28 April 2021

WH SMITH PLC
INTERIM RESULTS ANNOUNCEMENT
For the six months ended 28 February 2021

Well positioned for the recovery in Travel with good growth opportunities; c.100 stores won and yet to open

- Encouraging performance despite continued impact from Covid-19 with improving trends
- Good results across all key markets from our focused plan on customer conversion, increasing average transaction value (ATV), category development and cost management
- Free cash outflow of £13m in the half
- Extensive opportunities for further growth; c.100 new stores won and planned to open in Travel over the next three years with over 60 in North America
- Encouraging recovery in North America
- Profitable performance from High Street
- Strong online performance, including a record performance from funkypigeon.com
- Finished March ahead of plan with cash on deposit of £50m and undrawn facilities of £200m
- New financing arrangements successfully agreed including the launch of a convertible bond providing flexibility and capacity to fund new and existing growth opportunities
- Well positioned as travel markets recover

Carl Cowling, Group Chief Executive, commented:

"Thanks to the outstanding work of all our colleagues across the business, the Group has adapted well to the evolving trading environment and we are in a strong position as our markets begin to recover.

"In Travel, while many of our stores have remained closed, it is a credit to the team that we have kept up the momentum, focusing on our plan to increase average transaction value and spend per passenger while continuing to win new business. As a result, we are now operationally stronger than prior to the pandemic.

"We continue to see encouraging signs of recovery in North America and we are delighted to have won some significant tenders in the US during the period.

"We have a strong pipeline of new store openings with c.100 stores already won and due to open in Travel over the next three years, the majority of these in North America. We are an important retail partner for our travel landlords and we are well positioned to take advantage of further space opportunities that will arise over the coming months.

"In a difficult retail environment, our High Street business has generated a resilient performance. At the same time, we are pleased that our online businesses, including funkypigeon.com, have delivered a record performance.

"We have positioned the Group well. We are financially strong as a result of the actions we have taken, and the new financing arrangements also announced today will put us in an even stronger position to capitalise on the growth of our key markets and take advantage of the many exciting opportunities ahead."

Group financial summary:

	IFRS		IAS 17*	
	6 months to Feb 2021	6 months to Feb 2020	6 months to Feb 2021	6 months to Feb 2020
Travel trading (loss)/profit[1]	£(31)m	£50m	£(28)m	£49m
High Street trading profit[1]	£33m	£47m	£24m	£44m
Group profit/(loss) from trading operations[1]	£2m	£97m	£(4)m	£93m
Headline Group (loss)/profit before tax[1]	£(17)m	£80m	£(19)m	£80m
Headline (loss)/earnings per share[1]	(12.9)p	56.1p	(13.6)p	56.1p
Non-underlying costs[1]	£(21)m	£(17)m	£(18)m	£(17)m
Group (loss)/profit before tax	£(38)m	£63m	£(37)m	£63m
Basic (loss)/earnings per share	(26.7)p	41.6p	(26.0)p	41.6p
Diluted (loss)/earnings per share	(26.5)p	41.2p	(25.8)p	41.2p

Revenue performance:

	£m	Total % change
Travel	150	(65)%
High Street	270	(14)%
Group	420	(44)%

* In addition to the statutory IFRS 16 presentation, the results for both the period ended 28 February 2021 and 29 February 2020 have been presented on a pre-IFRS 16 (IAS 17) basis which is how performance is monitored internally, and commentary throughout this report will refer to these pre-IFRS 16 numbers. Measures presented under IAS 17 are identified with a "*". Reconciliations from IAS 17 measures to IFRS 16 measures are provided in the Glossary on page 40. Group revenue was not affected by the adoption of IFRS 16, and therefore all references to and discussion of revenue are based on statutory measures.

[1] Alternative Performance Measure (APM) defined and explained in the Glossary on page 40. Unless otherwise stated, all references in this announcement to growth rates and year-on-year comparisons relating to the Group's statutory and alternative performance measures are stated on a consistent basis under IAS 17.

WEBCAST:

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

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WH Smith PLC's Interim Results 2021 are available at www.whsmithplc.co.uk.

GROUP OVERVIEW

Strategic Initiatives

While the trading environment has remained challenging throughout the first half of our financial year, with reduced footfall on the UK high street and extensive travel restrictions in place, we have focused on initiatives within our control that support us in the immediate term and position us well to emerge operationally stronger as our markets recover.

These key areas of focus include:

- Driving ATV and sales per passenger
- Extending our categories and ranges to reflect the specific needs of our customers in each location. For example, health and beauty products across our Travel stores and working from home and electrical accessories ranges across our High Street stores
- Working with landlords building on our strong relationships to create opportunities for winning new business, extending key contracts and improving the quality and location of the space where we operate
- Investing capex in strategically important projects which set us up well for the future, such as our combined pharmacy format store at London Heathrow Terminal 2, our refitted stores at London Heathrow Terminal 5 and our stores at the new terminal at Manchester Airport
- Forensic focus on costs, minimising discretionary spend and managing our cash burn
- Securing our financial position through the new banking arrangements announced today
- Completing the integration of our North American businesses, delivering c.£5m of cost savings annually
- Building our internet proposition by extending ranges, investing in marketing, fulfilment and distribution and building customer engagement through social media

In line with government guidance, we kept the vast majority of our High Street stores and Hospital stores open throughout the periods of lockdown to ensure we could continue to serve our communities and support frontline NHS workers. This would not be possible without the support of our colleagues who have shown remarkable commitment.

As restrictions eased and we were able to re-open our stores, we applied the learnings from the past year to ensure we could open swiftly, profitably and with the full support of our teams.

Group Summary

Total Group revenue in the period as a percentage of 2019 total revenue has been:

	% of 2019 Revenue†		
	Q1	**Q2**	**Q3 to date**
High Street	88%	84%	87%
Travel	39%	34%	43%
Group	59%	58%	60%

Covid-19 continues to have a significant impact on the Group. Total Group revenue in the first half was £420m (2020: £747m), down 44% on last year. Travel remained impacted by the government enforced travel restrictions throughout the half with the tighter UK restrictions impacting from January. We saw a consistently good performance in High Street throughout the half with the important December trading period at 92% of 2019.

Whilst the third lockdown in the UK impacted January and February, we saw an improved performance at the start of Q3, with a stronger performance in High Street. We also saw an improvement in Travel, led by the recovery in North America.

The Headline Group loss from trading operations[1] for the period was £4m* (2020: profit of £93m) with Headline Group loss before tax[1] at £19m* (2020: profit of £80m). Including non-underlying items, the Group loss before tax[1] was £37m* (2020: profit of £63m). The Group loss before tax, after non-underlying items and including IFRS 16, was £38m (2020: profit of £63m).

† Equivalent month in 2019

The Group will not be paying an Interim dividend. As at 28 February, net debt[1] was £336m* (2020: £411m). Group free cash flow[1] was an outflow of £13m* (2020: free cash inflow of £1m). As at 28 February 2021, the Group had cash of £72m of which £52m was cash on deposit[2].

As at the end of March 2021, the Group had cash on deposit of £50m with £48m of known commitments (rents and outstanding creditors) and access to £200m of committed facilities.

The Group has the following debt facilities as at 28 April 2021, prior to the new financing arrangements and issue of the convertible bond:

	Amount Drawn at 28 February 2021 and 28 April 2021	Maturity
Available facilities		
£200m Revolving Credit Facility	£Nil	December 2023
Existing debt		
£200m Term Loan	£200m	October 2023
£200m MRG Loan	£200m	October 2023

New financing arrangements

The Group has separately announced today new financing arrangements which include a £250m RCF (increased from £200m) with an extended maturity from 2023 to 2025 and provided by an expanded syndicate of lending banks. As part of the financing arrangements, the Group is also launching an offering of convertible bonds maturing in 2026. The convertible bonds are expected to raise approximately £325m and will provide £50m of new capacity for the Group to fund the opening of c.100 new Travel stores won and yet to open over the next three years and new growth opportunities. The remainder of the proceeds will be used to partially pay down the existing £400m of term loans from both the Marshall Retail Group (‘MRG’) and InMotion acquisitions. The maturity of the remaining term loan has also been extended from 2023 to 2025 in line with the RCF.

We continued to focus on minimising the cash outflows and, despite the lockdowns, limited the first half free cash outflow[1] to £13m*, reflecting a better than expected performance particularly from High Street and a rigorous focus on cash. Our cash burn during the latest lockdown over the January to March period was approximately £7m[3] per month. Based on our current expectations, we anticipate a small drawdown on our RCF at the end of August 2021, and assuming the same conditions as 2020, to be cash generative over the September to December period.

The Group’s approach to capital allocation remains unchanged: investing in the business and new opportunities where we see attractive rates of return ahead of the cost of capital; returning cash to shareholders via dividends and share buybacks; to make appropriate value-creating acquisitions in markets with good growth prospects.

[2] Cash and cash equivalents of £72m is cash on deposit/cash at bank of £52m, plus £20m of cash in transit/held at stores.
[3] Monthly average recurring cash flows adjusted for timing and one-off items

TRAVEL

Covid-19 has continued to significantly impact the business across both our UK and international markets. This has resulted in a trading loss[1] of £28m* (2020: profit of £49m) in the period, of which a loss of £9m* (2020: profit of £9m) relates to our international business including North America. Total revenue was £150m (2020: £432m).

Throughout the Travel business we have focused on initiatives within our control that support us in the immediate term and position us well to emerge operationally stronger as our markets recover:

I. ***Business development and winning new business***
We do this through building and managing relationships with all our landlord partners to win new space, improve the quality and amount of space, develop new formats and extend contracts. As at the end of March 2021, we had c.100 stores won and yet to open across our global Travel business.

II. ***ATV growth and spend per passenger***
We do this through our forensic attention to space, cross category promotions, store layouts and store refits.

III. ***Category development***
We do this by developing adjacent product categories relevant for our customers, such as health and beauty and electrical accessories ranges; and expanding existing categories.

IV. ***Minimising costs***
We remain focused on cost control and minimising our cost base to reflect the level of sales in each channel and country whilst retaining our ability to trade as recovery occurs.

As at 28 February 2021, our global Travel business operated from 1,168 units (29 February 2020: 1,194 units). Of these, 745 were open as at 28 February 2021. Excluding franchise units, Travel occupies 1.0m square feet.

UK Travel

Our UK Travel business has continued to be impacted by a significant decline in passenger numbers as a result of travel restrictions throughout the first half of the financial year. Total revenue in the six months to 28 February 2021 was £79m, (2020: £271m). Compared to 2019, air was 16%, our hospital channel was 71% and rail was 22%. This resulted in a trading loss[1] of £19m* (2020: profit of £40m).

Recent trading in UK Travel has been impacted by further lockdown restrictions, quarantine measures and reduced passengers on public transport. Revenue in March and April was 27% of 2019 revenue. As the number of Covid-19 patients in hospitals has reduced, we have seen an improvement in our hospital performance as hospitals return to general medical care. As the roadmap out of lockdown continues, we expect to see improved performance in our rail business. We await further government guidance on air travel and continue to plan cautiously whilst retaining the flexibility to meet customer and landlord needs.

We have worked hard across all our channels to deliver against our plan focusing on key priorities within our control that support us in the immediate term and enable us to emerge operationally stronger when our markets recover. Our key areas of focus include: increasing conversion and ATV, category development, cost and cash management and identifying opportunities for further growth. These key areas of focus are integral to each channel and put us in a strong position for the future for organic growth and leave us well placed to return to winning 10 to 15 new stores per year.

We now have c.60% of our UK Travel store estate open.

Air

In Air, despite the reduction in passenger numbers, we have continued to build on our strong position in this channel. We have extended our categories and existing ranges into new categories such as health and beauty, tech accessories, premium souvenirs and premium food trials. We have seen some very positive results delivering a double-digit increase in ATV and we see further opportunities across our store portfolio.

In addition, we have continued to invest in our stores and develop new formats, working with our landlords to improve the amount and quality of our space at our largest airports. These stores will serve c.25% of our airport customers and include two new stores at the new Terminal 2 at Manchester Airport, our flagship pharmacy format store at London Heathrow Terminal 2, and major refits across London Heathrow Terminal 5 to our 'store of the future' format. Our experience shows us that our large store formats deliver significantly higher ATV and spend per passenger as a result of the improved layout, increased capacity and by creating a one-stop-shop for passengers. In addition, we have successfully extended a number of key contracts.

Looking ahead to our peak summer trading period, we expect leisure customers to return first, accounting for c.80% of the market, and we know that WH Smith customers trend more towards leisure than business travel. We are also in active discussions with our landlords and we have recently opened a new bookshop at London Heathrow Terminal 2 and plan to open a Costa Coffee store at Aberdeen Airport in the second half. Going forward, we expect more space to become available.

Hospitals

The Hospital channel is our second largest channel by revenue in UK Travel. Throughout the first half, we continued to trade in c.130 hospital stores across the UK in order to support frontline NHS staff throughout the pandemic. While sales were clearly impacted with no hospital visitors and elective surgeries cancelled, these stores performed well.

This channel is a great example of how we continue to innovate to meet the specific needs of each location. 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 Coffee and M&S Simply Food, also ensure that we can tailor and adapt our proposition to each hospital's requirements. We now operate from c.130 hospital stores across 100 hospitals in the UK. There are around 300 hospitals with scope to support at least one of our store formats and we are therefore well positioned to increase the number of stores and to grow this channel further. We would expect to return to opening c.10 new stores on average each year in this channel as the impact of Covid-19 declines.

Rail

Rail remains an important channel with c.1.7bn passengers pre-Covid and leisure passengers accounting for around 40%. During the half, this channel has been impacted by travel restrictions, however we are seeing improving trends and it is our expectation that leisure customers will return to pre-Covid levels before business passengers. Since the beginning of March, we have also seen a steady improvement in passenger numbers as more people return to office working and we expect to see passenger numbers increase as lockdown eases. More flexible working arrangements should also spread passengers more evenly throughout the day with fewer rush hour pinch points when customers have less time to browse.

Similar to Air, we know that WH Smith rail customers trend more towards leisure than business travel. Over 70% of our sales, pre-Covid, were taken at off-peak times and over the weekend with a higher ATV and spend per passenger, reflecting leisure passengers with more time to browse.

Although passenger numbers may continue to be impacted in the short-term, we have a very focused plan on driving ATV and we have seen some good results in the half with a double-digit increase. We also continue to invest in this channel and during the second half we will open our first combined pharmacy format store at Euston Station.

International

Within our International Travel division, North America now represents c.50% of our stores outside of the UK and we continue to see significant opportunities to grow this business further. Outside of North America, we still have a small market share of the international news, books and convenience (NBC) market and we believe there is good long-term potential for us to continue to grow our space. During the first half of the financial year, our International Travel business has continued to be adversely impacted by Covid-19.

Total revenue for the half, including MRG and InMotion, was £71m (2020: £161m). The trading loss[1] for the six months to 28 February 2021 was £9m* (2020: profit £9m).

North America

The growth opportunities in North America are substantial. The US is the largest travel retail market in the world and valued, pre-Covid, at $3.2bn. Approximately 85% of passengers are domestic with leisure passengers the biggest segment, and we are witnessing a faster recovery in this market versus the rest of the world. TSA (Transportation Security Administration) data continues to show a consistent, gradual recovery in passenger numbers week on week, with passenger numbers for the week ending 25 April 2021 at 57% of 2019 levels. In addition, we expect a substantial amount of retail space to be put up for tender over the next ten years.

MRG has a strong track record of winning new business and we have 62 new stores (including InMotion) won and due to open in North America over the next three years with 18 stores won this financial year. 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. The combination of WH Smith, MRG and InMotion now enables the Group to participate in the entire North American airport specialty retail market.

In the first half, MRG opened 10 stores and we are in a strong position to build further upon our combined expertise.

Outside of the airport business, the resorts channel continues to be resilient. MRG are a leading player in this channel with very longstanding relationships and a significant amount of expertise. There are also similar dynamics to our Travel business with a high number of short stay visitors. As expected, this market has proven very resilient as a leisure location. Whilst many people drive to Las Vegas, we are also seeing a significant improvement in passenger numbers coming through McCarran International Airport.

Our sales performance has reflected these trends with overall sales in North America at 61% of 2019 levels in March. We currently have 221 stores open (127 MRG and 94 InMotion).

InMotion has an excellent store portfolio with 118 stores located across 43 airports in North America and two stores in Resorts. During the half, InMotion opened 8 units, including our first InMotion stores in the Resort locations, and 6 airport stores.

During the half, we completed the integration of InMotion into MRG which will deliver cost savings of c.£5m per annum.

Rest of the World

Our International business outside of North America is seeing broadly similar trends to the UK with passenger numbers significantly down year on year. As elsewhere in Travel, we remain focused on areas within our control, including increasing ATV. Our very low market share of the international NBC market means there is significant opportunity to grow this business further. As this market recovers, we expect to see more space becoming available across our traditional categories as well as in tech accessories. As at 28 February 2021, we had 194 stores trading (c. 60% of the total). Recovery in these markets is likely to take some time with short-haul travel recovering first and we are planning accordingly. Revenue in March was at 24% of 2019 levels.

In the first half, outside of North America, we opened 5 new stores. In addition, we won 12 new stores, including a significant tender at Adelaide Airport, Australia.

In total, as at 28 February 2021, we had 310 stores. 41% are directly run, 53% 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.

Across our global Travel business outside of the UK, we are now present in over 100 airports and 30 countries with 286 units in North America, 82 units in Europe, 107 in the Middle East and India, and 121 in Asia Pacific.

HIGH STREET

Our High Street business delivered a resilient performance with trading profit[1] of £24m* (2020: £44m). Total revenue was down 14%.

Throughout the lockdown periods, we kept the vast majority of our stores open, in line with government guidance which classes newsagents as essential retailers. We did however close our non-newsagent stores as well as secondary floors across some of our larger stores, while maintaining access for essential Post Office services.

As with our Travel business, we have focused on initiatives within our control with a greater focus on: increasing ATV, where we have seen some very positive results; category development, introducing new ranges; and good cost control. During the half, we saw strong performances from both our seasonal and new 'work from home' ranges.

We consider retail space as a strategic asset and we utilise our space to maximise return in the current year in ways that are sustainable for future years. We have extensive and detailed space and range elasticity data for every store, built up over many years and we utilise our space to maximise the return on every metre drop of display space in every store. This approach remains as appropriate today as it has ever been. Our stores are well located with 95% in prime pitch locations and with an average lease length of 2.5 years we retain high levels of flexibility.

During the half, we have been encouraged by the performance of our instore stationery trials, in partnership with Typo and Tinc. These new ranges complement our WH Smith stationery ranges and attract a different customer type to shop in our stores. While it is still early days, the results are encouraging and customer feedback has been very positive.

We continue to invest in whsmith.co.uk which provides a complementary offer to our customers. During the period, we have focused on extending our ranges and building our customer base.

Driving efficiencies remains a core part of our strategy and we continue to focus on all areas of cost in the business. We achieved cost savings of £24m in the first half of the financial year. These savings come from right across the business, including rent savings at lease renewal (on average over 45%) which continue to be a significant proportion, government business rates holiday, marketing efficiencies and productivity gains from our distribution centres. We are on track to deliver £37m of cost savings for the full year.

Over the years, we have actively looked to put as much flexibility into our store leases as we can, and this leaves us well positioned in the current environment. The average lease length in our High Street business, including where we are currently holding over at lease end is 2.5 years. We only renew a lease where we are confident of delivering economic value over the life of that lease. We have c.430 leases due for renewal over the next three years, including 150 where we are holding over and in negotiation with our landlord. In the half, we closed 7 of the 25 stores we announced in November 2020 and expect to close most of the remaining 18 stores by the end of this financial year as the leases on these stores expire. As we close these stores we actively manage the cash costs of doing so and have been able to cover over 70% of closure costs through active management of the stock held in each store. While closing stores is not an easy decision to make for our colleagues or the communities we serve, it is vital we retain a strong and cash generative high street portfolio going forward.

As at 28 February 2021, the High Street business operated from 561 WH Smith stores (2020: 575) which occupy 2.7m square feet (2020: 2.7m square feet). Seven WH Smith stores were closed in the period.

Specialist websites

Our online specialist websites have delivered strong growth in the period.

Funkypigeon.com delivered a record performance in the period and is on track to deliver profit in the mid-teens this financial year. The online card market has a small penetration of the overall card market with significant growth opportunities. We therefore continue to invest in the site and have extended the fulfilment capability to meet demand supporting the significant increase in new customers over the past twelve months. We have further invested in the funkypigeon.com app during the period which has helped improve customer conversion. We believe there are significant opportunities to grow the platform further in terms of both capability and ranging.

Our specialist pen website, Cultpens.com has continued to perform well. During the half, we have invested further in the site adding international functionality to build on our existing international sales. In addition, we have continued to focus on our luxury pen ranges with increased marketing investment in ranges such as Montblanc.

Outlook

The Group has responded quickly and adapted well to the evolving trading environment despite the challenges and uncertainties faced during the period. We have managed our cash position well and we are in a stronger position today than we had expected to be back in November 2020.

In Air, we expect domestic passengers to return first followed by short-haul and then long-haul. We have already seen this borne out in North America and Australia but expect this to be the case in all our markets. In Rail, as government restrictions are lifted, we expect leisure passengers to return first followed by more people returning to office working. We have a resilient Hospital channel in the UK and we expect to see a further improvement in revenue from this channel as the impact of Covid-19 declines. Both within and outside the UK, we remain committed to our four key areas of focus: to drive ATV; increase customer conversion; expand our range of categories; and minimise costs and cash burn.

We have already won a strong pipeline of new space across all our channels and territories, totalling c.100 new stores which are due to open in Travel over the next three years, with the majority in North America. We have also made good progress investing in our existing stores, opening new formats and winning new business. We anticipate further growth opportunities across all our markets. All this puts us in a robust position to continue to recover and emerge operationally stronger from the pandemic.

We are financially strong and are an important retail partner for our travel landlords. As a result, we are well positioned to benefit from further opportunities, including extending our user clauses to drive spend per passenger.

Our High Street business has delivered a robust performance and is well placed to continue to generate cash from its portfolio of well-located stores and growing internet businesses. Across our digital channels, we expect to see continued strong growth, particularly from funkypigeon.com, and we are well positioned to grow this platform further.

Given our better than expected performance in the period and the recent improving trends in the business, we expect the full year 2020/21 outturn for the Group to be modestly ahead of current expectations.

The speed with which the Group will return to levels of revenue seen in 2019 will depend on the trajectory of the global economic recovery, but we currently expect 2019 revenue to be achieved within the next two to three years. At that point, we expect the balance of revenue to be more heavily weighted towards Travel than High Street, and within the High Street business, we expect to see an increased weighting towards our online businesses.

Overall, the business is performing well in difficult circumstances and we are confident that the business will recover to historic levels and beyond.

Environmental, Social and Corporate Governance (‘ESG’)

During the half, we launched our new sustainability strategy, *‘Our journey to a better business’*, and we have continued our focus on our ESG performance. Our business is now carbon neutral across all of our UK estate through our ongoing focus on energy efficiency and switching to 100% renewable electricity. We will continue our transition to Net Zero with an aim to reach the same milestone for our international estate by 2025, and by working with our suppliers to decarbonise our supply chain by 2040.

We remain committed to responsible sourcing practices and the vast majority of our own-brand paper products are made from recycled materials or come from sustainably-certified sources. In addition, we will be removing all plastic glitter from our ranges ahead of Christmas 2021. This is in addition to our work to re-design and remove plastic packaging from our seasonal ranges wherever possible.

One of the greatest impacts of Covid-19 has been the increasing gap in children's literacy levels. We are very proud to continue our partnership with the National Literacy Trust at such a critical time and, working together, we will provide books to every child in this country that does not own a book of their own.

We continue to focus on our colleagues' mental health as well as their physical health and we recognise that it has been a challenging year. We have therefore doubled our efforts to promote the importance of mental wellbeing, providing financial and in-person support to those that need it. In addition, all of our line managers have now received mental health first aid training.

During the period, we were awarded a place in the Dow Jones World Sustainability Index. As one of only eleven retailers included worldwide we were delighted to be recognised. We are committed to continuing to play our part to address some of the key challenges facing society and the environment over the years ahead.

GROUP

The Group generated Headline loss before tax[1] of £19m* (2020: Headline profit before tax £80m) and, after non-underlying items and IFRS 16, statutory loss before tax of £38m (2020: profit before tax £63m). During the first half, the Group received a total of £8m from the UK Government's Job Retention Scheme and similar schemes in other countries. The Group also benefited from the business rates holiday implemented by the UK Government which was worth £24m in the period.

	IFRS		IAS 17*	
£m	**6 months to Feb 2021**	6 months to Feb 2020	**6 months to Feb 2021**	6 months to Feb 2020
Travel trading (loss) / profit[1]	**(31)**	50	**(28)**	49
High Street trading profit[1]	**33**	47	**24**	44
Group (loss) / profit from trading operations[1]	**2**	97	**(4)**	93
Unallocated costs[1]	**(9)**	(9)	**(9)**	(9)
Headline Group operating (loss) / profit[1]	**(7)**	88	**(13)**	84
Net finance costs	**(10)**	(8)	**(6)**	(4)
Headline Group (loss) / profit before tax[1]	**(17)**	80	**(19)**	80
Non-underlying items	**(21)**	(17)	**(18)**	(17)
Group (loss) / profit before tax	**(38)**	63	**(37)**	63

Non-underlying items[1]

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 or incidence, are treated as non-underlying items and disclosed separately. Non-underlying items in the half mainly relate to the impact of Covid-19 on the business and the majority of these items are non-cash.

Non-underlying items included in the period ending 28 February 2021 are shown in the table below (2020: £17m). The expected cash impact in the second half in relation to these items is approximately £2m.

		Income statement		***Cash Outflow***
£m	**Ref.**	**Feb 2021 IFRS**	**Feb 2021 IAS 17**	***H2 2021***
Costs directly attributable to Covid-19				
Impairment	(1)	**14**	**6**	-
Onerous leases	(2)	**-**	**2**	-
Stock provisions, write-offs and other costs	(3)	**4**	**7**	*1*
Other non-underlying costs				
Integration costs	(4)	**1**	**1**	*1*
Amortisation	(5)	**2**	**2**	-
		21	**18**	*2*

Items 1-3 in the above table have arisen as a direct consequence of Covid-19, and reflect the impact of lost revenues as a result of store closures, and downward revisions to budgeted revenues following government interventions.

(1) Impairment of Property, plant and equipment and Right-of-use assets
The impact on the Group's operations of Covid-19 is expected to continue during the current year and beyond. As a result, the Group has carried out a review for potential impairment across the entire store portfolio. The impairment review compared the value-in-use of individual store cash-generating units, based on managements' assumptions regarding likely future trading performance taking into account the effect of Covid-19, to their carrying values at 28 February 2021. Following this review, a charge of £6m* was recorded for impairment of retail store assets on an IAS 17 basis, and £14m on an IFRS 16 basis which includes an impairment of the right of use assets of £9m, as a result of further government restrictions in the first half and a movement in the discount rate.

*(2) Onerous leases**
As a result of the impact of Covid-19, the Group has carried out a review of leases where the obligations of those leases exceed the potential economic benefits expected to be received under them. This resulted in a charge during the half of £2m*. This concept relates to IAS 17 only and does not exist under IFRS 16.

(3) Stock provisions, write-offs and other
Provisions of £4m have been recorded against inventory mainly relating to dated and perishable stock and stock subject to obsolescence such as technology and apparel where the sell through rate has significantly reduced due to store closures and lower footfall as a consequence of Covid-19. In addition, as a result of the government lockdowns, the Group has incurred stock write-offs of £1m mainly relating to perishable and dated product. Other costs relate to international franchisees, and under IFRS 16 only, the derecognition of lease liabilities relating to the disposal of WHSmith France.

(4) Integration costs

During the half, the Group incurred further costs of £1m in relation to the integration of MRG into the Group, and the merging of the InMotion and MRG corporate offices into Las Vegas.

(5) Amortisation of acquired intangible assets
Amortisation of acquired intangible assets primarily relates to the MRG and InMotion brands.

A tax credit of £3m has been recognised in relation to the above items (£2m* under IAS 17).

Net Finance Costs

	IFRS		IAS 17*	
£m	**6 months to Feb 2021**	6 months to Feb 2020	**6 months to Feb 2021**	6 months to Feb 2020
Interest payable on bank loans and overdrafts	**6**	4	**6**	4
Interest on lease liabilities	**4**	4	**-**	-
Net finance costs	**10**	8	**6**	4

Net finance costs relating to bank loans were £6m compared with £4m last year, reflecting a full six month charge on MRG acquisition term loan from December 2019. The non-cash pension interest charge was £nil (2020: £nil). Lease interest of £4m in the current period arises on lease liabilities recognised under IFRS 16 (2020: £4m).

Tax

The effective tax rate[1] was 2%* on the loss made in the period (2020: 19%). The Group does not anticipate making any corporation tax payments in the current year.

Fixed Charges Cover [1]

	6 months to		Year ended
£m	**Feb 2021**	Feb 2020	Aug 2020
Net finance charges* (IAS 17)	**6**	4	9
Net operating lease rentals* (IAS 17) [1]	**58**	125	210
Total fixed charges*	**64**	129	219
Headline (loss)/profit before tax*[1]	**(19)**	80	(69)
Headline (loss)/profit before tax and fixed charges*	**45**	209	150
Fixed charges cover[1] - times	**0.7x**	1.6x	0.7x

Fixed charges, comprising property operating lease rentals and net finance charges, were covered 0.7 times* (2020: 1.6 times) by Headline (loss)/profit before tax and fixed charges.

Cash Flow

Free cash flow[1] reconciliation

	6 months to	
£m	**Feb 2021**	Feb 2020
Headline Group operating (loss) / profit*[1]	**(13)**	84
Depreciation, amortisation and impairment*[4]	**25**	28
Non-cash items	**3**	2
Operating cash flow *[5]	**15**	114
Capital expenditure	**(22)**	(41)
Working capital*[4]	**(1)**	(44)
Net tax refunded / (paid)	**-**	(24)
Net interest paid*	**(4)**	(3)
Other	**(1)**	(1)
Free cash flow	**(13)**	1

[4] Excludes cash flow impact of non-underlying items.
[5] Headline Group operating (loss) / profit before depreciation, amortisation and impairment and other non-cash items.

The free cash outflow[1] for the period was £13m*. The operating cash inflow was £15m* (2020: £114m) driven by a good trading performance from High Street. We continued to focus on managing our working capital making appropriate buying decisions for stores we have open and had an outflow of £1m in the half.

Net corporation tax payments in the period were £nil, compared to £24m last year.

Capital expenditure was £22m (2020: £41m). We continue to invest in strategically important projects, such as London Heathrow Airport Terminal 5 and the new terminal at Manchester Airport, while also continuing to spend on health and safety. We expect capex spend for the full year to be around £50m although we retain some discretion over this.

	6 months to	
£m	**Feb 2021**	Feb 2020
New stores and store development	**10**	16
Refurbished stores	**4**	7
Systems	**5**	8
Other	**3**	10
Total capital expenditure	**22**	41

Reconciliation of net debt[1]

Net debt[1] is presented on an IAS 17 basis. See Note 10 of the Interim financial statements for the impact of IFRS 16 on net debt.

As at 28 February 2021 the Group had net debt[1] of £336m* comprising term loans of £400m relating to the acquisitions of InMotion and MRG, £8m* of finance lease liabilities and cash[2] of £72m, of which £52m was on deposit (31 August 2020: net debt of £301m, comprising term loan of £400m relating to the acquisitions of InMotion and MRG, £9m of finance lease liabilities and cash of £108m).

	6 months to		Year ended
£m	**Feb 2021**	Feb 2020	Aug 2020
Opening net debt*	**(301)**	(180)	(180)
Movement in period			
Free cash flow*	**(13)**	1	(41)
Dividends	**-**	(47)	(47)
Pensions	**(1)**	(1)	(3)
Net purchase of own shares for employee share schemes	**-**	(1)	(2)
Other	**1**	(3)	(4)
Non-underlying items	**(22)**	(16)	(20)
Proceeds from placings	**-**	152	312
Acquisition of businesses, net of cash acquired	**-**	(316)	(316)
Closing net debt*	**(336)**	(411)	(301)
Cash	**72**	-	108
Term Loans	**(400)**	(400)	(400)
Finance leases*	**(8)**	(11)	(9)
	(336)	(411)	(301)

The Group's net debt has increased by £35m* since year end. In addition to the free cash outflow of £13m*, the Group has incurred £22m of cash spend on non-underlying items which mainly relate to restructuring costs following the review of store and head office operations, as previously reported and charged to the income statement in the prior year.

Balance sheet

£m	IFRS			IAS 17*		
	6 months ended Feb 2021	Year ended Aug 2020	6 months ended Feb 2020	**6 months ended Feb 2021**	Year ended Aug 2020	6 months ended Feb 2020
Goodwill and other intangible assets	**471**	493	510	**472**	495	512
Property, plant and equipment	**182**	192	228	**178**	190	243
Right of use assets	**370**	413	540	**-**	-	-
Investments in joint ventures	**2**	2	3	**2**	2	3
	1,025	1,100	1,281	**652**	687	758
Inventories	**123**	150	188	**123**	150	188
Payables less receivables	**(148)**	(183)	(130)	**(181)**	(226)	(145)
Working capital	**(25)**	(33)	58	**(58)**	(76)	43
Derivative financial (liability) / asset	**(1)**	-	1	**(1)**	-	1
Net current and deferred tax asset / (liability)	**32**	28	3	**20**	17	(1)
Provisions	**(14)**	(14)	(2)	**(27)**	(27)	(4)
Operating assets employed	**1,017**	1,081	1,341	**586**	601	797
Net debt	**(837)**	(851)	(977)	**(336)**	(301)	(411)
Net assets excluding pension liability	**180**	230	364	**250**	300	386
Pension liability	**(4)**	(4)	(4)	**(4)**	(4)	(4)
Deferred tax asset on pension liability	**1**	1	1	**1**	1	1
Total net assets	**177**	227	361	**247**	297	383

The Group had net assets of £250m* before pension liabilities and associated deferred tax assets, £50m lower than last year end reflecting the increase in net debt due to the net cash outflow in the half. Net assets after the pension liability and associated deferred tax asset were £247m* compared to £297m at 31 August 2020. Under IFRS the Group had net assets of £177m.

Pensions

The latest actuarial valuation of the main defined benefit pension scheme, the WH Smith Pension Trust, was at 31 March 2020 at which point the deficit was £9m (31 March 2017 actuarial valuation deficit of £11m). The Group has agreed a continuation of the annual funding schedule with the Trustees from March 2020 for the next five years, which includes the deficit recovery contributions and other running costs of just under £3m per annum. During the period ended 28 February 2021, the Group made a contribution of £1m to the scheme.

The scheme has been closed to new members since 1996 and closed to defined benefit service accrual since 2007. The Liability Driven Investment (LDI) policy adopted by the scheme continues to perform well with around 94% of the inflation and interest rate risks hedged.

As at 28 February 2021, the Group has an IFRIC 14 minimum funding requirement in respect of the WH Smith Pension Trust of £3m (31 August 2020: £3m) and an associated deferred tax asset of £1m (2020: £1m) based on the latest schedule of contributions agreed with the Trustees. As at 28 February 2021, the scheme had an IAS 19 surplus of £198m (31 August 2020: surplus of £268m) which the Group has continued not to recognise. There is an actuarial deficit due to the different assumptions and calculation methodologies used compared to those under IAS 19.

The IAS 19 pension deficit on the relatively small UNS defined benefit pension scheme was £1m (31 August 2020: £1m).

Principal Risks and Uncertainties

The Group's Annual Report and Accounts 2020, 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 along with mitigating activities relevant to each risk (see Annual Report and Accounts 2020 pages 21 to 28). 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.

The Annual Report and Accounts 2020 also identified specific changes to our risk profile as a consequence of the Covid-19 pandemic following the Board's assessment of the ongoing impact of Covid-19 as a significant risk facing the Group, due to uncertainty around the timing and extent of 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.

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.

WH Smith PLC
Condensed Group Income Statement
For the 6 months to 28 February 2021

		6 months to 28 Feb 2021 (unaudited)			6 months to 29 Feb 2020 (unaudited)		
£m	Note	**Headline[1]**	**Non-underlying items[2]**	**Total**	Headline[1]	Non-underlying items[2]	Total
Revenue	2	**420**	**-**	**420**	747	-	747
Group operating (loss) / profit	2	**(7)**	**(21)**	**(28)**	88	(17)	71
Finance costs	5	**(10)**	**-**	**(10)**	(8)	-	(8)
(Loss) / profit before tax		**(17)**	**(21)**	**(38)**	80	(17)	63
Income tax credit / (expense)	6	**-**	**3**	**3**	(15)	-	(15)
(Loss) / profit for the period		**(17)**	**(18)**	**(35)**	65	(17)	48
Attributable to equity holders of the parent		**(17)**	**(18)**	**(35)**	64	(17)	47
Attributable to non-controlling interests		**-**	**-**	**-**	1	-	1
		(17)	**(18)**	**(35)**	65	(17)	48
(Loss) / earnings per share							
Basic	8			**(26.7)p**			41.6p
Diluted	8			**(26.5)p**			41.2p

[1] 'Headline' denotes an alternative performance measure. See Glossary on page 40 for definition of alternative performance measures.
[2] See Note 3 for an analysis of Non-underlying items. See Glossary on page 40 for definition of alternative performance measures.

WH Smith PLC
Condensed Group Income Statement
For the 6 months to 28 February 2021

		6 months to 28 Feb 2021 (unaudited)			12 months to 31 Aug 2020 (audited)		
£m	Note	**Headline[1]**	**Non-underlying items[2]**	**Total**	Headline[1]	Non-underlying items[2]	Total
Revenue	2	**420**	**-**	**420**	1,021	-	1,021
Group operating loss	2	**(7)**	**(21)**	**(28)**	(48)	(212)	(260)
Finance costs	5	**(10)**	**-**	**(10)**	(20)	-	(20)
Loss before tax		**(17)**	**(21)**	**(38)**	(68)	(212)	(280)
Income tax credit	6	**-**	**3**	**3**	16	25	41
Loss for the period		**(17)**	**(18)**	**(35)**	(52)	(187)	(239)
Attributable to equity holders of the parent		**(17)**	**(18)**	**(35)**	(52)	(187)	(239)
Attributable to non-controlling interests		**-**	**-**	**-**	-	-	-
		(17)	**(18)**	**(35)**	(52)	(187)	(239)
Loss per share							
Basic	8			**(26.7)p**			(199.2)p
Diluted	8			**(26.5)p**			(199.2)p

[1] 'Headline' denotes an alternative performance measure. See Glossary on page 40 for definition of alternative performance measures.
[2] See Note 3 for an analysis of Non-underlying items. See Glossary on page 40 for definition of alternative performance measures.

WH Smith PLC
Condensed Group Statement of Comprehensive Income
For the 6 months to 28 February 2021

£m	Note	6 months to 28 Feb 2021 (unaudited)	6 months to 29 Feb 2020 (unaudited)	12 months to 31 Aug 2020 (audited)
(Loss) / profit for the period		**(35)**	48	(239)
Other comprehensive (loss) / income:				
Items that will not be reclassified subsequently to the income statement:				
Actuarial (losses) / gains on defined benefit pension schemes	4	**(1)**	(1)	11
		(1)	(1)	11
Items that may be reclassified subsequently to the income statement:				
(Losses) / gains on cash flow hedges				
- Net fair value losses		**(1)**	(9)	(8)
- Reclassified and recognised in goodwill		**-**	8	8
- Reclassified and recognised in inventories		**-**	-	(1)
- Reclassified and reported in the income statement		**-**	-	(1)
Exchange differences on translation of foreign operations		**(16)**	(8)	(22)
		(17)	(9)	(24)
Other comprehensive loss for the period, net of tax		**(18)**	(10)	(13)
Total comprehensive (loss) / income for the period		**(53)**	38	(252)
Attributable to equity holders of the parent		**(53)**	37	(252)
Attributable to non-controlling interests		**-**	1	-
		(53)	38	(252)

WH Smith PLC
Condensed Group Balance Sheet
As at 28 February 2021

£m	Note	At **28 Feb 2021 (unaudited)**	At 29 Feb 2020 (unaudited)	At 31 Aug 2020 (audited)
Non-current assets				
Goodwill	9	**402**	431	418
Other intangible assets	9	**69**	79	75
Property, plant and equipment	9	**182**	228	192
Right-of-use assets	9	**370**	540	413
Investments in joint ventures		**2**	3	2
Deferred tax assets		**26**	6	23
Trade and other receivables		**8**	10	9
		1,059	1,297	1,132
Current assets				
Inventories		**123**	188	150
Trade and other receivables		**44**	77	49
Derivative financial assets		**-**	1	-
Current tax receivable		**8**	12	8
Cash and cash equivalents	10	**72**	45	108
		247	323	315
Total assets		**1,306**	1,620	1,447
Current liabilities				
Trade and other payables		**(200)**	(217)	(241)
Bank overdrafts and other borrowings	10	**-**	(45)	-
Retirement benefit obligations	4	**(1)**	(1)	(1)
Lease liability	10	**(119)**	(126)	(130)
Current tax liabilities		**-**	-	-
Derivative financial liabilities		**(1)**	-	-
Short-term provisions		**(5)**	-	(5)
		(326)	(389)	(377)
Non-current liabilities				
Bank loans and other borrowings	10	**(400)**	(400)	(400)
Retirement benefit obligations	4	**(3)**	(3)	(3)
Long-term provisions		**(9)**	(2)	(9)
Lease liability	10	**(390)**	(451)	(429)
Deferred tax liabilities		**(1)**	(14)	(2)
		(803)	(870)	(843)
Total liabilities		**(1,129)**	(1,259)	(1,220)
Total net assets		**177**	361	227
Capital and reserves				
Called up share capital	12	**29**	25	29
Share premium		**316**	160	315
Capital redemption reserve		**13**	13	13
Translation reserve		**(30)**	(1)	(14)
Other reserve		**(280)**	(276)	(279)
Retained earnings		**124**	435	158
Total equity attributable to equity holders of the parent		**172**	356	222
Non-controlling interest		**5**	5	5
Total equity		**177**	361	227

WH Smith PLC
Condensed Group Cash Flow Statement
For the 6 months to 28 February 2021

£m	Note	6 months to **28 Feb 2021 (unaudited)**	6 months to 29 Feb 2020 (unaudited)	12 months to 31 Aug 2020 (audited)
Operating activities				
Cash generated from operating activities	11	**34**	79	94
Interest paid		**(7)**	(6)	(13)
Net cash inflow from operating activities		**27**	73	81
Investing activities				
Purchase of property, plant and equipment		**(16)**	(35)	(67)
Purchase of intangible assets		**(6)**	(6)	(12)
Acquisition of subsidiaries, net of cash acquired	15	**1**	(316)	(316)
Net cash outflow from investing activities		**(21)**	(357)	(395)
Financing activities				
Dividend paid	7	**-**	(47)	(47)
Distributions to non-controlling interests		**-**	(1)	1
Issue of share capital		**-**	152	312
Issue of new shares for employee share schemes		**1**	-	-
Purchase of own shares for employee share schemes		**-**	(1)	(2)
Proceeds from borrowings		**-**	230	200
Repayment of borrowings		**-**	-	(15)
Financing arrangement fees		**(1)**	(1)	(3)
Repayments of obligations under leases		**(42)**	(51)	(72)
Net cash (outflow) / inflow from financing activities		**(42)**	281	374
Net (decrease) / increase in cash and cash equivalents in the period		**(36)**	(3)	60
Opening cash and cash equivalents		**108**	49	49
Effect of movements in foreign exchange rates		**-**	(1)	(1)
Closing cash and cash equivalents		**72**	45	108

WH Smith PLC
Condensed Group Cash Flow Statement (continued)
For the 6 months to 28 February 2021

Reconciliation of net cash flow to movement in net debt

		6 months to		12 months to
£m	Note	**28 Feb 2021 (unaudited)**	29 Feb 2020 (unaudited)	31 Aug 2020 (audited)
Net debt at beginning of the period		**(851)**	(180)	(180)
Net (decrease) / increase in cash and cash equivalents		**(36)**	(3)	60
Impact of adoption of IFRS 16[1]		**-**	(479)	(479)
Lease liability acquired through business combination		**-**	(98)	(106)
Decrease in debt		**-**	-	15
Increase in debt		**-**	(230)	(200)
Net movement in lease liability		**44**	12	32
Effect of movements in foreign exchange rates		**6**	1	7
Net debt at end of the period	10	**(837)**	(977)	(851)

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

WH Smith PLC
Condensed Group Statement of Changes in Equity
For the 6 months to 28 February 2021

£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 2020	**344**	**13**	**(14)**	**(279)**	**158**	**222**	**5**	**227**
Profit for the period	–	–	–	–	(35)	**(35)**	–	**(35)**
Other comprehensive income / (loss):								
Actuarial losses on defined benefit pension schemes	–	–	–	–	(1)	**(1)**	–	**(1)**
Cash flow hedges	–	–	–	(1)	–	**(1)**	–	**(1)**
Exchange differences on translation of foreign operations	–	–	(16)	–	–	**(16)**	–	**(16)**
Total comprehensive loss for the period	–	–	**(16)**	**(1)**	**(36)**	**(53)**	–	**(53)**
Recognition of share-based payments	–	–	–	–	2	**2**	–	**2**
Issue of shares	1	–	–	–	–	**1**	–	**1**
Balance at 28 February 2021 (unaudited)	**345**	**13**	**(30)**	**(280)**	**124**	**172**	**5**	**177**
Balance at 1 September 2019	**33**	**13**	**8**	**(274)**	**455**	**235**	**2**	**237**
Impact of adoption of IFRS 16	–	–	–	–	(22)	**(22)**	–	**(22)**
Adjusted balance at 1 September 2019	**33**	**13**	**8**	**(274)**	**433**	**213**	**2**	**215**
Profit for the period	–	–	–	–	47	**47**	1	**48**
Other comprehensive income / (loss):								
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 (loss) / 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 2019	**33**	**13**	**8**	**(274)**	**455**	**235**	**2**	**237**
Impact of adoption of IFRS 16	–	–	–	–	(22)	**(22)**	–	**(22)**
Adjusted balance at 1 September 2019	**33**	**13**	**8**	**(274)**	**433**	**213**	**2**	**215**
Loss for the year	–	–	–	–	(239)	**(239)**	–	**(239)**
Other comprehensive income / (loss):								
Actuarial gains on defined benefit pension schemes	–	–	–	–	11	**11**	–	**11**
Cash flow hedges	–	–	–	(2)	–	**(2)**	–	**(2)**
Exchange differences on translation of foreign operations	–	–	(22)	–	–	**(22)**	–	**(22)**
Total comprehensive loss for the year	**–**	**–**	**(22)**	**(2)**	**(228)**	**(252)**	**–**	**(252)**
Net cash flows from non-controlling interests	–	–	–	–	–	–	1	**1**
Dividends paid (Note 7)	–	–	–	–	(47)	**(47)**	–	**(47)**
Employee share schemes	–	–	–	(3)	–	**(3)**	–	**(3)**
Issue of shares	311	–	–	–	–	**311**	–	**311**
Non-controlling interest arising on acquisition	–	–	–	–	–	–	2	**2**
Balance at 31 August 2020 (audited)	**344**	**13**	**(14)**	**(279)**	**158**	**222**	**5**	**227**

[1] Other reserve includes Revaluation reserve of £2m (August 2020: £2m), ESOP reserve of £(4)m (August 2020: £(4)m), hedging reserve of £(1)m (August 2020: £nil) and Other reserves of £(277)m (August 2020: £(277)m). The 'Other' reserve includes reserves created in relation to the historical capital reorganisation, proforma restatement and the demerger from Smiths News PLC in 2006.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2021

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

The Condensed Interim Financial Statements for the 6 months ended 28 February 2021 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 2020, which were 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 2020 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 2020 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 2021, 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.

Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 3	Business combinations

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):

Amendments to IFRS 4	Insurance contracts
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IAS 1	Presentation of financial statements on classification of liabilities
Annual Improvements 2018-2020	
Narrow scope amendments to IFRS 3, IAS 16 and IAS 37	

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

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 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 40.

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 occur infrequently such as, inter alia, restructuring costs linked to a Board agreed programme, amortisation of acquired intangibles assets, costs relating to business combinations, impairment charges and onerous lease charges, significant items relating to pension schemes, and items meeting the definition of non-underlying specifically related to the Covid-19 pandemic, 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.

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

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed interim financial statements in conformity with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available.

The most critical accounting judgements and sources of estimation uncertainty in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgement. These relate to the classification of items as non-underlying, assessment of lease substitution rights, determination of the lease term, determination of the incremental borrowing rate, valuation of retirement benefit obligations, valuation of goodwill and other non-current assets and inventory valuation.

The key areas where the judgments, estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are consistent with those applied in the Group's financial statements for the year ended 31 August 2020, as set out on pages 101 to 102 of those financial statements.

For details of changes to significant estimates for impairment of property, plant and equipment and right-of-use assets and for inventory provisioning in the current period, refer to Notes 3 and 9.

Going concern

The condensed interim financial statements have been prepared on a going concern basis.

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 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 these financial statements, 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.

In making the going concern assessment, the directors have modelled a number of scenarios for a 16-month period to August 2022. The base case scenario is based on the latest Board-approved forecast, adjusted for subsequently announced government support measures, and the three year plan for the period ending 31 August 2022. These reflect our expectations of ongoing challenging trading conditions, with sales remaining significantly below pre-Covid levels for the duration of the going concern period. In High Street we have assumed that rents are paid as normal across the period and on a monthly basis. In Travel rents are based on agreed or contractual agreements with landlords and our reasonable assessment of extending those agreements where necessary to incorporate the 16-month review period.

In light of the continuing uncertainty surrounding the ongoing impact of Covid-19, a downside scenario has also been modelled, applying severe but plausible assumptions to the base case. This replicates the Group's forecast performance in the year ending 31 August 2021 by applying the same cash flows from the year ending August 2021 to the year ending August 2022, but excludes non-recurring restructuring costs and government support received in the year ending 31 August 2021. These scenarios include a number of mitigating actions including further savings in store and head office payrolls, a reduction in inventory purchases, a reduction in discretionary spend and reductions in capital expenditure across High Street and Travel.

In both the base case and severe but plausible scenarios the Group would continue to have sufficient liquidity headroom on its existing facilities, as described below.

On 9th March the Group announced an extension to its debt facilities which includes the duration of the Group's term debt to October 2023. In addition, the Group has a multi-currency revolving credit facility of £200m, which expires in December 2023 and which is undrawn as at 28 April 2021. The covenants tests on the above facilities for August 2021 and February 2022 are based on a minimum liquidity test. The new financing arrangements disclosed in Note 17, including the offering of convertible bonds, has not been taken into account in making the going concern assessment.

The Group will next be tested on its leverage and fixed charge financial covenants at 31 August 2022, over 16 months from the date of signing these interim accounts. Under the conditions of the severe but plausible scenario, it is likely that the Group would not meet the conditions of the August 2022 covenant tests. If this situation prevailed, the Group would engage its lending banks in advance of this date to secure a further covenant amendment. Throughout the pandemic we have received excellent support from our banks who have granted covenant waivers for our February 2021 covenant and minimum liquidity covenants for August 2021 and February 2022.

The Condensed Interim Financial Statements are unaudited but have been reviewed by our auditors and were approved by the Board of Directors on 28 April 2021.

2. Segmental analysis of results

For management and financial reporting purposes, the Group is organised into two operating divisions and reportable segments – Travel and High Street. The Travel operating segment includes both MRG and InMotion from the dates of acquisition, as the MRG and InMotion operations share similar economic characteristics with Travel and are managed within the Travel segment.

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.

IFRS 8 requires segment information to be presented on the same basis as that used by the Board for assessing performance and allocating resources. The information presented to the Board is prepared in accordance with the Group's IFRS accounting policies, with the exception of IFRS 16, and is shown below as Headline information in Section b). A reconciliation to statutory measures is provided below in accordance with IFRS 8, and in the Glossary on page 40 (Note A1)

a) Group revenue

	6 months to		12 months to
£m	**28 Feb 2021 (unaudited)**	29 Feb 2020 (unaudited)	31 Aug 2020 (audited)
Travel	**150**	432	553
High Street	**270**	315	468
Group revenue	**420**	747	1,021

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. Both the High Street and Travel businesses have been impacted by the Covid-19 pandemic as discussed in detail in the Group Overview on pages 3 to 15.

b) Group results

	6 months to 28 Feb 2021 (unaudited)				6 months to 29 Feb 2020 (unaudited)			
£m	**Headline[1]**	**Non-underlying items (pre-IFRS 16)**	**IFRS 16**	**Total**	Headline[1]	Non-underlying items (pre-IFRS 16)	IFRS 16	Total
Travel trading (loss) / profit	**(28)**	-	**(3)**	**(31)**	49	-	1	50
High Street trading profit	**24**	-	**9**	**33**	44	-	3	47
Group (loss) / profit from trading operations	**(4)**	-	**6**	**2**	93	-	4	97
Unallocated costs	**(9)**	-	**-**	**(9)**	(9)	-	-	(9)
Headline Group operating (loss) / profit	**(13)**	-	**6**	**(7)**	84	-	4	88
Non-underlying items (Note 3)	**-**	**(18)**	**(3)**	**(21)**	-	(17)	-	(17)
Group operating (loss) / profit	**(13)**	**(18)**	**3**	**(28)**	84	(17)	4	71
Finance costs	**(6)**	**-**	**(4)**	**(10)**	(4)	-	(4)	(8)
Income tax credit / (expense)	**1**	**2**	**-**	**3**	(15)	-	-	(15)
(Loss) / profit for the period	**(18)**	**(16)**	**(1)**	**(35)**	65	(17)	(-)	48

[1] Presented on a pre-IFRS 16 basis. Alternative Performance Measures are defined and explained in the Glossary on page 40.

Included within Travel revenue and Trading profit is International revenue of £71m (2020: £161m) and International Trading loss of £9m (2020: profit of £9m). International revenue includes revenue from the USA of £55m (2020: £84m) and revenue from Australia of £9m (2020: £30m).

2. Segmental analysis of results (continued)

c) Other segmental items

	6 months to 28 Feb 2021			
£m	**Travel**	**High Street**	**Unallocated**	**Group**
Capital additions[1]	13	8	-	21
Depreciation and amortisation of non-current assets[1]	16	9	-	25
Depreciation of Right-of-use assets	21	20	2	43
Impairment of non-current assets[2]	2	3	-	5
Impairment of Right-of-use assets[3]	2	7	-	9

	6 months to 29 Feb 2020			
£m	Travel	High Street	Unallocated	Group
Capital additions[1]	24	19	-	43
Depreciation and amortisation of non-current assets[1]	14	11	-	25
Depreciation of Right-of-use assets	23	26	3	52
Impairment of non-current assets[2]	3	-	-	3
Impairment of Right-of-use assets[3]	-	-	-	-

[1] Excludes Right-of-use assets under IFRS 16.
[2] Impairment charges relating to non-current assets for the period ended 28 February 2021 as a result of the impact of Covid-19, which have been included in Non-underlying items as described in Note 3.
[3] Impairment charges relating to Right-of-use assets for the period ended 28 February 2021 as a result of the impact of Covid-19, which have been included in Non-underlying items as described in Note 3.

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 or 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 40.

	6 months to		12 months to
£m	**28 Feb 2021 (unaudited)**	29 Feb 2020 (unaudited)	31 Aug 2020 (audited)
Costs relating to business combinations	**1**	13	20
Amortisation of acquired intangible assets	**2**	1	3
Pension past service cost	-	-	14
Costs directly attributable to Covid-19			
- Impairment of property, plant and equipment	**5**	3	39
- Impairment of intangible assets	**-**	-	1
- Impairment of right-of-use assets	**9**	-	95
- Write-down of inventories	**5**	-	14
- Restructuring costs	**2**	-	25
- Other	**(3)**	-	1
Non-underlying items, before tax	**21**	17	212
Tax credit on non-underlying items	**(3)**	-	(25)
Non-underlying items, after tax	**18**	17	187

Non-underlying items recognised in the year are as follows:

Costs relating to business combinations

During the year, the Group incurred further integration costs of £1m in relation to the acquisition of Marshall Retail Group ('MRG'), which completed on 20 December 2019.

Prior year costs of £13m also related to the acquisition of MRG. Further information on the acquisition of MRG is included in Note 15.

Amortisation of acquired intangible assets

Amortisation of acquired intangible assets primarily relates to the MRG and InMotion brands.

Costs directly attributable to Covid-19

As described in the Group Overview the Covid-19 pandemic continues to have a substantial impact on the Group's operations. As a result, the Group has incurred significant costs which have been separately recognised in non-underlying items, in accordance with the Group's accounting policy. The charges have arisen as a direct consequence of Covid-19, and reflect the impact of lost revenues as a result of store closures, and downward revisions to budgeted revenues following government interventions.

Impairment of Property, plant and equipment and Right-of-use assets

The impact on the Group's operations of Covid-19 is expected to continue during the remainder of this financial year and beyond. As a result, the Group has carried out a review for potential impairment across the entire store portfolio. The impairment review compared the value-in-use of individual store cash-generating units, based on managements' assumptions regarding likely future trading performance (taking into account the effect of Covid-19) to the carrying values at 28 February 2021. Following this review, a charge of £14m was recorded within non-underlying items for impairment of retail store assets, of which £5m relates to property, plant and equipment and £9m relates to right-of-use assets. Refer to Note 9 for details of impairment of store cash-generating units.

3. Non-underlying items (continued)

Write-down of inventories

The Group assesses the recoverability of the carrying value of inventories at every reporting period and, where the expected recoverable amount is lower than the carrying value, a provision is recorded. Provisions of £4m have been recorded against inventory, which relate to dated and perishable stock and stock subject to obsolescence such as technology and some apparel where the sell through rate has significantly reduced due to store closures and lower footfall. In addition, as a result of the government lockdowns, the Group has incurred stock write-offs of £1m mainly relating to perishable and dated product. The Group has recognised these charges as non-underlying as they meet the Group's definition of non-underlying. A sensitivity analysis has been carried out on the calculation of inventory provisions, including consideration of the uncertainties arising from Covid-19. The key assumption driving the stock provision calculation is forecast revenue. A 10 per cent change in the revenue assumptions applied in the provision calculation, representing a reasonably possible outcome, would reduce the net realisable value of inventories by £2m.

Restructuring costs

As a result of the impact of Covid-19 on passenger numbers and lower footfall on the UK high street, in August 2020 the Group announced a review of store operations across both our Travel and High Street businesses. The current period charge of £2m is principally attributable to redundancies and restructuring costs relating to that and other corporate office restructuring undertaken by the Group. These costs are presented as a non-underlying item as they are part of a restructuring programme, and are considered material and one-off in nature.

Other

Other non-underlying items relate to costs in relation to international franchisees, and derecognition of lease liabilities relating to the disposal of WHSmith France. In the prior year, costs of exiting WH Smith France were included within non-underlying items.

A tax credit of £3m has been recognised in relation to the above items.

Prior year non-underlying items

Pension past service cost

A past service cost of £14m was recognised in the year ended 31 August 2020. This related to equalisation of pension benefits between men and women over the period from 1 April 1992 to 29 July 1993 ('Barber equalisation'). The WHSmith Pension Trust has historically been administered assuming gender equalisation was achieved on 1 April 1992, and thus a Barber equalisation window of 17 May 1990 to 1 April 1992 applied. A new Trust Deed and Rules reflecting the equalisation of normal retirement ages at 65 was executed on 29 July 1993. It has since been determined that Barber equalisation was not effective until 29 July 1993. Accordingly, this past service cost is the expected cost of providing these benefits based on a normal retirement age of 60 rather than 65 for the period between 1 April 1992 and 29 July 1993.

Restructuring costs

As a result of the impact of Covid-19 on passenger numbers and lower footfall on the UK high street, in August 2020 the Group announced a review of store operations across both our Travel and High Street businesses. The prior year charge of £21m was principally attributable to redundancies and restructuring costs relating to that and other corporate office restructuring undertaken by the Group. In addition, the Group incurred £4m relating to costs of exiting the Paris bookshop and the Brazil joint venture both of which were as a result of Covid-19. These costs were presented as a non-underlying item as they are part of a restructuring programme, and are considered material and one-off in nature.

WH Smith PLC
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For the 6 months to 28 February 2021

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 28 Feb 2021 (unaudited)**	At 29 Feb 2020 (unaudited)	At 31 Aug 2020 (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)

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 28 Feb 2021 (unaudited)**	At 29 Feb 2020 (unaudited)	At 31 Aug 2020 (audited)
Present value of the obligations	**(1,121)**	(1,103)	(1,144)
Fair value of plan assets	**1,319**	1,405	1,412
Surplus before consideration of asset ceiling	**198**	302	268
Amounts not recognised due to effect of asset ceiling	**(198)**	(302)	(268)
Additional liability recognised due to minimum funding requirements	**(3)**	(3)	(3)
Retirement benefit obligation recognised in the balance sheet	**(3)**	(3)	(3)

Total (loss) / gain recognised in the Statement of Comprehensive Income ("SOCI"):

	6 months to		12 months to
£m	**28 Feb 2021 (unaudited)**	29 Feb 2020 (unaudited)	31 Aug 2020 (audited)
Total actuarial gain/(loss) before consideration of asset ceiling	**13**	(6)	(43)
Loss on plan assets excluding amounts included in net interest cost	**(86)**	(50)	(38)
Gain resulting from changes in amounts not recognised due to effect of asset ceiling excluding amounts recognised in net interest cost	**72**	55	92
Total actuarial (loss) / gain recognised in other comprehensive income	**(1)**	(1)	11

Actuarial losses recognised in the statement of comprehensive income on the United News Shops Retirement Benefits Scheme were £nil in the period to 28 February 2021 (29 February 2020: £nil).

4. Retirement benefit obligations (continued)

Movement in net retirement benefit liability during the period:

£m	6 months to 28 Feb 2021 (unaudited)	6 months to 29 Feb 2020 (unaudited)	12 months to 31 Aug 2020 (audited)
At beginning of period	**(3)**	(3)	(3)
Current service cost	**-**	-	-
Past service cost	**-**	-	(14)
Contributions from sponsoring companies	**1**	1	3
Actuarial (losses) / gains on defined benefit pension schemes	**(1)**	(1)	11
At end of period	**(3)**	(3)	(3)

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 (2020: £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 £198m (2020: £302m) available as a reduction of future contributions is £nil (2020: £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 2020 by independent actuaries using the projected unit credit method. At 31 March 2020 the deficit was £9m; at 31 March 2017 the deficit was £11m. The Group has agreed a continuation of the annual funding schedule with the Trustees from March 2020 for the following 5 years, which includes the deficit recovery contributions and other running costs of just under £3m.

During the period, the Group made a contribution of £1m to the WHSmith Pension Trust (2020: £1m) in accordance with the agreed pension deficit funding schedule. The Group expects the cash payments for the year ended 31 August 2021 to be approximately £3m in total in relation to the scheme (year ended 31 August 2020: £3m).

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

%	6 months to 28 Feb 2021 (unaudited)	6 months to 29 Feb 2020 (unaudited)	12 months to 31 Aug 2020 (audited)
Rate of increase in pension payments	**3.22**	2.95	3.04
Rate of increase in deferred pensions	**2.50**	2.20	2.30
Discount rate	**2.00**	1.70	1.75
RPI Inflation assumption	**3.30**	3.00	3.10
CPI Inflation assumption	**2.50**	2.20	2.30

5. Finance costs

£m	6 months to 28 Feb 2021 (unaudited)	6 months to 29 Feb 2020 (unaudited)	12 months to 31 Aug 2020 (audited)
Interest payable on bank loans and overdrafts	**6**	4	9
Interest on lease liabilities	**4**	4	11
Net interest cost on the defined benefit pension liabilities	**-**	-	-
	10	8	20

6. Income tax expense

£m	6 months to 28 Feb 2021 (unaudited)	6 months to 29 Feb 2020 (unaudited)	12 months to 31 Aug 2020 (audited)
Tax on (loss) / profit	**-**	5	(5)
Standard rate of UK corporation tax 19.00% (2020: 19.00%)			
Adjustment in respect of prior year UK corporation tax	**-**	-	(6)
Total current tax expense / (credit)	**-**	5	(11)
Deferred tax – current year	**-**	10	(7)
Deferred tax – prior year	**-**	-	2
Tax on Headline (loss) / profit	**-**	15	(16)
Tax on non-underlying items – current tax	**-**	-	(9)
Tax on non-underlying items – deferred tax	**(3)**	-	(16)
Total tax on (loss) / profit	**(3)**	15	(41)

The effective tax rate, before non-underlying items, was 2% (2020: 19%). The UK corporation tax rate has been 19 per cent effective from 1 April 2017. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25% (rather than remaining at 19%). As the proposal to increase the rate to 25% 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 28 Feb 2021 (unaudited)	6 months to 29 Feb 2020 (unaudited)	12 months to 31 Aug 2020 (audited)
Dividends			
2019 Final dividend of 41.0p per ordinary share	**-**	47	47
	-	47	47

The directors have not declared an interim dividend in respect of the period ending 28 February 2021.

8. (Loss) / earnings per share

a) Earnings

£m	6 months to 28 Feb 2021 (unaudited)	6 months to 29 Feb 2020 (unaudited)	12 months to 31 Aug 2020 (audited)
(Loss) / profit for the period attributable to equity holders of the parent	**(35)**	47	(239)
Non-underlying items (Note 3)	**18**	17	187
Headline (loss) / profit for the period attributable to equity holders of the parent	**(17)**	64	(52)

b) Weighted average share capital

Millions	6 months to 28 Feb 2021 (unaudited)	6 months to 29 Feb 2020 (unaudited)	12 months to 31 Aug 2020 (audited)
Weighted average ordinary shares in issue	**131**	113	120
Less weighted average ordinary shares held in ESOP Trust	**-**	-	-
Weighted average ordinary shares for basic earnings per share	**131**	113	120
Add weighted average number of ordinary shares under option	**1**	1	-
Weighted average ordinary shares for diluted earnings per share	**132**	114	120

c) Basic and diluted (loss) / earnings per share

Pence	6 months to 28 Feb 2021 (unaudited)	6 months to 29 Feb 2020 (unaudited)	12 months to 31 Aug 2020 (audited)
Basic (loss) / earnings per share	**(26.7)**	41.6	(199.2)
Adjustments for non-underlying items	**13.7**	15.0	155.9
Headline basic (loss) / earnings per share	**(13.0)**	56.6	(43.3)
Diluted (loss) / earnings per share	**(26.5)**	41.2	(199.2)
Adjustments for non-underlying items	**13.6**	14.9	155.9
Headline diluted (loss) / earnings per share	**(12.9)**	56.1	(43.3)

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

9. Non-current assets

During the 6 months to 28 February 2021, there were additions to property, plant and equipment of £15m (29 February 2020: £36m). There were no material disposals of tangible assets during the period (29 February 2020: £nil). During the 6 months to 28 February 2021, there were additions right of use assets of £14m through signing of new leases and lease modifications.

Capital expenditure in respect of intangible assets totalled £6m (29 February 2020: £7m) in the period. There were no material disposals of intangible assets during the period (29 February 2020: £nil).

Goodwill decreased by £16m in the period, as a result of movements in exchange rates (29 February 2020: increased of £255m, due to the acquisition of MRG and movements in exchange rates).

Impairment of property, plant and equipment, right-of-use assets and intangible assets
For impairment testing purposes, the Group has determined that each store is a separate CGU. Each CGU is tested for impairment at the balance sheet date if any indicators of impairment have been identified. The Group has revised its forecasts in light of the ongoing significant disruption to trading as a result of the Covid-19 pandemic, and related government interventions, and therefore all CGUs have been tested for impairment as at the balance sheet date.

Property, plant and equipment and right-of-use assets have been tested for impairment by comparing the carrying amount of each CGU with its recoverable amount determined from value-in-use calculations. It was determined that value in use was higher than fair value less costs to sell as a result of the significant impact on fair values as a result of Covid-19. The value-in-use of each CGU has been calculated using discounted cash flows derived from the Group's latest Board-approved forecasts, taking into account the projected impact of Covid-19, and reflects historic performance and knowledge of the current market, together with the Group’s views on the future achievable growth. Cash flows beyond the forecast period are extrapolated using growth rates and inflation rates appropriate to each store’s location. Cash flows have been included for the remaining lease life for the specific store. These growth rates do not exceed the long-term growth rate for the Group’s retail businesses in the relevant territory. Where stores have a relatively short remaining lease life, an extension to the lease has been assumed where management consider it likely that an extension will be granted.

The key assumptions on which the forecast cash flows of the CGUs are based include sales and the pre-tax discount rate. Other assumptions in the model relate to gross margin, cost inflation and longer-term growth rates. The forecasts used in the impairment review are based on management's best estimate of revenue reductions versus a 'pre-Covid' base, and the recovery in revenue over the forecast period. In developing these forecasts, management have used available information, including historical knowledge of the store level cash flows, and knowledge gained during the pandemic up to the period end.

The forecasts for the year for our High Street business assume that like-for-like sales will be initially lower by around 44 per cent on average and recover to around 12 per cent below pre-Covid levels by the end of August 2021. The recovery is non-linear and is affected by monthly seasonality.

In Travel UK, revenue is assumed to be down around 76 per cent on average across all formats, recovering to around 50 per cent down by the end of the year. Our International locations outside of North America assume a similar profile. In North America, revenue is assumed to be down around 55 per cent initially, improving to down 33 per cent by the end of the year.

The pre-tax discount rates are derived from the Group’s weighted average cost of capital, which has been calculated using the capital asset pricing model, the inputs of which include the risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The pre-tax discount rate used in the calculation was 9.3 per cent.

Where the value-in-use is less than the carrying value of the CGU, an impairment of property, plant and equipment and right-of-use assets has been recorded. The Group has recognised an impairment charge of £5m to property, plant and equipment and £9m to right-of-use assets as a result of impairment testing (29 February 2020: £3m). These impairments have been presented as non-underlying items in the current year (see Note 3).

9. Non-current assets (continued)

As disclosed in Note 1, Accounting policies, the forecast cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and changes to these assumptions could lead to further impairments to assets. Given the significant uncertainty regarding the impact of Covid-19 on the Group's operations and on the global economy, management have considered sensitivities to the impairment charge as a result of changes to the estimate of future revenues achieved by the stores.

The Group has applied certain sensitivities in isolation to demonstrate the impact on the impairment of changes in key assumptions. The most significant assumption is the revenue assumption. A further decrease in revenue of 10 per cent versus the pre-Covid base for the year ended 31 August 2021 to reflect a potential slower recovery from the pandemic, with no change to subsequent forecast revenue growth rate assumptions, would result in a £5m increase in the impairment charge of retail store assets for the six months ended 28 February 2021. An increase or decrease of 1 per cent in the discount rate would result in an increase or decrease in the impairment charge of £4m.

The impairment assessment has also been performed on a pre-IFRS 16 basis. See Glossary on page 40.

10. Analysis of net debt

Net debt can be analysed as follows:

£m	**At 28 Feb 2021 (unaudited)**	At 29 Feb 2020 (unaudited)	At 31 Aug 2020 (audited)
Borrowings			
- Revolving credit facility	**-**	(45)	-
- Bank loans	**(400)**	(400)	(400)
- Lease liability	**(509)**	(577)	(559)
Liabilities from financing activities	**(909)**	(1,022)	(959)
Cash and cash equivalents	**72**	45	108
Net debt	**(837)**	(977)	(851)

Movement in net debt:

£m	**At 31 Aug 2020 (audited)**	**Cash flow**	**Other**	**Currency translation**	**At 28 Feb 2021 (unaudited)**
Borrowings					
- Borrowings – repayable after one year	(400)	-	-	-	**(400)**
- Revolving credit facility	-	-	-	-	**-**
- Lease liability	(559)	42	2	6	**(509)**
Liabilities from financing activities	(959)	42	2	6	**(909)**
Cash and cash equivalents	108	(36)	-	-	**72**
Net debt	(851)	6	2	6	**(837)**

An explanation of Alternative performance measures, including Net debt is provided in the Glossary on page 40.

10. Analysis of net debt / funds (continued)

Cash and cash equivalents
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.

Lease liabilities
Other (non-cash) movements in lease liabilities mainly relate to new leases, modifications and re-measurements in the year.

Borrowings and revolving credit facilities
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 28 February 2021 the Group was not drawn down on this facility (29 February 2020: draw down of £45m).

The Group has in place two committed term loans of £200m with the same banks that were drawn down at the time of the acquisitions of InMotion (November 2018) and MRG (December 2019). On 9 March 2021 the Group extended the maturity of these two existing £200m term loans to October 2023 and agreed a new minimum liquidity covenant for both the August 2021 and February 2022 covenant tests (see Note 17). The previously agreed covenant waiver for February 2021 remains unchanged. These loans are interest-bearing at a margin over LIBOR.

These changes have enabled the Group to cancel its existing £120m liquidity loan which was undrawn and due to expire in November 2021.

11. Net cash inflow from operating activities

	6 months to		12 months to
£m	**28 Feb 2021 (unaudited)**	29 Feb 2020 (unaudited)	31 Aug 2020 (audited)
Group operating profit	**(28)**	71	(260)
Depreciation and amortisation	**27**	26	55
Impairment losses	**13**	3	40
Depreciation of right of use assets	**43**	52	110
Impairment of right of use assets	**-**	-	95
Non-cash change in lease liabilities	**(13)**	-	(15)
Non-cash movement in pension	**-**	-	14
Share-based payments	**2**	2	-
Profit on disposal of property, plant and equipment	**(4)**	-	-
Other non-cash items	**-**	-	2
Decrease / (increase) in inventories	**25**	(2)	35
Decrease / (increase) in receivables	**8**	(3)	27
Decrease in payables	**(39)**	(44)	(10)
Pension funding	**(1)**	(1)	(3)
Income taxes paid	**-**	(24)	(32)
Income taxes refunded	**-**	-	37
Movement on provisions	**1**	(1)	(1)
Net cash inflow from operating activities	**34**	79	94

12. Called Up Share Capital

	28 Feb 2021 (unaudited)		29 Feb 2020 (unaudited)		31 Aug 2020 (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	**131**	**29**	115	25	131	29
Total	**131**	**29**	115	25	131	29

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	**28 Feb 2021 (unaudited)**	29 Feb 2020 (unaudited)	31 Aug 2020 (audited)
Bank guarantees and guarantees in respect of lease agreements	**30**	26	31

Other potential liabilities that could crystallise are in respect of previous assignments of leases where the liability could revert to the Group if the lessee defaulted. Pursuant to the terms of the Demerger Agreement with Smiths News PLC, any such contingent liability, which becomes an actual liability, will be apportioned between the Group and Smiths News PLC in the ratio 65:35 (provided that the actual liability of Smiths News PLC in any 12-month period does not exceed £5m). The Group's 65 per cent share of these leases has an estimated future rental commitment at 28 February 2021 of £1m (2020: £1m).

At 28 February 2021, contracts placed for future capital expenditure approved by the directors but not provided for amounted to £9m (2020: £35m).

14. Related Parties

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

15. Acquisitions (prior year)

On 20 December 2019, the Group acquired the entire share capital of Marshall Retail Group ('MRG') for a total cash payment of USD $401m (£316m) comprising $242m of enterprise value, $146m repayment of loan, $12m working capital, and $1m cash and restricted cash. During the period ended 28 February 2021 the Group received £1m as an adjustment to the consideration paid.

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 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 £258m is best considered as goodwill on acquisition representing future operating synergies. This amount is not tax deductible.

Transaction and integration costs totalling £20m were incurred in the year ended 31 August 2020 in respect of the acquisition. A further £1m integration costs have been incurred in the period to 28 February 2021.

16. Financial instruments

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

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

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

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

£m	**28 Feb 2021 (unaudited)**	29 Feb 2020 (unaudited)
Financial assets		
Cash flow hedges:		
Forward foreign currency contracts	-	1
	-	**1**

£m	**28 Feb 2021 (unaudited)**	29 Feb 2020 (unaudited)
Financial liabilities		
Cash flow hedges:		
Forward foreign currency contracts	**(1)**	**-**
	(1)	**-**

17. Events after the balance sheet date

On 9 March 2021 the Group entered into an arrangement to extend the maturity of its two £200m Term Loans to October 2023 and agreed a new minimum liquidity covenant for both the August 2021 and February 2022 covenant tests. The previously agreed covenant waiver for February 2021 remains unchanged. These changes have enabled the Group to cancel its existing £120m liquidity loan which was undrawn and due to expire in November 2021.

On 28 April 2021 the Group announced new financing arrangements which include a £250m RCF (increased from £200m) with an extended maturity from 2023 to 2025 and provided by an expanded syndicate of lending banks. As part of the financing arrangements, the Group is also launching an offering of convertible bonds maturing in 2026. The convertible bonds are expected to raise approximately £325m and will provide £50m of new capacity for the Group to fund the opening of c.100 new Travel stores won and yet to open over the next three years and new growth opportunities. The remainder of the proceeds will be used to partially pay down the existing £400m of term loans from both the MRG and InMotion acquisitions. The maturity of the remaining term loan has also been extended from 2023 to 2025 in line with the RCF.

WH Smith PLC
Notes to the Condensed Interim Financial Statements
For the 6 months to 28 February 2021

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-us/our-board.

By order of the Board

Carl Cowling
Group Chief Executive

Robert Moorhead
Chief Financial Officer and Chief Operating Officer

28 April 2021

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 28 February 2021 (the "period").

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 28 February 2021;
- 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 of WH Smith Plc 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
London
28 April 2021

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.

Non-underlying items

The Group has chosen to present a Headline measure of profit and earnings per share which excludes certain items that 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 occur infrequently such as, inter alia, restructuring costs linked to a Board agreed programme, amortisation of acquired intangible assets, costs relating to business combinations, significant items related to pension schemes, and impairment charges and items meeting the definition of non-underlying specifically related to the Covid-19 pandemic, 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.

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.

For the purposes of narrative commentary on the Group's performance and financial position in the Interim financial statements, the effects of IFRS 16 have been excluded, in order to provide meaningful year on year comparisons.

The impact of the implementation of IFRS 16 on the Income Statement and Segmental information is provided in Note A1 below. 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 flows from financing activities, as set out in Note A8 below. The balance sheet as at 28 February 2021 both including and excluding the impact of IFRS 16 is shown in Note A9 below.

Definitions and reconciliations

In line with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority ('ESMA'), we have provided additional information on the APMs used by the Group below, including full reconciliations back to the closest equivalent statutory measure

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Income Statement Measures			
Headline Group (loss) / profit before tax	Group (loss) / profit before tax	See Note A1	Headline Group (loss) / profit before tax excludes non-underlying items. A reconciliation from Headline Group (loss) / profit before tax to Group (loss) / profit before tax on an IFRS 16 basis is provided on the Group income statement on page 16, and on an IAS 17 basis in Note A1.
High Street and Travel trading profit, and Group profit from trading operations	Group operating profit	See Note A1	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 non-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 on an IFRS 16 basis is provided in Note 2 to the condensed financial statements, and on an IAS 17 basis in Note A1.

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Income Statement Measures (continued)			
Non-underlying items	None	Refer to definition and see Note A5	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 on an IFRS 16 basis is provided in Note 3 to the condensed financial statements, and on an IAS 17 basis in Note A5.
Headline earnings / (loss) per share	Earnings per share	Non-underlying items and dilutive effect of shares under option see Note A3	Headline earnings per share is defined as Headline (Loss) / profit for the year 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 and Note A3.
Effective tax rate	None	Non-underlying items see Notes A2 and A5	Total income tax credit / charge excluding the tax impact of non-underlying items divided by Group Headline (loss) / profit before tax. See Note 6 on an IFRS 16 basis, and Notes A2 and A5 on an IAS 17 basis.
Fixed charges cover	None	Refer to definition	This performance measure calculates the number of times Profit before tax covers the total fixed charges included in calculating profit or loss. Fixed charges included in this measure are net finance charges (excluding finance charges from IFRS 16 leases) and net operating lease rentals stated on an IAS 17 basis. The calculation of this measure is outlined in Note A4.
Gross margin	Gross profit margin	Not applicable	Where referred to throughout the Interim statement, gross margin is calculated as gross profit divided by revenue. As a result of the effect of the Covid-19 pandemic, this measure has not been utilised in the current period.
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. As a result of the effect of the Covid-19 pandemic, this measure has not been utilised in the current period.
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 as defined on an IAS 17 basis. Lease liabilities recognised as a result of IFRS 16 are excluded from this measure. A reconciliation of Net debt is provided in Note A7.
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 before the cash flow effect of non-underlying items and pension funding, less net capital expenditure. The components of free cash flow are shown in Note A6 and on page 12 as part of the Group Overview.
Operating cash flow	None	Refer to definition	Operating cash flow is defined as Headline Group operating profit / (loss) before depreciation, amortisation and impairment and other non-cash items. See Group Overview on page 12.

WH Smith PLC
Glossary (continued)

A1. Reconciliation of Headline to Statutory Segmental trading (loss) / profit and (Loss) / profit for the period (unaudited)

	6 months to 28 Feb 2021					6 months to 29 Feb 2020				
	IAS 17 Basis			IFRS 16 Basis		IAS 17 Basis			IFRS 16 Basis	
£m	Headline	Non-underlying items	Total	IFRS 16 adjustments	Total	Headline	Non-underlying items	Total	IFRS 16 adjustments	Total
Travel trading (loss) / profit[1]	(28)	-	**(28)**	(3)	**(31)**	49	-	49	1	50
High street trading profit	24	-	**24**	9	**33**	44	-	44	3	47
Group (loss) / profit from trading operations	(4)	-	**(4)**	6	**2**	93	-	93	4	97
Unallocated costs	(9)	-	**(9)**	-	**(9)**	(9)	-	(9)	-	(9)
Headline Group operating (loss) / profit	(13)	-	**(13)**	**6**	**(7)**	84	-	84	4	88
Non-underlying items	-	(18)	**(18)**	(3)	**(21)**	-	(17)	(17)	-	(17)
Group operating (loss) / profit	(13)	(18)	**(31)**	3	**(28)**	84	(17)	67	4	71
Finance costs	(6)	-	**(6)**	(4)	**(10)**	(4)	-	(4)	(4)	(8)
(Loss) / profit before tax	(19)	(18)	**(37)**	(1)	**(38)**	80	(17)	63	-	63
Income tax credit / (expense)	1	2	**3**	-	**3**	(15)	-	(15)	-	(15)
(Loss) / profit for the period	(18)	(16)	**(34)**	(1)	**(35)**	65	(17)	48	-	48
Attributable to:										
Equity holders of the parent	(18)	(16)	**(34)**	(1)	**(35)**	64	(17)	47	-	47
Non-controlling interests	-	-	**-**	-	**-**	1	-	1	-	1
	(18)	(16)	**(34)**	(1)	**(35)**	65	(17)	48	-	48

[1] Includes International Trading loss of £9m under IAS 17 (2020: profit of £9m) and £12m under IFRS 16 (2020: profit of £10m).

WH Smith PLC
Glossary (continued)

A2. Reconciliation of Headline to Statutory tax (credit) / expense (unaudited)

£m	6 months to 28 Feb 2021 IAS 17	IFRS 16 adjustments	IFRS 16	6 months to 29 Feb 2020 IAS 17	IFRS 16 adjustments	IFRS 16
Headline (loss) / profit before tax	**(19)**	**2**	**(17)**	80	-	80
Tax on profit	**-**	**-**	**-**	5	-	5
Standard rate of UK corporation tax 19.00% (2020: 19.00%)						
Adjustment in respect of prior year UK corporation tax	**-**	**-**	**-**	-	-	-
Total current tax charge	**-**	**-**	**-**	5	-	5
Deferred tax – current year	**(1)**	**1**	**-**	10	-	10
Deferred tax – prior year	**-**	**-**	**-**	-	-	
Tax on Headline (loss) / profit	**-**	**-**	**-**	15	-	15
Tax on non-underlying items	**(2)**	**(1)**	**(3)**	-	-	-
Total tax on (loss) / profit	**(3)**	**-**	**(3)**	15	-	15

A3. Reconciliation of Headline to Statutory (loss) / earnings per share (unaudited)

	6 months to 28 Feb 2021					6 months to 29 Feb 2020				
	IAS 17 Basis			**IFRS 16 Basis**		IAS 17 Basis			IFRS 16 Basis	
£m	**Headline**	**Non-underlying items**	**Total**	**IFRS 16 adjustments**	**Total**	Headline	Non-underlying items	Total	IFRS 16 adjustments	Total
(Loss) / profit for the year, attributable to equity holders of the parent	**(18)**	**(16)**	**(34)**	**(1)**	**(35)**	64	(17)	47	-	47
Weighted average shares in issue for earnings per share			**131**		**131**			113		113
Weighted average shares in issued for diluted earnings per share			**132**		**132**			114		114
Basic (loss) / earnings per share	**(13.7)p**	**(12.3)p**	**(26.0)p**	**(0.7)p**	**(26.7)p**	56.6p	(15.0)p	41.6p	-p	41.6p
Diluted (loss) / earnings per share	**(13.6)p**	**(12.2)p**	**(25.8)p**	**(0.7)p**	**(26.5)p**	56.1p	(14.9)p	41.2p	-p	41.2p

A4. Fixed charges cover (unaudited)

£m	6 months to 28 Feb 2021	6 months to 29 Feb 2020
Net finance costs (pre-IFRS 16)	**6**	4
Net operating lease rentals (pre-IFRS 16)	**58**	125
Total fixed charges	**64**	129
Headline (Loss) / profit before tax	**(19)**	80
Headline (Loss) / profit before tax and fixed charges	**45**	209
Fixed charges cover – times	**0.7x**	1.6x

A5. Non-underlying items on pre-IFRS 16 and IFRS 16 bases (unaudited)

	6 months to 28 Feb 2021		6 months to 29 Feb 2020	
£m	**IAS 17**	**IFRS 16**	IAS 17	IFRS 16
Costs relating to business combinations				
- Transaction costs	-	-	11	11
- Integration costs	1	1	2	2
Amortisation of acquired intangible assets	2	2	1	1
Costs directly attributable to Covid-19				
- Impairment of property, plant and equipment	6	5	3	3
- Impairment of right-of-use assets	-	9	-	-
- Other property costs	2	-	-	-
- Write-down of inventories	5	5	-	-
- Restructuring costs	2	2	-	-
- Other	-	(3)	-	-
Non-underlying items, before tax	**18**	**21**	**17**	**17**
Tax credit on non-underlying items	(3)	(3)	-	-
Non-underlying items, after tax	**15**	**18**	**17**	**17**

Non-underlying items on a pre-IFRS 16 basis are calculated on a consistent basis with IFRS 16, with the exception of the below items.

A tax credit of £3m has been recognised in relation to the above items (£3m under IAS 17).

Impairment of property, plant and equipment and right-of-use assets

The impairment charge recognised on an IAS 17 basis differs from that recognised under IFRS 16. This is mainly due to a lower asset base under IAS 17, coupled with lower expected store cash flows, with rental expenses being included in the forecast cash flows (treated as financing costs under IFRS 16), and a higher discount rate. The calculation of the Group's weighted average cost of capital differs under IFRS 16 versus IAS 17. The pre-tax discount rate used in the IFRS 16 calculation was 9.3% and the pre-tax discount rate used in the IAS 17 calculation was 11.3%.

Right-of-use assets are not recognised under IAS 17.

A5. Non-underlying items on pre-IFRS 16 and IFRS 16 bases (unaudited) (continued)

Other property costs

Other property costs on a pre-IFRS 16 basis include provisions for onerous lease contracts; on an IFRS 16 basis, onerous lease contracts are recognised as an impairment of the right-of-use asset. As a result of the impact of Covid-19, the Group has carried out a review of leases where the obligations of those leases exceed the potential economic benefits expected to be received under them. We anticipate that a number of stores will not fully recover to pre-Covid-19 sales levels and have accelerated our internal forecasts for the rate of sales decline in those locations. As a result, we have recognised onerous provisions of £2m for stores where we now anticipate we will make a cash loss over the remaining term of their leases.

The Group's IAS 17 property provisions represent the present value of unavoidable future net lease obligations and related costs of leasehold property (net of estimated sublease income and adjusted for certain risk factors) where the space is vacant, loss-making or currently not planned to be used for ongoing operations. The unwinding of the discount is treated as an imputed interest charge. These provisions represent the best estimate of the liability at the time of the balance sheet date, the actual liability being dependent on future events such as economic environment and marketplace demand. Expectations will be revised each period until the actual liability arises, with any difference accounted for in the period in which the revision is made.

A6. Free cash flow (unaudited)

£m	**Note**	**6 months to 28 Feb 2021**	6 months to 29 Feb 2020
Cash generated from operating activities	11	**34**	79
Interest paid		**(7)**	(6)
Net cash inflow from operating activities		**27**	73
Impact of IFRS 16 (Note A8)		**(41)**	(48)
Add back:			
- Cash impact of non-underlying items		**22**	16
- Pension funding		**1**	1
Deduct:			
- Purchase of property, plant and equipment		**(16)**	(35)
- Purchase of intangible assets		**(6)**	(6)
Free cash flow		**(13)**	1

A7. Net debt (unaudited)

£m	**Note**	**6 months to 28 Feb 2021**	6 months to 29 Feb 2020
Borrowings			
- Revolving credit facility		**-**	(45)
- Bank loans		**(400)**	(400)
- Lease liabilities		**(509)**	(577)
Liabilities from financing activities		**(909)**	(1,022)
Cash and cash equivalents		**72**	45
Net debt (IFRS 16)	10	**(837)**	(977)
- Add back lease liabilities recognised under IFRS 16[1]		**501**	566
Net debt (IAS 17)		**(336)**	(411)

[1]Excludes lease liabilities previously recognised under IAS 17 as finance leases.

A8. Cash flow disclosure impact of IFRS 16 (unaudited)

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 28 Feb 2021 IAS 17	IFRS 16 Adjustment	6 months to 28 Feb 2021 IFRS 16
Net cash flows from operating activities	(14)	41	27
Net cash outflows from investing activities	(21)	-	(21)
Net cash outflows from financing activities	(1)	(41)	(42)
Net decrease in cash in the period	**(36)**	**-**	**(36)**

A9. Balance sheet impact of IFRS 16 (unaudited)

The impact on the Balance Sheet of the IFRS 16 at 28 February 2021 was as follows:

£m	At 28 Feb 2021 IAS 17	IFRS 16 Adjustment	At 28 Feb 2021 IFRS 16
Goodwill and other intangible assets	472	(1)	471
Property, plant and equipment	178	4	182
Right-of-use assets	-	370	370
Investments in joint ventures	2	-	2
	652	373	1,025
Inventories	123	-	123
Payables less receivables	(181)	33	(148)
Working capital	(58)	33	(25)
Derivative financial liability	(1)	-	(1)
Net current and deferred tax asset	20	12	32
Provisions	(27)	13	(14)
Operating assets employed	**586**	**431**	**1,017**
Net debt	(336)	(501)	(837)
Net assets excluding pension liability	**250**	**(70)**	**180**
Pension liability	(4)	-	(4)
Deferred tax asset on pension liability	1	-	1
Total net assets	**247**	**(70)**	**177**

A10. Operating lease expense under IAS 17 (unaudited)

Amounts recognised in Headline Group operating profit on a pre-IFRS 16 basis are as follows:

£m	6 months to 28 Feb 2021	6 months to 29 Feb 2020
Minimum lease payments	**53**	86
Contingent rent payments	**5**	39
Total rent paid	**58**	125
Sublease rentals received on operating leases	**-**	-
Net operating lease charges	**58**	125

The Group applies IFRS 16, which requires lessees to account for all leases under a single on-balance sheet model as the distinction between operating and finance leases is removed. Information presented to the Board is prepared in accordance with the Group's IFRS accounting policies, with the exception of IFRS 16, therefore in order to provide comparable information, the Group has chosen to present Headline measures of operating profit/(loss) and profit/(loss) before tax, as explained in Note 2 Segmental analysis.

The table above presents the pre-IFRS 16 net operating lease charges, applying the principles of IAS 17, and Group accounting policies as applicable prior to 1 September 2019, per Note 1 to the condensed financial statements.

The Group leases various properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The Group has a number of lease arrangements in which the rent payable is contingent on revenue. Contingent rentals payable, based on store revenues, are accrued in line with revenues generated.

The average remaining lease length across the Group is 4 years.

Rentals payable and receivable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Temporary rent reductions due to Covid-19, affecting rent payments due on or before June 2021, have been recognised in the Income statement in the period they are received.

WH Smith PLC

Appendix

Analysis of retailing stores and selling space

Number of High Street stores[1]

	1 Sept 2020	Opened	Closed	28 Feb 2021
Total	571	-	(9)	562

[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 2020	Opened	Closed	28 Feb 2021
Non franchise units	824	5	(25)	804
Joint Venture and Franchise units[2]	350	21	(7)	364
Total	1,174	26	(32)	1,168

[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 2020	Opened	Closed	28 Feb 2021
High Street	2,682	-	(30)	2,652
Travel	1,000	30	(42)	987
Total	3,682	30	(72)	3,639

Total Retail selling square feet does not include franchise units.