

Following the disruption to the business from the Covid-19 pandemic, the Board has announced that it will not be paying an interim dividend in the current financial year.

As at 29 February net debt** (on a pre-IFRS 16 basis) including the additional £200m term loan and after finance leases, was £411m (2019: £221m). Group free cash flow** was £1m (2019: £27m) reflecting £14m additional tax payments on account (now refunded by HMRC), higher investment capex of £10m and further working capital investment of £5m.

As announced on 6th April 2020, we have raised net proceeds of c.£162m via a share placing. In addition, we have agreed a £120m 12 month (plus 7 months at the option of the Group) committed banking facility from BNP Paribas, HSBC Bank PLC and Santander UK PLC. This is in addition to our existing facilities. The Group has agreed waivers for the bank covenant tests at August 2020 and February 2021.

Following the acquisitions of InMotion and MRG, and the Group's most recent re-financing as a result of Covid-19, the Group has the following debt facilities as at 14 May:

	Quantum Drawn	Maturity
Available facilities		
£120m 'Liquidity' Facility	Nil	November 2021***
£200m Revolving Credit Facility	Nil	December 2023
Existing debt		
£200m Term Loan	£200m	October 2022
£200m MRG Loan	£200m	October 2022***

*** The maturity dates above include extension options at the Group's control

As at 12 May 2020 the Group had available cash and liquidity reserves of c.£400m, being £200m revolving credit facility, £120m liquidity facility and net cash at bank of £84m. The Group's monthly cash burn under an extended lockdown is approximately £25m-£30m per month. In addition, the Group has secured eligibility for the CCFF. For information, the Bank of England's guidance published on their website states that companies with WH Smith's pre-crisis credit rating are permitted to draw up to £300m. If we draw on the CCFF, the £120m 'Liquidity' Facility would be terminated and any draw down would be repayable.

TRAVEL
Travel delivered a strong performance across all channels in the first half. Trading profit increased by 11% to £49m (2019: £44m), of which £9m (2019: £6m) relates to our growing international business including MRG and InMotion. Total revenue was £432m (2019: £364m), up 19% compared to last year and up 2% on a LFL basis driven by our initiatives and ongoing investment. Gross margin**, excluding MRG and InMotion, was up 110bps compared to last year.

As at 29 February 2020, our global Travel business, including MRG and InMotion, operated from 1,194 units (31 August 2019: 1,019 units), and excluding franchise units, occupies 1.0m square feet.

UK Travel
Total revenue in the half was £271m, (2019: £260m), up 4% on the previous year. Total revenue in Air was up 3% with LFL revenue up 2%; in our hospital channel, total revenue was up 13% with LFL revenue up 6%, and in Rail, total revenue was up 2% with LFL revenue also up 2%. Gross margin increased by 60bps during the period, driven by a positive mix effect. Trading profit was up 5% to £40m (2019: £38m).

We worked hard across all channels in the first half to drive spend per passenger, delivering some positive results. Our focus on developing our large store formats continued and we expect these formats to position us well for the future. Our experience continues to show that we can deliver much higher sales per passenger from these large stores, through improved layouts and increased capacity. Despite the current uncertainty, we remain committed to refitting our 5,000 square foot store at Heathrow Terminal 2 this summer. This flagship store will feature an extensive news, books and convenience offer with the addition of a world class health and wellbeing department with specialist staff. The health and wellbeing department will comprise a comprehensive range of over 3,000 products curated through our partnership with market leading brands. In addition, the pharmacy counter will offer healthcare advice along with a wide selection of medicines.

Hospitals are an important business for us. We continue to invest and innovate in this channel to meet the needs of each hospital and we have developed a strong customer offer and aligned our ranges to the NHS strategy on healthy eating. Our broad suite of brands, which include Costa and M&S Simply Food, also ensure that we can tailor and adapt our proposition. Given our ongoing investment, we continue to win and open new stores, with a further 3 stores opened in the first half.

During the current crisis, we are also delighted to be in a position to support frontline NHS staff from our hospital stores, ensuring we can continue to play our part in the communities we serve. Since April, we have extended our grocery ranges in these stores to include over 90 essential items to further support frontline workers at this time. In addition, we have doubled the NHS staff discount to 20% and have supported a large number of hospitals with stock donations.

In Rail, we continued to invest in format development during the first half. Our new large store format at Paddington Station delivered some encouraging results and we believe there are opportunities in the future to apply this format across our rail channel.

International
Our business outside the UK comprises the stores we operate in North America and WH Smith stores across the rest of the world. During the first half, our strategy to grow our international travel business progressed well. However, our share of the global news, books and convenience (NBC) travel market is still small.

Total revenue for the half, including MRG and InMotion, was £161m (2019: £104m), up 55% versus the previous year. LFL revenue, on a constant currency basis, was up 3% excluding InMotion and down 1% including InMotion. The impact of InMotion on LFL revenue, was primarily the result of good availability of certain Apple products in the prior year, which drove very strong LFL revenue last year. The equivalent products this year were in short supply. Trading profit for the half was £9m (2019: £6m), including £1m Trading profit from MRG.

During the period, we won 38 new units internationally and opened 21 units, making a total of 599 units open as at 29 February 2020 across the WH Smith, MRG and InMotion brands. Of the 38 units won in the first half, 12 are in North America, 5 are in Australia, 6 are in Europe, 1 is in the Middle East and 14 are in South East Asia and India.

Of the 318 WH Smith units open outside of North America, 38% are directly run, 51% are franchised with the balance being joint ventures. We will continue to use these three economic models flexibly in order to create value and win new business.

In total, across our global Travel business outside of the UK, we are now present in over 100 airports and 31 countries with 292 units open in North and South America, 80 units open in Europe, 108 in the Middle East and India, and 119 in Asia Pacific.

North America
Our largest market outside of the UK is North America. On 20 December 2019, we completed the acquisition of MRG, a leading and fast-growing US travel retailer. The store opening programme for MRG remained on track during the first half and integration into the WH Smith Group is progressing well.

Differentiated from its competitors by its strategy of developing highly customised retail experiences tailored to local customers and landlords, MRG has a highly successful and proven business model with a strong track record of concession and tender wins. With a further 33 new airport stores due to open over the next 4 years following successful tenders, MRG is expected to add more than 43,000 square feet of airport retail selling space to its current c.54,000 square feet of existing airport selling space.

MRG has maintained its momentum of tender wins. We have won a further 12 units in the US in the period, including a number of significant tenders in major US airports, demonstrating the growth opportunities that exist there.

In addition to MRG, our digital accessories business, InMotion, has an excellent store portfolio with 117 stores across 43 airports in the US. During the half, InMotion opened 6 units.

HIGH STREET
High Street delivered a good performance in the first half with Trading profit of £44m (2019: £48m). LFL revenue was down 4% with total revenue down 5%. We saw a good gross margin performance, up 100bps in the period.

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. We achieved cost savings of £5m in the half. These savings come from right across the business, including rent savings at lease renewal (on average over 40%) which continue to be a significant proportion, marketing efficiencies and productivity gains from our distribution centres.

We have worked hard over the years to create flexibility in our store portfolio. The average lease length is 3.5 years and we only renew a lease where we are confident of delivering economic value over the life of that lease. We have a rolling programme of lease renewals and over the next three years the leases on around 400 stores expire giving us further opportunities to renegotiate our occupation costs.

As at 29 February 2020, the High Street business operated from 575 WH Smith stores (2019: 578) which occupy 2.7m square feet (2019: 2.7m square feet). 1 WH Smith store was closed in the period.

Online
Our online businesses continue to deliver good growth and complement our core stationery category.

i. Our online personalised greetings card business, www.funkypigeon.com, performed well in the period delivering good revenue and profit growth.
ii. www.whsmith.co.uk provides customers with a comprehensive book and stationery offer and, during the half, we continued to see strong sales growth in our stationery ranges online.
iii. Our specialist pen website, www.cultpens.com performed well in the period and we continue to develop this business and grow sales.
iv. Our recently acquired websites, www.treeofhearts.co.uk and www.dottyaboutpaper.co.uk also performed well. Although small, these online stationery businesses align with our digital strategy of broadening our stationery ranges and enhancing our customer offer.

Update on Covid-19 Impact

In view of the current uncertainty from the impact of Covid-19, we cannot forecast with any certainty the timing of our store re-openings in our Travel and High Street businesses. Nor can we forecast the speed of recovery. At this stage, we are planning on a phased store re-opening schedule across our international territories, UK Travel channels and our High Street business.

Our experience of operating our c.300 stores over the past eight weeks has enabled us to build on and advance our re-opening plans to protect both our colleagues and our customers by:

- Equipping our colleagues with appropriate PPE
- Erecting protective screens at our till counters
- Ensuring appropriate social distancing measures are identified within our stores; and
- Where necessary, restricting the number of customers that enter our stores at any one time.

In Air, we expect a gradual improvement in passenger numbers from Autumn 2020; initially led by an increase in domestic travellers, particularly in the US where c.80% of passengers are domestic, followed by regional, international and inter-continental passengers. In our Hospital channel, although our stores have remained open to serve NHS employees, we have seen a fall in sales as a result of a reduction in visitor numbers. In Rail, we expect a gradual improvement in passenger numbers through Autumn 2020.

We are financially strong and are an important retail partner for our travel landlords. As a result, we are well positioned to benefit from more space becoming available in travel locations and extending our user clauses to drive spend per passenger. We continue to invest in new stores and new store formats where we see attractive opportunities for profitable growth. During the second half, we are planning to open a new flagship store format at Heathrow Terminal 2. MRG, our travel business in the US, has continued to perform well since completion, maintaining its momentum in tender wins with further contract wins at major US airports.

GROUP

The Group generated Headline profit before tax of £80m (2019: £81m) and, after non-underlying items, statutory profit before tax of £63m (2019: £65m).

	6 months to			
£m	**Feb 2020 (IFRS)**	**Feb 2020 (IAS 17)**	**Feb 2019 (IAS 17)**	**Change % (IAS 17)**
Travel trading profit	**50**	**49**	44	11%
High Street trading profit	**47**	**44**	48	(8)%
Group profit from trading operations	**97**	**93**	92	1%
Unallocated costs	**(9)**	**(9)**	(9)	
Headline Group operating profit	**88**	**84**	83	1%
Net finance costs	**(8)**	**(4)**	(2)	
Headline Group profit before tax	**80**	**80**	81	(1)%
Non-underlying items	**(17)**	**(17)**	(16)	
Group profit before tax	**63**	**63**	65	(3)%

Non-underlying Items

Items which are not considered part of the normal operating costs of the business, are non-recurring and are exceptional because of their size, nature and incidence, are treated as non-underlying items and disclosed separately.

Non-underlying items included in the period ending 29 February 2020 (2019: £16m) are:

	6 months to Feb 2020		6 months to Feb 2019	
£m	**Income Statement**	**Cash impact**	**Income Statement**	**Cash Impact**
Acquisition related costs:				
- Transaction costs	11	12	6	6
- Integration costs	2	2	2	-
- Amortisation	1	-	1	-
Impairment of property, plant and equipment	3	-	-	-
Completed High Street review	-	2	7	3
	17	16	16	9

Non-underlying items in the half relate primarily to acquisition costs and a non-cash impairment charge.

Costs relating to the acquisition of MRG were £13m and include transaction and integration costs. We expect full year non-underlying costs relating to the MRG acquisition to be around £19m with the additional amount in the second half being further integration costs and the second half amortisation charges.

The £3m non-cash impairment charge relates to the adjusting post balance sheet impact of Covid-19 in our Asia Pacific businesses, primarily in Singapore, and as such met the requirements to be recognised in the first half.

The cash cost relating to non-underlying items in the half was £16m with a further £4m expected in the second half. The cash impact also includes £2m relating to the High Street review which was completed and fully expensed in 2019.

Net Finance Costs

	6 months to		
£m	**Feb 2020 (IFRS)**	**Feb 2020 (IAS 17)**	**Feb 2019 (IAS 17)**
Interest payable on bank loans and overdrafts	4	4	2
Interest on lease liabilities	4	-	-
Net finance costs	**8**	**4**	**2**

Net finance costs relating to bank loans were £4m compared with £2m last year. The non-cash pension interest charge was £nil (2019: £nil). Lease interest of £4m in the current period arises on lease liabilities recognised under IFRS 16.

*Fixed Charges Cover***

£m	6 months to Feb 2020	Feb 2019	12 months to Aug 2019
Net finance charges (IAS 17)	**4**	2	5
Net operating lease rentals (IAS 17)	**125**	110	236
Total fixed charges	**129**	112	241
Headline profit before tax	**80**	81	155
Headline profit before tax and fixed charges	**209**	193	396
Fixed charges cover - times	**1.6x**	1.7x	1.6x

Fixed charges, comprising property operating lease rentals and net finance charges, were covered 1.6 times (2019: 1.7 times) by Headline profit before tax and fixed charges.

Cash Flow

Free cash flow reconciliation

£m	6 months to Feb 2020 (IAS 17)	Feb 2019 (IAS 17)
Headline Group operating profit	84	83
Depreciation, amortisation & impairment[1]	28	24
Non-cash items	2	3
Working capital[1]	(43)	(38)
Employers payroll tax on exercised share awards	(1)	(1)
Capital expenditure	(41)	(31)
Net tax paid	(24)	(10)
Net interest paid	(3)	(2)
Movement on provisions	(1)	(1)
Free cash flow	**1**	**27**

[1] Headline, excludes the cash flow impact of non-underlying items, explained on page 8.

The Group generated free cash flow of £1m during the period. This is lower than last year due to £14m accelerated corporation tax payments on account, £10m higher investment capex and £5m higher working capital. The working capital movement reflects our usual seasonality and in this half we also invested additional working capital in our recently acquired US businesses to support their growth.

Capital expenditure in the half was £41m, £10m higher than the same period last year. Capital expenditure includes investment in new Travel stores both in the UK and internationally, investment in High Street stores and further investment in our in-store operating model.

Net corporation tax paid increased to £24m in the period from £10m last year, mainly as a result of the acceleration of corporation tax payments on account. All of the tax payments made in the first half have now been refunded.

As at 29 February 2020 the Group had net debt (on a pre-IFRS 16 basis) of £411m, including £11m of finance lease liabilities and net borrowings of £400m (2019: net debt of £221m, including £12m of finance lease liabilities and net borrowings and overdrafts of £209m).

Reconciliation of net debt

Net debt is presented on an IAS 17 basis. See Note 10 of the Interim statements for the impact of IFRS 16 on net debt.

£m	6 months to Feb 2020 (IAS 17)	6 months to Feb 2019 (IAS 17)
Opening net cash	34	12
Free cash flow generated	1	27
Dividend paid[2]	(47)	(41)
Pension funding	(1)	(1)
Net purchase of shares for employee share schemes	(1)	(5)
Purchase of own shares for cancellation	-	(25)
Acquisition of subsidiaries, net of cash acquired	(316)	(161)
Proceeds of share placing	152	-
Proceeds from borrowings	200	200
Repayments of obligations under finance leases	(3)	(3)
Other	(3)	(3)
Non-underlying items[3]	(16)	(9)
Closing net cash / (overdraft)[1]	**-**	**(9)**
Borrowings	(400)	(200)
Finance leases	(11)	(12)
Net debt (IAS 17)	**(411)**	**(221)**
Lease liabilities under IFRS 16[4]	(566)	-
Net debt (IFRS)	**(977)**	**(221)**

[1] Net cash/overdrafts is cash and cash equivalents (£45m; 2019: £48m) less bank overdrafts and other borrowings (£45m; 2019 £57m). See Condensed Group Balance Sheet on page 17.

[2] Dividend paid is the prior year final dividend.

[3] Cash flow effect of non-underlying items is explained on page 8.

[4] Excluding £11m finance leases already included in IAS 17 net debt.

Following the acquisition of MRG we suspended the buyback. The dividend payment of £47m was the final dividend relating to the previous financial year and was paid on 30 January 2020. During the period the Group acquired MRG for a net cash consideration of £316m. The cash flow impact of non-underlying items was £16m. Further detail is provided on page 8.

Post period end re-financing

The Group undertook an equity raise on 6 April 2020 which raised net proceeds of c.£162m through a 13.7% placing of new shares. The Group also secured a new £120m 12 month + 7 month (at the option of the Group) committed banking facility from BNP Paribas, HSBC Bank PLC and Santander UK PLC. In addition, the maturity on the Group's two £200m term loans was extended to October 2022.

	12 May 2020	29 February 2020
Net cash / (overdraft) at bank[1]	£84m	(£34m)
Revolving Credit Facility	£200m[2]	£200m
Further Liquidity Facility	£120m[2]	
InMotion – Term Loan	£200m	£200m
MRG – Term Loan	£200m	£200m

[1] Net cash at bank includes cash at bank and drawdown on the revolving credit facility.

[2] Undrawn as at 12 May 2020

In the context of restrictions imposed following the Covid-19 pandemic, our cash burn per month would be approximately £25m-£30m in an extended lockdown scenario.

Balance sheet

£m	Feb 2020 (IFRS)	Feb 2020 (IAS 17)	Aug 2019 (IAS 17)
Goodwill and other intangible assets	510	512	225
Property, plant and equipment	228	243	201
Right of use assets	540	-	-
Investments in joint ventures	3	3	4
	1,281	758	430
Inventories	188	188	174
Payables less receivables	(130)	(145)	(178)
Working capital	58	43	(4)
Derivative financial asset	1	1	2
Net current and deferred tax asset / (liability)	3	(1)	(3)
Provisions	(2)	(4)	(5)
Operating assets employed	**1,341**	**797**	**420**
Net debt	(977)	(411)	(180)
Net assets excluding pension liability	**364**	**386**	**240**
Pension liability	(4)	(4)	(4)
Deferred tax asset on pension liability	1	1	1
Total net assets	**361**	**383**	**237**

The Group had net assets of £386m before pension liabilities and associated deferred tax assets, £146m higher than last year end, reflecting the share placement in October 2019, and profits for the period offset by dividends paid. Net assets after the pension liability and associated deferred tax asset were £383m compared to £237m at 31 August 2019. Under IFRS the Group had net assets of £361m.

We have performed an assessment of the impact of Covid-19 on the Group to ascertain if the outbreak or related government actions constitute an adjusting post balance sheet event under IAS 10 ‘Events after the Reporting Date’. Following our review, apart from our Asia Pacific businesses, we have concluded that the government actions occurred after the end of the reporting period, and are therefore non-adjusting. A non-cash impairment charge of £3m was recorded in the Group income statement as a result of our assessment. This charge is included within non-underlying items (see page 8).

Principal Risks and Uncertainties

The Group’s Annual Report and Accounts 2019, a copy of which is available on the Group’s website at www.whsmithplc.co.uk, sets out the principal risks and uncertainties which could impact the Group for the remainder of the current financial year (see Annual Report and Accounts 2019 pages 20 to 25). These include: economic, political, competitive and market risks; brand and reputation; key suppliers and supply chain management; store portfolio; business interruption (including pandemics); reliance on key personnel; international expansion; treasury, financial and credit risk management; and cyber risk and data security. In addition, the ongoing impact of Covid-19 is a significant risk facing the Group for the remainder of the current financial year, due to uncertainty around the timing and extent of the recovery on our ability to re-open and operate our Travel and High Street stores, both in the UK and Internationally, and its impact upon the levels of global and domestic travel. The Group has deployed a framework of operational procedures, mitigating actions and business continuity plans as outlined in this announcement and will continue to adapt these plans as the situation evolves.

This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulations.

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.

Impact of IFRS 16 Leases

The Group has implemented IFRS 16 using the modified retrospective approach, which means that prior year balances have not been restated. IFRS 16 superseded the lease guidance under IAS 17 and the related interpretations. The results for the six months ended 29 February 2020 included on pages 1 to 11 have been shown both including the impact of IFRS 16, and on a pre-IFRS 16 basis. Results have been discussed on a pre-IFRS 16 basis to show meaningful year on year comparisons.

Accounting under IFRS 16

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases.

At the commencement date of a lease, a lessee will recognise a lease liability for the future lease payments and an asset (right-of-use asset) representing the right to use the underlying asset during the lease term. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Income Statement impact

The impact of the implementation of IFRS 16 on the Income Statement is as follows:

£m	6 months to 29 Feb 2020 IAS 17	IFRS 16 Adjustment	6 months to 29 Feb 2020 IFRS 16
Revenue	747	-	747
Headline Group operating profit	84	4	88
Finance cost	(4)	(4)	(8)
Headline Group profit before tax	80	-	80
Non-underlying items	(17)	-	(17)
Group Profit before tax	63	-	63
Income tax expense	(15)	-	(15)
Profit for the period	**48**	**-**	**48**

The impact of the adoption of IFRS 16 on a segmental basis is summarised below:

£m	6 months to 29 Feb 2020 IAS 17	IFRS 16 Adjustment	6 months to 29 Feb 2020 IFRS 16
Travel trading profit[1]	49	1	50
High Street trading profit	44	3	47
Group profit from trading operations	93	4	97
Unallocated costs	(9)	-	(9)
Headline Group operating profit	**84**	**4**	**88**

[1] Includes International Trading profit of £9m under IAS 17 and £10m under IFRS 16

Cash Flow impact

There is no impact on cash flows, although the classification of cash flows has changed, with an increase in net cash inflows from operating activities being offset by a decrease in net cash inflows from financing activities.

£m	6 months to 29 Feb 2020 IAS 17	IFRS 16 Adjustment	6 months to 29 Feb 2020 IFRS 16
Net cash inflows from operating activities	25	48	73
Net cash outflows from investing activities	(357)	-	(357)
Net cash inflows from financing activities	329	(48)	281
Net decrease in cash in the period	**(3)**	**-**	**(3)**

Balance Sheet impact

The impact on the Balance Sheet of the IFRS 16 at 29 February 2020 was as follows:

£m	At 29 Feb 2020 IAS 17	IFRS 16 Adjustment	At 29 Feb 2020 IFRS 16
Goodwill and other intangible assets	512	(2)	510
Property, plant and equipment	243	(15)	228
Right-of-use assets	-	540	540
Investments in joint ventures	3	-	3
	758	523	1,281
Inventories	188	-	188
Payables less receivables	(145)	15	(130)
Working capital	43	15	58
Derivative financial asset	1	-	1
Net current and deferred tax liability	(1)	4	3
Provisions	(4)	2	(2)
Operating assets employed	**797**	**544**	**1,341**
Net (debt) / funds	(411)	(566)	(977)
Net assets excluding pension liability	**386**	**(22)**	**364**
Pension liability	(4)	-	(4)
Deferred tax asset on pension liability	1	-	1
Total net assets	**383**	**(22)**	**361**

Further information on the impact of the adoption of IFRS 16 can be found in Note 1 on page 21.

WH Smith PLC
Condensed Group Income Statement
For the 6 months to 29 February 2020

£m	Note	**6 months to 29 Feb 2020 (unaudited)[1]** Headline[2]	Non-underlying items[3]	Total	6 months to 28 Feb 2019 (unaudited) Headline[2]	Non-underlying items[3]	Total
Revenue	2	**747**	**-**	**747**	695	-	695
Group operating profit / (loss)	2	**88**	**(17)**	**71**	83	(16)	67
Finance costs	5	**(8)**	**-**	**(8)**	(2)	-	(2)
Profit / (loss) before tax		**80**	**(17)**	**63**	81	(16)	65
Income tax expense	6	**(15)**	**-**	**(15)**	(15)	1	(14)
Profit / (loss) for the period		**65**	**(17)**	**48**	66	(15)	51
Attributable to equity holders of the parent		**64**	**(17)**	**47**	66	(15)	51
Attributable to non-controlling interests		**1**	**-**	**1**	-	-	-
		65	**(17)**	**48**	66	(15)	51
Earnings per share							
Basic	8			**41.6p**			47.2p
Diluted	8			**41.2p**			46.8p
Equity dividends per share[4]	7			**0.0p**			17.2p

[1] The Group has initially applied IFRS 16 at 1 September 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see Note 1).
[2] 'Headline' denotes an alternative performance measure. See Glossary on page 41 for definition of alternative performance measures.
[3] See Note 3 for an analysis of Non-underlying items. See Glossary on page 41 for definition of alternative performance measures.
[4] Dividend per share is the interim dividend. No interim dividend is proposed in the current period.

WH Smith PLC
Condensed Group Income Statement
For the 6 months to 29 February 2020

		6 months to 29 Feb 2020 (unaudited)[1]			12 months to 31 Aug 2019 (audited)		
£m	Note	**Headline[2]**	**Non-underlying items[3]**	**Total**	Headline[2]	Non-underlying items[3]	Total
Revenue	2	**747**	**-**	**747**	1,397	-	1,397
Group operating profit / (loss)	2	**88**	**(17)**	**71**	160	(20)	140
Finance costs	5	**(8)**	**-**	**(8)**	(5)	-	(5)
Profit / (loss) before tax		**80**	**(17)**	**63**	155	(20)	135
Income tax expense	6	**(15)**	**-**	**(15)**	(28)	1	(27)
Profit / (loss) for the period		**65**	**(17)**	**48**	127	(19)	108
Attributable to equity holders of the parent		**64**	**(17)**	**47**	125	(19)	106
Attributable to non-controlling interests		**1**	**-**	**1**	2	-	2
		65	**(17)**	**48**	127	(19)	108
Earnings per share							
Basic	8			**41.6p**			98.1p
Diluted	8			**41.2p**			97.2p
Equity dividends per share[4]	7			**0.0p**			58.2p

[1] The Group has initially applied IFRS 16 at 1 September 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see Note 1).
[2] 'Headline' denotes an alternative performance measure. See Glossary on page 41 for definition of alternative performance measures.
[3] See Note 3 for an analysis of Non-underlying items. See Glossary on page 41 for definition of alternative performance measures.
[4] No interim dividend is proposed in the current period.

WH Smith PLC
Condensed Group Statement of Comprehensive Income
For the 6 months to 29 February 2020

£m	Note	**6 months to 29 Feb 2020 (unaudited)**[1]	6 months to 28 Feb 2019 (unaudited)	12 months to 31 Aug 2019 (audited)
Profit for the period		**48**	51	108
Other comprehensive (loss) / income:				
Items that will not be reclassified subsequently to the income statement:				
Actuarial losses on defined benefit pension schemes	4	**(1)**	(1)	(3)
		(1)	(1)	(3)
Items that may be reclassified subsequently to the income statement:				
(Losses) / gains on cash flow hedges				
- Net fair value (losses) / gains		**(9)**	(1)	2
- Reclassified and reported in goodwill		**8**	-	-
- Reclassified and reported in inventories		-	-	(1)
Exchange differences on translation of foreign operations		**(8)**	(7)	10
		(9)	(8)	11
Other comprehensive (loss) / income for the period, net of tax		**(10)**	(9)	8
Total comprehensive income for the period		**38**	42	116
Attributable to equity holders of the parent		**37**	42	114
Attributable to non-controlling interests		**1**	-	2
		38	42	116

[1] The Group has initially applied IFRS 16 at 1 September 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see Note 1).

WH Smith PLC
Condensed Group Balance Sheet
As at 29 February 2020

£m	Note	**At 29 Feb 2020 (unaudited)[1]**	At 28 Feb 2019 (unaudited)	At 31 Aug 2019 (audited)
Non-current assets				
Goodwill	9	**431**	160	176
Other intangible assets	9	**79**	45	49
Property, plant and equipment	9	**228**	193	201
Right-of-use assets	9	**540**	-	-
Investments in joint ventures		**3**	3	4
Deferred tax assets		**6**	8	8
Trade and other receivables		**10**	9	10
		1,297	418	448
Current assets				
Inventories		**188**	173	174
Trade and other receivables		**77**	67	73
Derivative financial assets		**1**	-	2
Current tax receivable		**12**	-	-
Cash and cash equivalents	10	**45**	48	49
		323	288	298
Total assets		**1,620**	706	746
Current liabilities				
Trade and other payables		**(205)**	(216)	(250)
Bank overdrafts and other borrowings	10	**(45)**	(57)	(15)
Retirement benefit obligations	4	**(1)**	(1)	(1)
Lease liability	10	**(126)**	(5)	(5)
Current tax liabilities		**-**	(11)	(7)
Short-term provisions		**-**	(1)	(1)
		(377)	(291)	(279)
Non-current liabilities				
Bank loans and other borrowings	10	**(400)**	(200)	(200)
Retirement benefit obligations	4	**(3)**	(3)	(3)
Long-term provisions		**(2)**	(3)	(4)
Lease liability	10	**(451)**	(7)	(9)
Deferred tax liabilities		**(14)**	(2)	(3)
Other non-current liabilities		**(12)**	(12)	(11)
		(882)	(227)	(230)
Total liabilities		**(1,259)**	(518)	(509)
Total net assets		**361**	188	237
Capital and reserves				
Called up share capital	12	**25**	24	24
Share premium		**160**	8	9
Capital redemption reserve		**13**	13	13
Translation reserve		**(1)**	(9)	8
Other reserve		**(276)**	(274)	(274)
Retained earnings		**435**	424	455
Total equity attributable to equity holders of the parent		**356**	186	235
Non-controlling interest		**5**	2	2
Total equity		**361**	188	237

[1] The Group has initially applied IFRS 16 at 1 September 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see Note 1).

WH Smith PLC
Condensed Group Cash Flow Statement
For the 6 months to 29 February 2020

£m	Note	6 months to **29 Feb 2020 (unaudited)[1]**	6 months to 28 Feb 2019 (unaudited)	12 months to 31 Aug 2019 (audited)
Operating activities				
Cash generated from operating activities	11	**79**	50	153
Interest paid		**(6)**	(2)	(4)
Net cash inflow from operating activities		**73**	48	149
Investing activities				
Purchase of property, plant and equipment		**(35)**	(26)	(47)
Purchase of intangible assets		**(6)**	(5)	(12)
Acquisition of subsidiaries, net of cash acquired		**(316)**	(161)	(161)
Acquisition of investments in joint ventures		**-**	(1)	-
Net cash outflow from investing activities		**(357)**	(193)	(220)
Financing activities				
Dividend paid	7	**(47)**	(41)	(60)
Distributions to non-controlling interests		**(1)**	-	(2)
Issue of share capital		**152**	-	-
Issue of new shares for employee share schemes		**-**	-	1
Purchase of own shares for cancellation		**-**	(25)	(32)
Purchase of own shares for employee share schemes		**(1)**	(5)	(7)
Proceeds from borrowings		**230**	224	182
Financing arrangement fees		**(1)**	(1)	(1)
Repayments of obligations under leases		**(51)**	(3)	(6)
Net cash inflow from financing activities		**281**	149	75
Net (decrease) / increase in cash and cash equivalents in the period		**(3)**	4	4
Opening cash and cash equivalents		**49**	45	45
Effect of movements in foreign exchange rates		**(1)**	(1)	-
Closing cash and cash equivalents		**45**	48	49

WH Smith PLC
Condensed Group Cash Flow Statement (continued)
For the 6 months to 29 February 2020

Reconciliation of net cash flow to movement in net debt

		6 months to		12 months to
£m	Note	**29 Feb 2020 (unaudited)** [1]	28 Feb 2019 (unaudited)	31 Aug 2019 (audited)
Net debt at beginning of the period		**(180)**	(2)	(2)
Impact of adoption of IFRS 16	1	**(479)**	-	-
Lease liability acquired through business combination	15	**(98)**	-	-
Net (decrease) / increase in cash and cash equivalents		**(3)**	4	4
Increase in debt		**(230)**	(224)	(182)
Net movement in lease liability		**12**	2	-
Effect of movements in foreign exchange rates		**1**	(1)	-
Net debt at end of the period	10	**(977)**	(221)	(180)

[1] The Group has initially applied IFRS 16 at 1 September 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in Retained earnings at the date of initial application (see Note 1).

WH Smith PLC
Condensed Group Statement of Changes in Equity
For the 6 months to 29 February 2020

£m	Called up share capital and share premium	Capital redemption reserve	Translation reserves	Other reserve[1]	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 September 2019	**33**	**13**	**8**	**(274)**	**455**	**235**	**2**	**237**
Impact of adoption of IFRS 16	–	–	–	–	(22)	**(22)**	–	**(22)**
Profit for the period	–	–	–	–	47	**47**	1	**48**
Other comprehensive income/(expense):								
Actuarial losses on defined benefit pension schemes	–	–	–	–	(1)	**(1)**	–	**(1)**
Cash flow hedges	–	–	–	(1)	–	**(1)**	–	**(1)**
Exchange differences on translation of foreign operations	–	–	(8)	–	–	**(8)**	–	**(8)**
Total comprehensive income for the period	**–**	**–**	**(8)**	**(1)**	**46**	**37**	**1**	**38**
Recognition of share-based payments	–	–	–	–	2	**2**	–	**2**
Dividends paid (Note 7)	–	–	–	–	(47)	**(47)**	–	**(47)**
Employee share schemes	–	–	–	(1)	–	**(1)**	–	**(1)**
Issue of shares	152	–	–	–	–	**152**	–	**152**
Non-controlling interest arising on acquisition	–	–	–	–	–	**–**	2	**2**
Balance at 29 February 2020 (unaudited)	**185**	**13**	**–**	**(276)**	**434**	**356**	**5**	**361**
Balance at 1 September 2018	**32**	**13**	**(2)**	**(268)**	**437**	**212**	**–**	**212**
Profit for the period	–	–	–	–	51	**51**	–	**51**
Other comprehensive income/(expense):								
Actuarial losses on defined benefit pension schemes	–	–	–	–	(1)	**(1)**	–	**(1)**
Cash flow hedges	–	–	–	(1)	–	**(1)**	–	**(1)**
Exchange differences on translation of foreign operations	–	–	(7)	–	–	**(7)**	–	**(7)**
Total comprehensive income for the period	**–**	**–**	**(7)**	**(1)**	**50**	**42**	**–**	**42**
Recognition of share-based payments	–	–	–	–	3	**3**	–	**3**
Dividends paid (Note 7)	–	–	–	–	(41)	**(41)**	–	**(41)**
Employee share schemes	–	–	–	(5)	–	**(5)**	–	**(5)**
Purchase of own shares for cancellation	–	–	–	–	(25)	**(25)**	–	**(25)**
Non-controlling interest arising on acquisition	–	–	–	–	–	**–**	2	**2**
Balance at 28 February 2019 (unaudited)	**32**	**13**	**(9)**	**(274)**	**424**	**186**	**2**	**188**
Balance at 1 September 2018	**32**	**13**	**(2)**	**(268)**	**437**	**212**	**–**	**212**
Profit for the year	–	–	–	–	106	**106**	2	**108**
Other comprehensive income/(expense):								
Actuarial losses on defined benefit pension schemes	–	–	–	–	(3)	**(3)**	–	**(3)**
Cash flow hedges	–	–	–	1	–	**1**	–	**1**
Exchange differences on translation of foreign operations	–	–	10	–	–	**10**	–	**10**
Total comprehensive income for the year	**–**	**–**	**10**	**1**	**103**	**114**	**2**	**116**
Recognition of share-based payments	–	–	–	–	6	**6**	–	**6**
Dividends paid (Note 7)	–	–	–	–	(60)	**(60)**	–	**(60)**
Employee share schemes	–	–	–	(7)	–	**(7)**	–	**(7)**
Non-controlling interest arising on an acquisition	–	–	–	–	–	**–**	2	**2**
Distributions to non-controlling interests	–	–	–	–	–	**–**	(2)	**(2)**
Premium on issue of shares	1	–	–	–	–	**1**	–	**1**
Purchase of own shares for cancellation	–	–	–	–	(31)	**(31)**	–	**(31)**
Balance at 31 August 2019 (audited)	**33**	**13**	**8**	**(274)**	**455**	**235**	**2**	**237**

[1] Other reserve includes Revaluation reserve of £2m (August 2019: £2m), ESOP reserve of (£2m) (August 2019: (£6m)), hedging reserve of £1m (August 2019: £2m) and Other reserves of (£277m) (August 2019: (£272m)). 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.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 29 February 2020

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

The Condensed Interim Financial Statements for the 6 months ended 29 February 2020 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 2019, 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 2019 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 2019 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 2020, 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. Except as outlined below the adoption of these standards has had no material impact on the Group.

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatment
Amendment to IFRS 9	Financial instruments - Prepayment features with negative compensation
Amendments to IAS 28	Investments in associates - Long term interests in associates and joint ventures
Amendments to IAS 19	Employee benefits - Plan amendment, curtailment or settlement
Annual Improvements	2015-2017 cycle

At the Group balance sheet date, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 17	Insurance Contracts
IFRS 14	Regulatory Deferral Accounts
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1	Classification of liabilities as current or non-current
Amendments to IFRS 10 and IAS 28	Sale of assets between investor and its Associate or JV
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to Conceptual Framework	References in IFRS Standards

The directors anticipate that the adoption of these standards and interpretations will have no material impact on the Group's financial statements.

IFRS 16 Leases

The Group has applied IFRS 16 effective from 1 September 2019 which superseded the lease guidance under IAS 17 and the related interpretation.

Nature of change

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases.

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

At the commencement date of a lease, a lessee will recognise a lease liability for the future lease payments and an asset (right-of-use asset) representing the right to use the underlying asset during the lease term. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. There will be no impact on cash flows, although the presentation of the Cash Flow Statement will change, with an increase in net cash inflows from operating activities being offset by an increase in net cash outflows from financing activities.

Impact on the Group

The standard has primarily affected the accounting for the group’s operating leases relating to properties.

The Group has applied the simplified transition approach (modified retrospective approach) and recognised the lease liability on transition at the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of transition. Right of use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by the Group's incremental borrowing rate at transition date. The Group has applied this methodology to a small number of its property leases where sufficient historical information has been available to facilitate this.
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group has applied this methodology to the majority of its leases as the sufficient historical data was not available to enable a retrospective calculation.

The weighted average discount rate applied on transition date is 1.78%.

The Group has not restated comparatives and the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to the opening reserves at the date of transition.

The Group has elected to apply the following practical expedients as allowed under IFRS 16:

- Exclude short-term leases (lease with a remaining term of less than one-year) and low-value assets (defined as less than $5,000 at initial cost);
- Rely on its assessment of whether leases are onerous immediately before the date of transition as an alternative to performing an impairment review. This is applied on a lease by lease basis;
- Exclude initial direct costs from the measurement of the right-of-use asset on transition; and
- The use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group has not applied the practical expedient of placing reliance on the previous identification of a lease under IAS 17 but has assessed all its existing lease contracts to determine whether they meet the new definition of a lease and therefore fall within the scope of IFRS 16. This has resulted in multiple contracts, where the lessor is considered to have substantive substitution rights over the associated assets, falling outside the scope of IFRS 16. In addition to this, where Group has not taken the practical expedient of taking an onerous lease provision under IAS 37 as a proxy to the opening impairment charge, the Group has undertaken the impairment review at the date of transition. These are explained further below under section “key areas of judgement”.

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

Impact on the financial statements

(i) Balance Sheet impact on transition

£m	At 31 Aug 2019 (Audited)	IFRS 16 Adjustment	**At 1 Sep 2019 (unaudited)**
Non-current assets			
Goodwill	176	-	**176**
Other intangible assets	49	-	**49**
Property, plant and equipment[1]	201	(18)	**183**
Right-of-use assets	-	457	**457**
Investments in joint ventures	4	-	**4**
Deferred tax assets[2]	8	4	**12**
Trade and other receivables	10	-	**10**
	448	443	**891**
Current assets			
Inventories	174	-	**174**
Trade and other receivables[3]	73	(3)	**70**
Derivative financial assets	2	-	**2**
Cash and cash equivalents	49	-	**49**
	298	(3)	**295**
Total assets	746	440	**1,186**
Current liabilities			
Trade and other payables[4]	(250)	15	**(235)**
Bank overdrafts and other borrowings	(15)	-	**(15)**
Retirement benefit obligations	(1)	-	**(1)**
Obligations under finance leases[5]	(5)	5	**-**
Lease liability	-	(108)	**(108)**
Current tax liabilities	(7)	-	**(7)**
Short-term provisions	(1)	-	**(1)**
	(279)	(88)	**(367)**
Non-current liabilities			
Retirement benefit obligations	(3)	-	**(3)**
Bank overdrafts and other borrowings	(200)	-	**(200)**
Long-term provisions[6]	(4)	2	**(2)**
Obligations under finance leases[5]	(9)	9	**-**
Lease liability	-	(385)	**(385)**
Deferred tax liabilities	(3)	-	**(3)**
Other non-current liabilities	(11)	-	**(11)**
	(230)	(374)	**(604)**
Total liabilities	(509)	(462)	**(971)**
Total net assets	237	(22)	**215**
Capital and reserves			
Called up share capital	24	-	**24**
Share premium	9	-	**9**
Capital redemption reserve	13	-	**13**
Translation reserve	8	-	**8**
Other reserve	(274)	-	**(274)**
Retained earnings	455	(22)	**433**
Total equity attributable to equity holders of the parent	235	(22)	**213**
Non-controlling interest	2	-	**2**
Total equity	237	(22)	**215**

[1] In respect of transfer of former finance leases and impairment on the date of initial application of IFRS 16.

[2] Deferred tax recognised on transition impact on opening retained earnings.

[3] Adjustment mainly in respect of prepaid rent.

[4] Adjustment in respect of lease incentive and rent accrual.

[5] Adjustment in respect of former finance lease liability now reclassified as lease liability.

[6] Adjustment in respect of onerous lease provision.

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

The table below shows a reconciliation from the total operating lease commitment as disclosed at 31 August 2019 to the total lease liability recognised in the financial statements on the date of transition:

	At 1 Sep 2019
	£'m
Operating lease commitment at 31 August 2019 as disclosed in the Group's consolidated financial statements	986
Discounted using the incremental borrowing rate at 1 September 2019	920
Leases where landlords have substantive substitution rights (i.e., leases outside the scope of IFRS 16)[1]	(412)
Leases with variable lease payment[2]	(12)
Recognition exemption for short-term leases[3]	(10)
Extension options reasonably certain to be exercised[4]	4
Termination options reasonably certain to be exercised[4]	(11)
Additional lease liabilities recognised at 1 September 2019	**479**
Finance lease liabilities as at 31 August 2019	14
Total Lease liabilities recognised at 1 September 2019	**493**

[1] Contracts that were considered to be a lease under IAS 17 which do not meet the definition of a lease under IFRS 16, principally because the owner/suppler is considered to have substantive substitution rights over the associated assets. This is explained further below under the section "key areas of judgement".

[2] Contracts where the minimum lease payments are dependent upon a variable factor and therefore the lease payments are in substance variable in nature.

[3] The Group has applied the practical expedient to classify leases for which the leases term ends within 12 months of the date of initial application of IFRS 16 as short-term leases. The Group has also applied the recognition exemption for short term leases.

[4] Previously, lease commitments only included non-cancellable periods in the lease agreements. Under IFRS 16, the lease term includes period covered by options to extend or terminate the lease where the Group is reasonably certain that such options will be exercised.

(ii) Income statement impact

As a result of applying IFRS 16, the Group has recognised depreciation and interest costs in respect of leases that are within the scope of IFRS 16 (which were previously classified as operating leases), rather than rental expense. During the period ended 29 February 2020, the Group recognised £48m of additional depreciation charges and £4m of additional interest costs in respect of these leases instead of recognising the rental expense of £52m, resulting in a net nil impact on profit.

(iii) Cash flow impact

As a result of applying IFRS 16, there is an increase in net cash inflows from operating activities by £48m being offset by an increase in net cash outflows from financing activities by £48m. There is no impact on the net cash flow.

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

Key areas of judgement in applying IFRS 16

Substantive substitution rights

Judgement is involved in determining whether a contract meets the definition of a lease under IFRS 16. Management has determined that certain lease contracts give the lessor substantive substitution rights because the contract gives the lessor rights to relocate the retail space occupied by the lessee. In such cases, management has concluded that there is not an identified asset and therefore such contracts are outside the scope of IFRS 16.

Determination of Incremental Borrowing Rate (IBR)

The application of IFRS 16 required judgement around the calculation of the IBR. This has been determined on a lease-by-lease basis based on the right-of-use asset in a similar economic environment and taking into account the risk-free rate, adjusted for factors such as the credit rating and the lease term.

Determination of lease term

In determining the lease term for contracts that have options to extend or terminate early, management has applied judgement in determining the likelihood of whether such options will be exercised. This is based on the length of time remaining before the option is exercisable, performance of the individual store and the trading forecasts.

Impairment assessment

The right of use asset is tested for impairment on a lease by lease basis as at the transition date in accordance with IAS 36. Each store is regarded to be a cash generating unit. In estimating the future net cashflow, judgement is made around the lease term and estimated profit growth which is based on the underlying economics of the individual stores such as the store contribution and location. As part of estimating the value-in-use, future cash flows for each store are discounted based on the Group's weighted average cost of capital which is determined based on factors such as risk-free rate and risk premium.

The Group has recorded an impairment of £21m to the right-of-use assets and fixed assets with a corresponding adjustment to the opening reserves. The impairment predominantly resulted from the application of different discount rates in line with the applicable accounting standards. IFRS 16 requires using an incremental borrowing rate based on which the right-of-use assets is recorded whereas the value-in-use calculation under IAS 36 requires the cash flow to be discounted using a pre-tax discount rate, for which we have used the pre-tax weighted average cost of capital. The application of these standards caused an impairment on numerous right-of-use assets and fixed assets.

All accounting policies in respect of lease accounting will be updated to reflect the application of IFRS 16 in the consolidated financial statements for the year ended 31 August 2020.

Other key areas of judgement

Following the acquisition of MRG on 20th December 2019, we classified the business of the newly acquired entity into our Travel segment. This is considered appropriate as MRG shares similar economic characteristics with the Travel segment, and its operations are managed within Travel. Goodwill arising on the acquisition has been allocated to the group of Travel cash generating units.

Following the outbreak of Covid-19, we have undertaken an assessment of events after the end of the reporting period to ascertain if any of these events provide further information with respect to conditions existing at the balance sheet date. Following our review, we have concluded that apart from our Asia Pacific businesses, the events linked to the Covid-19 pandemic that have occurred after the balance sheet date are non-adjusting under IAS 10 'Events after the end of the reporting period'. We have reached this conclusion based on a detailed review of factors that existed at the period end in each of our key jurisdictions, including government action taken on free movement of people, and action by airlines to suspend international flights.

Following a full review of the assets the Group held in the Asia Pacific region as at the balance sheet date, we recognised a £3m non-cash impairment charge of property, plant and equipment in our Singapore locations. This charge is recorded in non-underlying items in the Group Income statement. See page 26 and Note 3 for further details of non-underlying items.

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

Alternative performance measures

The Group has identified certain alternative performance measures ("APMs") 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, Fixed charges cover, Gross margin, Like-for-like revenue, Free cash flow, Return on capital employed and Net debt 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, IFRS measures. Many of these APMs will be used on both an IFRS basis and on an IAS 17 basis (i.e. before the impact of IFRS 16). The Group has defined and outlined the purpose of its APMs in the Glossary on page 41.

Non-underlying items

The Group has chosen to present a Headline measure of profit and earnings per share which excludes certain items, which are considered non-underlying and exceptional due to their size, nature or incidence, and are not considered to be part of the normal operating costs of the Group. These costs may include the financial effect of non-underlying items which are considered exceptional and/or occur infrequently such as, inter alia, restructuring costs, impairment charges and onerous lease charges, amortisation of acquired intangibles, costs relating to business combinations, and the related tax effect of these items. The Group believes that they provide additional useful information to users of the financial statements to enable a better understanding of the Group's underlying financial performance.

Further details of the non-underlying items are provided in Note 3.

Going concern

The directors are required to assess whether the Group can continue to operate for the 12 months from the date of approval of these financial statements, and to prepare the financial statements on a going concern basis. The directors report that they have re-assessed the principal risks, reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure, and borrowing facilities. The directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the interim financial information, having undertaken a rigorous assessment of the financial forecasts particularly in the context of the ongoing Covid-19 pandemic, for the reasons set out below.

The Group Overview describes the Group's financial position, cash flows and borrowing facilities and also highlights the principal risks and uncertainties facing the Group. The Group has acted quickly to mitigate the impact of Covid-19 by taking steps to strengthen our balance sheet and to ensure access to further funding. As announced on 6th April 2020, we have raised c.£162m of additional funding via a share placing. In addition, we have agreed a £120m 12 month (plus 7 months at the option of the Group) committed banking facility from BNP Paribas, HSBC Bank PLC and Santander UK PLC. This is in addition to our existing facilities. The Group has reached an agreement with its lenders to waive all covenants on these facilities for August 2020 and February 2021.

The Group Overview also sets out the Group's business activities together with the factors that are likely to affect its future developments, performance and position. The Annual Report and Accounts 2019 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. Whilst Covid-19 did not have a significant impact on our results for the six months to 29 February 2020, it has significantly impacted our business after the end of the reporting period. At present, the majority of our stores are temporarily closed, apart from our locations that are providing essential services such as our Hospital stores, and our High Street stores with Post Offices.

The Group has undertaken a detailed exercise to model the ongoing financial impact of Covid-19, particularly on the Group's liquidity. This modelling has included a number of "downside" scenarios involving assumptions in respect of the speed of store re-openings and the extent to which trading recovers. In preparing this sensitivity analysis, we have used severe but plausible assumptions. Under the most extreme scenario modelled, being a prolonged closure of our stores, the Group has sufficient financial resources to meet its obligations for the 12 months from the date of approval of these 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 14 May 2020.

WH Smith PLC
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2. Segmental analysis of results

For management and financial reporting purposes, the Group is organised into two operating divisions and reportable segments – High Street and Travel. The Group's operating segments are based on the reports reviewed by the Board of Directors (who are collectively considered to be the chief operating decision maker) to make strategic decisions and allocate resources.

Following the acquisition of MRG on 20th December 2019, we classified the business of the newly acquired entity into our Travel segment. This is considered appropriate as MRG shares similar economic characteristics with the Travel segment, and its operations are managed within Travel. Goodwill arising on the acquisition has been allocated to the group of Travel cash generating units.

IFRS 8 requires segment information to be presented on the same basis as that used by the Board for assessing performance and allocating resources.

a) Group revenue

	6 months to		12 months to
£m	**29 Feb 2020 (unaudited)**	28 Feb 2019 (unaudited)	31 Aug 2019 (audited)
Travel	**432**	364	817
High Street	**315**	331	580
Group revenue	**747**	695	1,397

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

	6 months to		12 months to
£m	**29 Feb 2020 (unaudited)**	28 Feb 2019 (unaudited)	31 Aug 2019 (audited)
Travel trading profit	**50**	44	117
High Street trading profit	**47**	48	60
Group profit from trading operations	**97**	92	177
Unallocated costs	**(9)**	(9)	(17)
Headline Group operating profit	**88**	83	160
Non-underlying items (Note 3)	**(17)**	(16)	(20)
Group operating profit	**71**	67	140
Finance costs	**(8)**	(2)	(5)
Income tax expense	**(15)**	(14)	(27)
Profit for the period	**48**	51	108

Included within Travel revenue and Trading profit is International revenue of £161m (2019: £104m) and International Trading profit of £10m (2019: £6m). International revenue includes revenue from the USA of £84m (2019: £30m).

Group profit before finance charges and taxation for the period to 29 February 2020 is stated after the write-down of inventories to net realisable value of £2m (2019: £1m).

2. Segmental analysis of results (continued)

c) Balance sheet

£m	Travel	As at 29 Feb 2020 High Street	Group
Assets			
Segment assets	**1,048**	**530**	**1,578**
Unallocated assets	**-**	**-**	**42**
Consolidated total assets	**1,048**	**530**	**1,620**
Liabilities			
Segment liabilities	**(422)**	**(374)**	**(796)**
Unallocated liabilities	**-**	**-**	**(463)**
Consolidated total liabilities	**(422)**	**(374)**	**(1,259)**
Net assets	**626**	**156**	**361**

£m	Travel	As at 28 Feb 2019 High Street	Group
Assets			
Segment assets	381	271	652
Unallocated assets	-	-	54
Consolidated total assets	381	271	706
Liabilities			
Segment liabilities	(101)	(126)	(227)
Unallocated liabilities	-	-	(291)
Consolidated total liabilities	(101)	(126)	(518)
Net assets	280	145	188

£m	Travel	As at 31 Aug 2019 High Street	Group
Assets			
Segment assets	410	282	692
Unallocated assets	-	-	54
Consolidated total assets	410	282	746
Liabilities			
Segment liabilities	(138)	(126)	(264)
Unallocated liabilities	-	-	(245)
Consolidated total liabilities	(138)	(126)	(509)
Net assets	272	156	237

Segment assets include intangible assets, property, plant and equipment, inventories and receivables. Segment liabilities comprise operating liabilities.

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3. Non-underlying items

Items which are not considered part of the normal operating costs of the business are non-recurring and are considered exceptional because of their size, nature and incidence, are treated as non-underlying items and disclosed separately. Further details of the non-underlying items are included in Note 1, and in the Group Overview on page 8.

	6 months to		12 months to
£m	**29 Feb 2020 (unaudited)**	28 Feb 2019 (unaudited)	31 Aug 2019 (audited)
Costs relating to business combinations	**13**	8	11
Amortisation of acquired intangible assets	**1**	1	2
Impairment of property, plant and equipment	**3**	-	-
High Street business review	**-**	7	7
	17	16	20

During the period, we incurred transaction and integration costs of £13m in relation to the acquisition of Marshall Retail Group (MRG) which completed on 20 December 2019, as well as the amortisation of intangible assets relating to the InMotion and MRG brands.

As discussed on page 25, we have concluded that the impact of government actions to control the spread of Covid-19 in our Asia Pacific businesses is an adjusting post balance sheet event. As a result, a non-cash impairment charge of property, plant and equipment of £3m has been recorded in the Group income statement in relation to our Singapore business.

Non-underlying items in 2019 relate to the acquisition and integration of InMotion and the review of our High Street business.

4. Retirement benefit obligations

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 contribution scheme, WH Smith Retirement Savings Plan, and a defined benefit scheme, WHSmith Pension Trust. 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 2020 (unaudited)**	At 28 Feb 2019 (unaudited)	At 31 Aug 2019 (audited)
WHSmith Pension Trust	**(3)**	(3)	(3)
United News Shops Retirement Benefits Scheme	**(1)**	(1)	(1)
Retirement benefit obligation recognised in the balance sheet	**(4)**	(4)	(4)

4. Retirement benefit obligations (continued)

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 2020 (unaudited)	At 28 Feb 2019 (unaudited)	At 31 Aug 2019 (audited)
Present value of the obligations	**(1,103)**	(994)	(1,107)
Fair value of plan assets	**1,405**	1,262	1,461
Surplus before consideration of asset ceiling	**302**	268	354
Amounts not recognised due to effect of asset ceiling	**(302)**	(268)	(354)
Additional liability recognised due to minimum funding requirements	**(3)**	(3)	(3)
Retirement benefit obligation recognised in the balance sheet	**(3)**	(3)	(3)

Total (expense) / income recognised in the Statement of Comprehensive Income (“SOCI”):

	6 months to		12 months to
£m	**29 Feb 2020 (unaudited)**	**28 Feb 2019 (unaudited)**	31 Aug 2019 (audited)
Total actuarial loss before consideration of asset ceiling	**(6)**	**(20)**	(141)
(Loss) on plan assets excluding amounts included in net interest cost	**(50)**	**(12)**	190
Gain / (loss) resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	**55**	**31**	(52)
Gain resulting from changes in additional liability due to minimum funding requirements excluding amounts recognised in net interest cost	**-**	**-**	-
Total actuarial loss recognised in other comprehensive income	**(1)**	**(1)**	(3)

Actuarial losses recognised in the statement of comprehensive income on the United News Shops Retirement Benefits Scheme were £nil in the period to 29 February 2020 (28 February 2019: £nil).

Movement in net retirement benefit liability during the period:

	6 months to		12 months to
£m	**29 Feb 2020 (unaudited)**	28 Feb 2019 (unaudited)	31 Aug 2019 (audited)
At beginning of period	**(3)**	(3)	(3)
Current service cost	**-**	-	-
Net interest cost on the defined benefit liability	**-**	-	-
Contributions from sponsoring companies	**1**	1	3
Actuarial losses on defined benefit pension schemes	**(1)**	(1)	(3)
At end of period	**(3)**	(3)	(3)

4. Retirement benefit obligations (continued)

In accordance with the requirements of IFRIC 14 management has recognised the net present value of the schedule of contributions as a liability of £3m (2019: £3m). The defined benefit pension schemes are closed to further accrual and the present value of the economic benefits of the IAS 19 surplus in the pension scheme of £302m (2019: £268m) available as a reduction of future contributions is £nil (2019: £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 on interpretation of 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 as at 31 March 2017 by independent actuaries using the projected unit credit method. Following the valuation, the deficit was £11m. The Group has agreed a revised annual funding schedule with the Trustees from September 2017 for the following six years, which includes the deficit recovery contributions and other running costs, of just under £3m. The next full actuarial valuation will be as at 31 March 2020.

During the period, the Group made a contribution of £1m to the WHSmith Pension Trust (2019: £1m) in accordance with the agreed pension deficit funding schedule. The Group expects the cash payments for the year ended 31 August 2020 to be approximately £3m in total in relation to the scheme (year ended 31 August 2019: £3m).

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

	6 months to		12 months to
%	**29 Feb 2020 (unaudited)**	28 Feb 2019 (unaudited)	31 Aug 2019 (audited)
Rate of increase in pension payments	**2.95**	3.22	3.13
Rate of increase in deferred pensions	**2.20**	2.20	2.20
Discount rate	**1.70**	2.75	1.85
RPI Inflation assumption	**3.00**	3.30	3.20
CPI Inflation assumption	**2.20**	2.20	2.20

5. Finance costs

	6 months to		12 months to
£m	**29 Feb 2020 (unaudited)**	28 Feb 2019 (unaudited)	31 Aug 2019 (audited)
Interest payable on bank loans and overdrafts	**4**	2	5
Interest on lease liabilities	**4**	-	-
Net interest cost on the defined benefit pension liabilities	**-**	-	-
	8	2	5

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6. Income tax expense

£m	6 months to 29 Feb 2020 (unaudited)	6 months to 28 Feb 2019 (unaudited)	12 months to 31 Aug 2019 (audited)
Tax on profit	**5**	16	32
Adjustment in respect of prior year UK corporation tax	**-**	(1)	(4)
Total current tax charge	**5**	15	28
Deferred tax – current year	**10**	-	(1)
Deferred tax – prior year	**-**	-	1
Tax on headline profit	**15**	15	28
Tax on non-underlying items	**-**	(1)	(1)
Total tax on profit	**15**	14	27

The effective tax rate, before non-underlying items, was 19% (2019: 18%). The UK corporation tax rate has been 19 per cent with effect from 1 April 2018. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

7. Dividends

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

£m	6 months to 29 Feb 2020 (unaudited)	6 months to 28 Feb 2019 (unaudited)	12 months to 31 Aug 2019 (audited)
Dividends			
2018 Final dividend of 38.1p per ordinary share	**-**	41	41
2019 Interim dividend of 17.2p per ordinary share	**-**	-	19
2019 Final dividend of 41.0p per ordinary share	**47**	-	-
	47	41	60

The directors have not declared an interim dividend in respect of the period ending 29 February 2020.

8. Earnings per share

a) Earnings

	6 months to		12 months to
£m	**29 Feb 2020 (unaudited)**	28 Feb 2019 (unaudited)	31 Aug 2019 (audited)
Earnings attributable to shareholders	**47**	51	106
Non-underlying items	**17**	15	19
Headline earnings attributable to shareholders	**64**	66	125

b) Weighted average share capital

	6 months to		12 months to
Millions	**29 Feb 2020 (unaudited)**	28 Feb 2019 (unaudited)	31 Aug 2019 (audited)
Weighted average ordinary shares in issue	**113**	108	108
Less weighted average ordinary shares held in ESOP Trust	**-**	-	-
Weighted average ordinary shares for basic earnings per share	**113**	108	108
Add weighted average number of ordinary shares under option	**1**	1	1
Weighted average ordinary shares for diluted earnings per share	**114**	109	109

c) Basic and diluted earnings per share

	6 months to		12 months to
Pence	**29 Feb 2020 (unaudited)**	28 Feb 2019 (unaudited)	31 Aug 2019 (audited)
Basic earnings per share	**41.6**	47.2	98.1
Adjustments for non-headline items	15.0	13.9	17.6
Headline basic earnings per share	**56.6**	61.1	115.7
Diluted earnings per share	**41.2**	46.8	97.2
Adjustments for non-headline items	14.9	13.8	17.5
Headline diluted earnings per share	**56.1**	60.6	114.7

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.

9. Capital Expenditure and Goodwill

In the financial period, there were additions to property, plant and equipment of £36m (28 February 2019: £24m). Property, plant and equipment also grew by £37m as a result of the acquisition of MRG. There were no material disposals of tangible assets during the period (28 February 2019: £nil).

On transition to IFRS, right of use assets of £457m were recognised on the Group balance sheet. During the 6 months to 29 February 2020, the Group acquired additional right of use assets of £37m through signing of new leases and extension of existing leases. Right of use assets also grew by £98m as a result of the acquisition of MRG.

Capital expenditure in respect of intangible assets totalled £7m (28 February 2019: £5m) in the period. An additional brand of £29m was recognised within intangible assets on the acquisition of MRG. There were no material disposals of intangible assets during the period (28 February 2019: £nil).

Goodwill increased by £255m in the period. The acquisition of MRG (see Note 15) resulted in additional goodwill of £257m being recognised on the balance sheet. The remaining movement is as a result of movements in exchange rates.

10. Analysis of net debt / funds

Net debt / funds can be analysed as follows:

£m	**At 29 Feb 2020 (unaudited)**	At 28 Feb 2019 (unaudited)	At 31 Aug 2019 (audited)
Cash and cash equivalents	**45**	48	49
Borrowings			
- Revolving credit facility	**(45)**	(57)	(15)
- Bank loans	**(400)**	(200)	(200)
- Lease liability (IAS 17)	**(11)**	(12)	(14)
Net debt (IAS 17)	**(411)**	(221)	(180)
- Additional Lease liability (IFRS 16)[1]	**(566)**	-	-
Net debt (IFRS 16)	**(977)**	(221)	(180)

[1] Total lease liability under IFRS 16 is £577m including finance lease liabilities previously recognised on balance sheet under IAS 17 (£11m).

Movement in net debt:

£m	**At 31 Aug 2019 (audited)**	**Impact of IFRS 16**	**On acquisition of subsidiaries**	**Cash flow**	**Other**	**Currency translation**	**At 29 Feb 2020 (unaudited)**
Cash and cash equivalents	49	-	1	(4)	-	(1)	**45**
Borrowings							
- Borrowings – repayable after one year	(200)	-	(115)	(200)	115	-	**(400)**
- Revolving credit facility	(15)	-	-	(30)	-	-	**(45)**
- Lease liability	(14)	(479)	(98)	54	(42)	2	**(577)**
Net debt	**(180)**	**(479)**	**(212)**	**(180)**	**73**	**1**	**(977)**

An explanation of Alternative performance measures, including Net debt is provided in the Glossary on page 41.
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.

10. Analysis of net debt / funds (continued)

The adoption of IFRS 16 on 1 September 2019 has resulted in the recognition of substantial right of use assets and corresponding lease liabilities on the Group balance sheet. On the transition date, £479m of lease liabilities have been recognised. In addition, lease liabilities of £98m have been recognised as a result of the acquisition of MRG.

The amounts included within the Other category include the repayment of a loan acquired as part of the acquisition of MRG (see Note 15). This payment is included within investing activities in the Group cash flow statement. Movements related to the lease liability are non-cash, and relate mainly to new leases or modifications in the period.

The Group has in place a five-year committed multi-currency revolving credit facility of £200m with Barclays Bank PLC, HSBC, BNP Paribas and Santander UK PLC. The revolving credit facility is due to mature on 9 December 2023. The RCF utilisation is interest-bearing at a margin over LIBOR. As at 29 February 2020 this Group had drawn down £45m (28 February 2019: £57m) on this facility.

The Group also has a four-year committed term loan of £200m with the same banks that was drawn down at the time of the acquisition of InMotion (30 November 2018). This term loan is due to mature on 29 October 2022. The loan is interest-bearing at a margin over LIBOR.

During the period, the Group agreed an additional syndicated £200m term loan to fund the acquisition of MRG. This loan is interest bearing at a margin over LIBOR and is due to mature on 17 October 2020. The Group has options to extend the term of this loan for up to two further six-month periods to 17 October 2021. After the period end, the Group has agreed options to extend the term of this loan to October 2022.

After the period end, the Group agreed an increase to the multi-currency revolving credit facility of £120m (See Note 16). This increase will be in place until 8 November 2021 if the Group opts to use the extension option available to them. After this point the facility will revert to the original £200m.

11. Net cash inflow from operating activities

	6 months to		12 months to
£m	**29 Feb 2020 (unaudited)**	28 Feb 2019 (unaudited)	31 Aug 2019 (audited)
Group operating profit	**71**	67	140
Depreciation and amortisation	**78**	24	50
Impairment losses	**3**	-	1
Share-based payments	**2**	3	6
Profit on disposal of property, plant and equipment	**-**	-	(2)
Other non-cash items	**-**	-	1
Increase in inventories	**(2)**	(3)	(2)
Increase in receivables	**(3)**	(3)	(6)
Decrease in payables	**(44)**	(26)	(3)
Pension funding	**(1)**	(1)	(3)
Income taxes paid	**(24)**	(10)	(27)
Movement on provisions	**(1)**	(1)	(2)
Net cash inflow from operating activities	**79**	50	153

12. Called Up Share Capital

	29 Feb 2020 (unaudited)		28 Feb 2019 (unaudited)		31 Aug 2019 (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	115	25	108	24	108	24
Total	**115**	**25**	**108**	**24**	**108**	**24**

During the six-month period to 29 February 2020 the Company issued 7,209,303 shares in a share placing at a price of £21.50 per share raising proceeds of £152m net of issue cost.

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.

13. Contingent liabilities and capital commitments

£m	**29 Feb 2020 (unaudited)**	28 Feb 2019 (unaudited)	31 Aug 2019 (audited)
Bank guarantees and guarantees in respect of lease agreements	**26**	22	27

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 2020 of £1m (31 August 2019: £1m).

At 29 February 2020, contracts placed for future capital expenditure approved by the directors but not provided for amounted to £35m (28 February 2019: £19m).

14. Related Parties

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

15. Acquisitions

On 20 December 2019, the Group acquired the entire share capital of Marshall Retail Group ('MRG') for a total cash payment of USD $402m (£317m) comprising $243m of enterprise value, $146m repayment of loan, $12m working capital, and $1m cash and restricted cash.

MRG is an independent travel retailer operating in high footfall airport and tourist locations in the United States. The acquisition builds further on the acquisition of InMotion in November 2018 and significantly strengthens the Group's offering in the United States, the world's largest travel retail market.

Included within the provisional fair value of the net identifiable assets on acquisition is an intangible asset of £29m (US$37m) representing the MRG brand. The Board believes that the excess of consideration paid over the net assets on acquisition of £257m is best considered as goodwill on acquisition representing future operating synergies. This amount is not tax deductible. The provisional goodwill calculation is summarised below:

	Book value	Measurement adjustments	Provisional fair value at 29 February 2020
	£m	£m	£m
Acquiree's net assets / (liabilities) at acquisition date:			
Intangible assets	-	29	29
Right of use assets	98	2	100
Property, plant and equipment	37	(2)	35
Inventories	17	(3)	14
Cash and cash equivalents	1	-	1
Trade and other receivables	5	-	5
Deferred tax assets / liabilities	-	(8)	(8)
Trade and other payables - current	(13)	(2)	(15)
Other non-current liabilities	(4)	3	(1)
Lease liabilities	(98)	-	(98)
Interest-bearing loans	(115)	-	(115)
Net identifiable assets / (liabilities)	**(72)**	**19**	**(53)**
Non-controlling interest	(2)	-	(2)
Goodwill on acquisition			257
Total consideration – satisfied in cash			**202**

The provisional goodwill calculation in the table above includes significant estimates that may be refined for a period of 12 months from the acquisition date. Transaction and integration costs totalling £13m have been incurred in the period to 29 February 2020 in respect of the acquisition.

Included in the six months ended 29 February 2020 is revenue of £27m and a profit before tax of less than £1m in respect of MRG. If the acquisition had taken place on 1 September 2019, total Group revenue would have been £799m and Group profit before tax would have been £66m.

Reconciliation of cash flows

	£m
Cash consideration	202
Cash acquired	(1)
Repayment of interest-bearing loans	115
Net outflow of cash – investing activities	**316**

16. Events after the balance sheet date

Since the end of the reporting period Covid-19 has had a significant impact on the Group. As at 14 May 2020, in our UK Travel business, we have seen a significant decline in passenger numbers as a result of travel bans and the vast majority of our stores at airports and railway stations have been temporarily closed. Approximately 130 stores located in hospitals across the UK remain open to serve key workers. Internationally, we are seeing broadly similar trends to the UK with all large airport stores closed.

In our High Street business, 203 stores with Post Offices remain open to provide essential services to the community.

As announced on 6th April 2020, we have raised net funding of c.£162m via a share placing. In addition, we have agreed a £120m 12 month (plus 7 months at the option of the Group) committed banking facility from BNP Paribas, HSBC Bank PLC and Santander UK PLC. This is in addition to our existing facilities and includes a waiver on the existing bank covenants at 31 August 2020 and 28 February 2021.

We have performed an assessment of the impact of Covid-19 on the Group to ascertain if the outbreak or related government actions constitute an adjusting post balance sheet event under IAS 10 'Events after the Reporting Date'. Following our review, apart from our Asia Pacific businesses, we have concluded that the spread of Covid-19 and related government actions occurred after the end of the reporting period and is therefore a non-adjusting event.

For our Asia Pacific businesses, government actions to combat the spread of Covid-19 were implemented before the balance sheet date, and therefore we have assessed the impact of these conditions as adjusting post balance sheet events. A non-cash impairment of property, plant and equipment of £3m was recorded in the Group income statement as a result of our assessment. This is included within non-underlying items.

Although Covid-19 has not had a material impact on the Group's first half results, uncertainty around the scale, timing and impact of the coronavirus pandemic means it is not possible to determine with any degree of precision the potential future impact on our cash flows, liabilities and assets. These will be addressed in the second half of the year when there may be more certainty about the financial impact.

Statement of Directors' Responsibilities

The Directors confirm to the best of their knowledge that:

(a) The condensed financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU; and

(b) This interim report includes a fair review of the information required by:

- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- DTR 4.2.8R of the Disclosure and Transparency Rules, being related parties' transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period; and any changes in the related parties' transactions described in the last annual report that could do so.

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

By order of the Board

Carl Cowling	**Robert Moorhead**
Group Chief Executive	**Chief Financial Officer and Chief Operating Officer**

14 May 2020

INDEPENDENT REVIEW REPORT TO WH SMITH PLC

Report on the Condensed Interim Financial Statements

Our conclusion

We have reviewed WH Smith PLC's Condensed Interim Financial Statements (the "interim financial statements") in the Interim Results Announcement of WH Smith PLC for the 6 month period ended 29 February 2020. 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 Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- The Condensed Group Balance Sheet as at 29 February 2020;
- 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 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 Guidance and Transparency Rules sourcebook 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, 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 Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express 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 Guidance and Transparency Rules sourcebook 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, 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
14 May 2020
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
Glossary

Alternative Performance Measures

In reporting financial information, the Group presents alternative performance measures, “APMs”, which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies’ alternative performance measures. The key APMs that the Group uses are outlined below.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Income Statement Measures			
Headline Group profit before tax	Group profit before tax	Non-underlying items	Headline Group profit before tax excludes non-underlying items. A reconciliation from Headline Group profit before tax to Group profit before tax is provided in the Group income statement on page 14.
High Street and Travel trading profit, and Group profit from trading operations	Group operating profit	Refer to definition	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 underlying items, unallocated costs, finance costs and income tax expense. A reconciliation from the above measures to Group operating profit and Group profit before tax is provided in Note 2 to the financial statements.
Non-underlying items	None	Refer to definition	Items which are not considered part of the normal operating costs of the business, are non-recurring and considered exceptional because of their size, nature or incidence are treated as non-underlying items and disclosed separately. The Group believes the separate disclosure of these items provides additional useful information to users of the financial statements to enable a better understanding of the Group’s underlying financial performance. An explanation of the nature of the items identified as non-underlying is provided in Note 3 to the financial statements.
Headline earnings per share	Earnings per share	Non-underlying items and dilutive effect of shares under option	Profit for the year before non-underlying items divided by the weighted average number of ordinary shares in issue during the financial year, adjusted for the effects of any potentially dilutive share options. See Note 8.
Effective tax rate	None	Non-underlying items	Total income tax charge excluding the tax impact of non-underlying items divided by Group Headline profit before tax. See Note 6.
Fixed charges cover	None	Refer to definition	This performance measure calculates the number of times Profit before tax is able to cover the total fixed charges included in calculating profit or loss. Fixed charges included in this measure are net finance charges and net operating lease rentals stated on a pre-IFRS 16 basis (i.e. in line with IAS 17).
Gross margin	Gross profit margin	Not applicable	Where referred to throughout the Interim statement, gross margin is calculated as gross profit divided by revenue.
Like-for-like revenue	Movement in revenue per the income statement	- Revenue change from non like-for-like stores - Foreign exchange impact	Like-for-like revenue is the change in revenue from stores that have been open for at least a year, with a similar selling space at a constant foreign exchange rate. A reconciliation of these percentages is provided below.

	Travel	High Street	Group
LFL revenue change	**2%**	**(4)%**	**(1)%**
Net new space impact	1%	(1)%	–%
Acquisitions	16%	–%	8%
Foreign exchange impact	–%	–%	–%
Total revenue change	**19%**	**(5)%**	**7%**

Alternative Performance Measures (continued)

Balance Sheet Measures			
Net debt	None	Reconciliation of net debt	Net debt is defined as Cash and cash equivalents, less Bank overdrafts and other borrowings and both current and non-current Obligations under finance leases. A reconciliation of Net debt is provided in Note 10.
Other measures			
Free cash flow	Net cash inflow from operating activities	See Group Overview	Free cash flow is defined as the net cash inflow from operating activities (on a pre-IFRS 16 basis (i.e. in line with IAS 17)) before non-underlying items and pension funding, less capital expenditure and repayments to HMRC. The components of free cash flow are shown on page 9, as part of the Group Overview.

WH Smith PLC

Appendix

Analysis of retailing stores and selling space

Number of High Street stores[1]

	1 Sept 2019	Opened	Closed	29 Feb 2020
Total	594	-	(13)	581

[1] Excludes 100 WH Smith LOCAL franchised 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 2019	Opened	Acquired	Closed	29 Feb 2020
Non franchise units	695	24	167	(14)	872
Joint Venture and Franchise units[2]	324	8	-	(10)	322
Total	1,019	32	167	(24)	1,194

[2] 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 2019	Opened	Acquired	Closed	29 Feb 2020
High Street	2,740	-	-	(16)	2,724
Travel	744	29	231	(27)	977
Total	3,484	29	231	(43)	3,701

Total Retail selling square feet does not include franchise units.