

19 April 2012

WH SMITH PLC
INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

Good performance across the Group with profits in line with expectations, EPS up 14% and interim dividend up 15%

KEY POINTS

- Group profit from trading operations¹ up 3% to £74m (2011: £72m)
 - Good performance from Travel with operating profit¹ up 8% to £27m (2011: £25m)
 - Robust performance from High Street with operating profit¹ of £47m (2011: £47m)
- Total Group profit before tax of £66m (2011: £64m)
- Earnings per share² up 14% to 40.0p (2011: 35.2p)
- Interim dividend of 8.3p, up 15% on the prior year
- Strong balance sheet and cash generation
 - Strong free cash flow³ of £63m for the half
 - Net cash of £53m as at 29 February 2012
 - Good progress with return of cash to shareholders through on market share buyback programme
- Group total sales down 3% with like-for-like (LFL) sales down 5%:
 - Travel total sales up 2% with LFL sales down 3%
 - High Street total sales down 5% with LFL sales excluding Entertainment down 4% and overall LFL sales down 6%, in line with our strategic plan
- Gross margin improved by 130 basis points, in line with plan
- Good progress in Travel's growing international business with 80 units now open or agreed
- Cost savings in High Street delivered £2m ahead of plan, with a further £3m identified for the second half

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

“We have delivered a good performance with profits increasing in the first half of the year. In Travel we have grown operating profit by 8% and have made further good progress in our international channel with 80 units either open or agreed. Our High Street business continues to deliver strong cash generation, with gross margin improvement and costs tightly controlled.

“The Group remains cash generative enabling us to invest in our businesses and new opportunities, whilst also returning cash to shareholders. We have returned £33m to shareholders through the share buyback announced in August 2011 and we have today increased the interim dividend by 15%.

“Looking ahead, we expect the trading environment to be challenging, however we are a resilient business with a consistent record of both profit growth and cash generation and we have opportunities for growth in the UK and internationally.”

¹ Group profit from trading operations and High Street and Travel operating profit are stated after directly attributable share-based payment and pension service charges and before central costs, interest and taxation

² Diluted

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

- Ends -

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WH Smith PLC's Interim Results 2012 are available at www.whsmithplc.co.uk. A copy of the Interim Results 2012 will shortly be available for inspection at the UK Listing Authority, 25 The North Colonnade, London E14 5HS.

FINANCIAL REVIEW

Group Summary

Group profit from trading operations¹ increased 3% on the prior year to £74m and the Group generated profit before tax of £66m (2011: £64m), an increase of 3% on the prior year. The Group is now more balanced, with the first half of the year representing around two thirds of annual Group profit compared to all of Group profit six years ago.

Total Group sales were £665m (2011: £686m) with LFL sales down 5%. Travel sales grew by 2% to £217m, down 3% on a LFL basis. High Street sales were down 5% at £448m and down 6% on a LFL basis (excluding Entertainment, LFL sales were down 4%).

Travel delivered a good performance, with operating profit¹ increasing by 8% to £27m, with sales up 2% and further improvement in gross margin, in line with plan. We continue to identify further space opportunities and in the UK opened 18 units in the period, giving us a total of 544 units in this country. In our growing international channel we opened a further 10 units in the first half. We now have 42 units open in this channel. We have today announced a further 20 new units, giving us a total of 80 units either open or agreed in international locations. The business continues to be well positioned for further growth both in the UK and internationally. As at 29 February 2012, Travel operated from 586 units in total.

High Street delivered a robust performance with operating profit¹ of £47m, in line with the prior year, with strong cash generation. We continue with our strategy to rebalance the mix of the business towards our core categories whilst reducing our presence in Entertainment. Gross margin improved in the period, in line with plan, and costs were tightly controlled, reflecting the trading conditions. Cost savings of £8m were delivered, £2m ahead of plan. As at 29 February 2012, High Street operated from 611 stores.

Earnings per share² increased by 14% to 40.0p (2011: 35.2p). This reflects the increase in profit, a lower basic weighted average number of shares in issue following the share buyback, and a decrease in the effective tax rate from 21% to 18%.

The Group remains highly cash generative and has a strong balance sheet. Net cash was £53m at 29 February 2012 with a Group free cash flow³ of £63m. The Group has a committed multi-currency revolving credit facility of £70m through to January 2016.

On the 31 August 2011 the Board announced a further £50m return of cash to shareholders through a rolling share buyback programme. As at 18 April we have purchased 6.2m shares and returned £33m of cash to shareholders.

The Board has declared an interim dividend of 8.3p per share, a 15% increase on last year.

¹ Group profit from trading operations and High Street and Travel operating profit are stated after directly attributable share-based payment and pension service charges and before central costs, interest and taxation

² Diluted

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

The increase in interim dividend reflects the Board's confidence in the future prospects of the Group and the continuing strong cash generative nature of the business. We continue to invest in the business, including capital expenditure in the period of £19m, whilst consistently growing dividends and returning cash to shareholders. By the end of this financial year, including the share buyback announced on 31 August 2011 and the declared interim dividend, we will have returned £377m of cash to shareholders since 2007. We have done this through a combination of ordinary dividends, share buybacks and a special dividend.

Financial Year	Ordinary Dividend £m	Buyback £m	Special Dividend £m	Total £m
2012	31 ¹	50 ²	-	81
2011	29	55	-	84
2010	26	35	-	61
2009	23	-	-	23
2008	21	33	57	111
2007	17	-	-	17
	147	173	57	377

¹ Cash dividend paid and interim dividend declared

² Buyback announced on 31 August 2011

Trading Operations

Travel

Travel delivered another good profit performance despite the current economic climate and we continued to focus on gross margin and costs. Operating profit¹ increased by 8% to £27m (2011: £25m) as a result of higher sales and an increase in gross margin. We continue to benefit from variable rents based on turnover and are well positioned when the economy improves and passenger numbers return to growth.

Total Travel sales grew by 2% driven by new business. LFL sales were down by 3%, reflecting continued soft passenger numbers. Gross margin increased by around 130bps during the period, in line with plan, driven by active category mix management.

We continue to identify opportunities for growth in the UK and opened 18 new units in the period, including: 2 in air, 2 in rail, 2 in motorway service areas, 2 in hospitals and 3 workplace units. We are pleased with the performance of our standalone Funky Pigeon stationery stores and opened 5 in the period, bringing the total now open to 9. During the second half of the year we plan to open a total of 17 units in Travel in the UK: 5 in air, 3 in rail, 5 in hospitals and 4 workplace units.

In our international markets, the WHSmith brand and offer continue to be well received and we have demonstrated we can add value and deliver improved performance in each location. We have made further good progress in a number of regions, including India, Australia and the Middle East and have today announced 20 new units: 8 in India, 2 in Australia, 2 in Qatar, 2 in Gibraltar, 2 further units in Dubai, 2 units in Fiji and 2 units in Saudi Arabia. We now have a total of 80 units either open or agreed, including units in air, rail, malls and hospitals.

We will continue to grow our international channel in a low risk and pragmatic way, utilising our different operating models: direct lease, franchise and joint-venture. Of the 80 units we have already won, 71% are franchise, 23% direct lease and the remainder are joint venture.

The Travel business now operates from 586 units, including motorway service area franchise units and coffee shops. Three units were closed in the period, primarily due to landlord redevelopment. We renewed 22 contracts and completed 13 refits during the period. Excluding franchise units, Travel occupies 0.5m square feet (2011: 0.4m square feet).

¹ Group profit from trading operations and High Street and Travel operating profit are stated after directly attributable share-based payment and pension service charges and before central costs, interest and taxation

High Street

High Street delivered a resilient profit performance in challenging trading conditions, with an operating profit¹ of £47m (2011: £47m). This was achieved through continuing with our strategy to focus on our core categories and rebalance the mix away from Entertainment, whilst focusing on optimising margins, tightly controlling costs and delivering the retailing basics. Cash generation in the division continues to be strong.

High Street sales were down 5% in total and down 6% on a LFL basis, in line with our strategic plan. Excluding Entertainment, LFL sales were down 4%. Gross margin improved by around 130bps, in line with plan, through rebalancing the mix of our business, better buying terms, and improved sourcing and markdown management.

High Street delivered £8m of cost savings during the period, £2m ahead of plan. These came from a number of areas across the business, including our store energy plan and other operational efficiencies, which continue to progress well. We have identified a further £3m of new cost savings for the second half, including supply chain efficiencies and therefore expect full year cost savings to be £17m, £5m ahead of our previously published targets.

The High Street business now operates from 611 stores, which occupy 3.1m square feet (2011: 3.0m square feet). We opened 3 new stores during the period in line with our strategy to open in unserved catchments. Four stores were closed, primarily due to landlord redevelopment.

Category Performance

Stationery:

We continue with our strategy to build on our market leading position in Stationery. LFL sales were down 2%, but we saw an encouraging share performance across both general and seasonal stationery. We managed our stock tightly in all categories, given the trading conditions, which helped support further improvement in gross margin in the period. Our new Christmas gifting ranges, such as stocking fillers and Gadgetshop products performed well and we will continue to develop these ranges for Christmas this year. We also saw a strong performance from funkypigeon.com over the Christmas period and Valentine's Day. Following its success in the UK, we have recently launched the brand online in the Irish Republic.

Books:

In Books, LFL sales were down 8% but gross margin was up year on year. The books market remains soft, however performance continues to vary by sub-category. Kids saw an improvement year on year whilst Fiction and particularly Non-Fiction annualised strong publishing from the prior year. We saw encouraging share performance versus the general retail market across all three categories, reinforcing the strength of our consumer proposition. We continue to develop our presence in the eBooks market through our partnership with Kobo Inc. and throughout the period have successfully built awareness of the brand and the product offer. Whilst it is still early days, initial performance is encouraging and we plan to further develop the offer throughout this year.

News and Impulse:

News and Impulse LFL sales were down by 3% year on year with further improvement in gross margin and we continued to grow our market share. The newspaper and magazine market remains challenging, however we continue to develop the strongly-growing bookazine category with our range now consisting of over one hundred titles, including a number of new technology and lifestyle editions. Impulse categories continue to perform well, with a strong performance from seasonal ranges in the period.

Entertainment:

Entertainment LFL sales were down 47% in line with our strategy to reduce our presence in the category.

¹ Group profit from trading operations and High Street and Travel operating profit are stated after directly attributable share-based payment and pension service charges and before central costs, interest and taxation

Non-Operating Activities

Net Investment Income

Net finance income was £nil (2011: £nil) reflecting the current low rates of interest on cash balances.

Fixed Charges Cover

Fixed charges, comprising property operating lease rentals and net finance charges, were covered 1.7 times (2011: 1.7 times) by profit before tax and fixed charges. In the full year we expect fixed charges cover to be consistent with the prior year at around 1.5 times.

Cash Flow and Balance Sheet

The Group generated £63m of free cash flow during the period.

£m	2012	2011
Operating profit	66	64
Depreciation, amortisation & amounts written off fixed assets	18	19
Working capital	(1)	-
Net capital expenditure	(19)	(17)
Tax	(5)	5
Net interest received	-	-
Net provisions	-	(1)
Other items	4	4
Free cash flow	63	74

The cash outflow from working capital was £1m in the period, with the increase in inventories offset by efficient management of payables and receivables. Capital expenditure was £19m in the period, a £2m increase on the prior year reflecting the timing of spend and includes new stores in High Street and Travel together with the ongoing capital refurbishment of the existing estate. Net corporation tax paid was £5m in the period compared to a receipt of £5m last year which included a tax refund relating to a repayment on account of an unresolved item from prior years. As at 29 February 2012 the Group had returned £21m of cash to shareholders as part of the share buyback programme and had net cash of £53m. The cash generative nature of the High Street and Travel businesses is one of the strengths of the Group.

The Group had net assets of £162m at the end of the period, an increase of £6m since 31 August 2011, reflecting the cash generated in the period offset by the share buyback programme.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year remain those detailed on pages 17 and 18 of the Group's Annual Report and Accounts 2011, a copy which is available on the Group's website at www.whsmithplc.co.uk. These include: economic, political and market risks; reliance on the WHSmith brand; key suppliers and supply chain management; store portfolio; business interruption; reliance on key personnel; treasury and financial risk; and pensions and investment risk.

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

WH Smith PLC

Group Income Statement

For the 6 months to 29 February 2012

£m	Note	6 months to 29 Feb 2012 (unaudited)	6 months to 28 Feb 2011 (unaudited)	12 months to 31 Aug 2011 (audited)
Continuing operations				
Revenue	2	665	686	1,273
Operating profit		66	64	93
Investment income		1	1	1
Finance costs		(1)	(1)	(1)
Profit before tax		66	64	93
Income tax expense	4	(12)	(13)	(20)
Profit for the period		54	51	73
Earnings per share				
Basic	6	40.9p	35.7p	52.1p
Diluted	6	40.0p	35.2p	51.4p
Non GAAP measures				
Equity dividends per share ¹	5	8.3p	7.2p	22.5p
Fixed charges cover	7	1.7x	1.7x	1.5x

¹ Current period dividend per share is the interim dividend.

WH Smith PLC

Group Statement of Comprehensive Income

For the 6 months to 29 February 2012

£m	Note	6 months to 29 Feb 2012 (unaudited)	6 months to 28 Feb 2011 (unaudited)	12 months to 31 Aug 2011 (audited)
Profit for the period		54	51	73
Other comprehensive income:				
Actuarial losses on defined benefit pension schemes	3	(8)	(7)	(14)
Exchange differences on translation of foreign operations		1	-	(1)
Other comprehensive income for the period, net of tax		(7)	(7)	(15)
Total comprehensive income for the period		47	44	58

WH Smith PLC

Group Balance Sheet

As at 29 February 2012

£m	Note	At 29 Feb 2012 (unaudited)	At 28 Feb 2011 (unaudited)	At 31 Aug 2011 (audited)
Non-current assets				
Goodwill		32	32	32
Other intangible assets		23	23	24
Property, plant and equipment		152	154	151
Deferred tax assets		8	9	7
Trade and other receivables		3	4	4
		218	222	218
Current assets				
Inventories		156	152	154
Trade and other receivables		55	58	57
Current tax asset		-	7	7
Cash and cash equivalents	8	53	70	41
		264	287	259
Total assets		482	509	477
Current liabilities				
Trade and other payables		(244)	(247)	(247)
Current tax liabilities		(44)	(56)	(44)
Short-term provisions		(4)	(3)	(3)
		(292)	(306)	(294)
Non-current liabilities				
Retirement benefit obligation	3	-	-	-
Deferred tax liabilities		(6)	(4)	(6)
Long-term provisions		(6)	(5)	(6)
Other non-current liabilities		(16)	(15)	(15)
		(28)	(24)	(27)
Total liabilities		(320)	(330)	(321)
Total net assets		162	179	156
Shareholders' equity				
Called up share capital		30	32	31
Share premium		2	1	2
Capital redemption reserve		7	5	6
Revaluation reserve		2	2	2
ESOP reserve		(23)	(20)	(25)
Hedging & Translation reserves		(2)	(2)	(3)
Other reserve		(212)	(207)	(207)
Retained earnings		358	368	350
Total equity		162	179	156

WH Smith PLC

Group Cash Flow Statement

For the 6 months to 29 February 2012

£m	Note	6 months to		12 months to
		29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	31 Aug 2011 (audited)
Net cash inflow from operating activities	9	75	84	118
Investing activities				
Purchase of property, plant and equipment		(23)	(15)	(36)
Purchase of intangible assets		(2)	(2)	(5)
Proceeds on disposal of property, plant and equipment		6	-	5
Acquisition of business		-	-	(1)
Net cash outflow from investing activities		(19)	(17)	(37)
Financing activities				
Dividend paid		(20)	(19)	(29)
Purchase of own shares for cancellation		(21)	(27)	(55)
Net purchase of own shares for employee share schemes		(3)	(7)	(12)
Net cash used in financing activities		(44)	(53)	(96)
Net increase / (decrease) in cash and cash equivalents in period		12	14	(15)
Opening net cash and cash equivalents		41	56	56
Closing net cash and cash equivalents		53	70	41

Reconciliation of net cash flow to movement in net funds

£m	Note	6 months to		12 months to
		29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	31 Aug 2011 (audited)
Net funds at beginning of the period		41	56	56
Increase / (decrease) in cash and cash equivalents		12	14	(15)
Net funds at end of the period	8	53	70	41

WH Smith PLC

Group Statement of Changes in Equity

For the 6 months to 29 February 2012

£m	Share capital and share premium	Capital redemption reserve	Revaluation reserve	ESOP reserve	Hedging and translation reserves	Other reserve	Retained earnings	Total
Balance at 1 September 2011	33	6	2	(25)	(3)	(207)	350	156
Total comprehensive income for the period	-	-	-	-	1	-	46	47
Recognition of share-based payments	-	-	-	-	-	-	4	4
Dividends paid	-	-	-	-	-	-	(20)	(20)
Employee share schemes	-	-	-	2	-	(5)	-	(3)
Purchase of own shares for cancellation	(1)	1	-	-	-	-	(22)	(22)
Balance at 29 February 2012 (unaudited)	32	7	2	(23)	(2)	(212)	358	162
Balance at 1 September 2010	34	4	2	(29)	(2)	(191)	368	186
Total comprehensive income for the period	-	-	-	-	-	-	44	44
Recognition of share-based payments	-	-	-	-	-	-	4	4
Dividends paid	-	-	-	-	-	-	(19)	(19)
Employee share schemes	-	-	-	9	-	(16)	-	(7)
Purchase of own shares for cancellation	(1)	1	-	-	-	-	(29)	(29)
Balance at 28 February 2011 (unaudited)	33	5	2	(20)	(2)	(207)	368	179
Balance at 1 September 2010	34	4	2	(29)	(2)	(191)	368	186
Total comprehensive income / (loss) for the period	-	-	-	-	(1)	-	59	58
Recognition of share-based payments	-	-	-	-	-	-	8	8
Deferred tax on share-based payments	-	-	-	-	-	-	(1)	(1)
Premium on issue of shares	1	-	-	-	-	-	-	1
Dividends paid	-	-	-	-	-	-	(29)	(29)
Employee share schemes	-	-	-	4	-	(16)	-	(12)
Purchase of own shares for cancellation	(2)	2	-	-	-	-	(55)	(55)
Balance at 31 August 2011 (audited)	33	6	2	(25)	(3)	(207)	350	156

The 'Other' reserve includes reserves created in relation to the historical capital reorganisation, proforma restatement and the demerger from Smith News PLC in 2006, as well as movements relating to employee share schemes of £5m (2011: £16m).

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 29 February 2012

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

The Interim Financial Statements for the 6 months ended 29 February 2012 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. This report should be read in conjunction with the Group's Annual Report and Accounts 2011, which have been prepared in accordance with IFRSs as adopted by the European Union.

The financial information set out in this report does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The Annual Report and Accounts 2011 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under s498(2) or s498(3) of the Companies Act 2006.

The Interim Financial Statements have been prepared in accordance with the accounting policies set out in the 2011 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 2012.

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

Improvements to IFRSs May 2010

IAS 24	Related Party Disclosures
IFRS 7	Disclosures – Transfers of Financial Assets
Amendment to IFRIC 14	Prepayments of a Minimum Funding Requirement

The Group's business activities together with the factors that are likely to affect its future developments, performance and position are set out in the Financial Review. The Financial Review describes the Group's financial position, cash flows and borrowing facilities and also highlights the principal risks and uncertainties facing the Group. The Annual Report and Accounts 2011 includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

The Interim Financial Statements are unaudited but have been reviewed by our auditors and were approved by the Board of Directors on 19 April 2012.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 29 February 2012

2 Segmental analysis of results

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

a) Group revenue

£m	6 months to		12 months to
	29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	31 Aug 2011 (audited)
Continuing operations			
Travel	217	213	455
High Street	448	473	818
Group revenue	665	686	1,273

Seasonality

Sales in the High Street business are subject to seasonal fluctuations, with peak demand in the Christmas trading period, which falls in the first half of the Group's financial year. For the 26 weeks ended 29 February 2012, the level of High Street sales represented 55% (2011: 55%) of the annual level of High Street sales in the year ended 31 August 2011.

b) Group results

£m	6 months to		12 months to
	29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	31 Aug 2011 (audited)
Continuing operations			
Travel	27	25	57
High Street	47	47	52
Profit from trading operations	74	72	109
Unallocated costs	(8)	(8)	(16)
Profit before finance charges and taxation	66	64	93
Investment income	1	1	1
Finance costs	(1)	(1)	(1)
Income tax expense	(12)	(13)	(20)
Profit for the period	54	51	73

Group profit before finance charges and taxation for the period to 29 February 2012 is stated after the write-down of inventories to net realisable value, £2m (2011: £2m).

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 29 February 2012

3 Retirement benefit obligation

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

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

£m	At 29 Feb 2012 (unaudited)	At 28 Feb 2011 (unaudited)	At 31 Aug 2011 (audited)
WH Smith Pension Trust	-	-	-
United News Shops Retirement Benefits Scheme	-	-	-
Retirement benefit obligation recognised in the balance sheet	-	-	-

WHSmith Pension Trust

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

£m	At 29 Feb 2012 (unaudited)	At 28 Feb 2011 (unaudited)	At 31 Aug 2011 (audited)
Present value of the obligations	(774)	(705)	(716)
Fair value of plan assets	920	786	785
Surplus in scheme	146	81	69
Amounts not recognised	(146)	(81)	(69)
Retirement benefit obligation recognised in the balance sheet	-	-	-

Movement in net retirement benefit surplus during the period:

£m	6 months to 29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	12 months to 31 Aug 2011 (audited)
At beginning of period	69	25	25
Current service cost	-	-	-
Interest income	1	1	1
Contributions	7	7	14
Actuarial gains and losses	69	48	29
At end of period	146	81	69

The defined benefit pension schemes are closed to further accrual and given the Liability Driven Investment policy adopted by the WHSmith Pension Trust Trustees, the present value of the economic benefits of the IAS 19 surplus in the pension scheme of £146m (2011: £81m) available on a reduction of future contributions is £nil (2011: £nil). As a result the Group has not recognised this IAS 19 surplus on the balance sheet. There is an ongoing actuarial deficit primarily due to the different assumptions and calculation methodologies used compared to those under IAS 19.

A full actuarial valuation of the scheme is carried out every three years, with interim reviews in the intervening years. The latest full actuarial valuation of the Pension Trust was carried out at 31 March 2009 by independent actuaries using the projected unit credit method. Following this valuation, the deficit was £113m, and a revised deficit funding schedule of £11m per annum (subject to indexation) over the following ten years was agreed with the Trustee. During the period, the Group made a contribution of £7m to the WHSmith Pension Trust (2011: £7m) in accordance with the agreed pension deficit funding schedule.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 29 February 2012

3 Retirement benefit obligation (continued)

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

£m	6 months to		12 months to
	29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	31 Aug 2011 (audited)
Actuarial gains in respect of WHSmith Pension Trust	69	48	29
Amounts not recognised in respect of WHSmith Pension Trust	(77)	(56)	(44)
Actuarial gains in respect of United News Shops Retirement Benefits Scheme	-	1	1
Amounts recognised in the SOCl	(8)	(7)	(14)

4 Income tax expense

£m	6 months to		12 months to
	29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	31 Aug 2011 (audited)
Tax on profit	21	19	28
<i>Blended rate of UK corporation tax 25.58% (2011: 27.16%)</i>			
Adjustment in respect of prior year UK corporation tax	(9)	(5)	(10)
Total current tax charge	12	14	18
Deferred tax – current year	-	(1)	-
Deferred tax – prior year	-	-	2
Tax on profit	12	13	20
<i>Effective tax rate on continuing operations</i>	18%	21%	21%

5 Dividends

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

£m	6 months to		12 months to
	29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	31 Aug 2011 (audited)
Interim	-	-	10
Final	20	19	19
	20	19	29

The directors have declared an interim dividend in respect of the period ending 29 February 2012 of 8.3p per ordinary share, which will absorb an estimated £11m of shareholders' equity. This will be paid on 18 July 2012 to shareholders registered at the close of business on 15 June 2012.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 29 February 2012

6 Earnings per share

a) Basic and diluted earnings per share

Pence	6 months to		12 months to
	29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	31 Aug 2011 (audited)
Basic	40.9	35.7	52.1
Diluted	40.0	35.2	51.4

b) Weighted average share capital

Millions	6 months to		12 months to
	29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	31 Aug 2011 (audited)
Weighted average shares in issue for earnings per share	132	143	140
Add weighted average number of ordinary shares under option	3	2	2
Weighted average ordinary shares for diluted earnings per share	135	145	142

7 Fixed charges cover – Non GAAP

£m	6 months to		12 months to
	29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	31 Aug 2011 (audited)
Net finance charges	-	-	-
Net operating lease rentals	89	89	184
Total fixed charges	89	89	184
Profit before tax	66	64	93
Profit before tax and fixed charges	155	153	277
Fixed charges cover – times	1.7x	1.7x	1.5x

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 29 February 2012

8 Analysis of net funds

£m	At 29 Feb 2012 (unaudited)	At 28 Feb 2011 (unaudited)	At 31 Aug 2011 (audited)
Cash and cash equivalents	53	70	41
Net funds	53	70	41

£m	At 31 Aug 2011 (audited)	Cash flow	At 29 Feb 2012 (unaudited)
Cash and cash equivalents	41	12	53
Net funds	41	12	53

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

The Group has a £70m 5-year committed revolving credit facility. As at 29 February 2012 the facility was undrawn. The revolving credit facility is due to mature on 24 January 2016. During the period the interest rate on the facility was LIBOR plus 110bps.

9 Net cash inflow from operating activities

£m	6 months to 29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	12 months to 31 Aug 2011 (audited)
Operating profit from continuing operations	66	64	93
Depreciation and amortisation	17	18	36
Impairment losses	1	1	2
Share-based payments	4	4	8
Increase in inventories	(2)	(1)	(3)
Decrease / (increase) in receivables	3	(1)	-
(Decrease) / increase in payables	(2)	2	6
Adjustment for pension funding	(7)	(7)	(14)
Income taxes (paid) / received	(5)	5	(10)
Charge to provisions	1	-	2
Cash spend against provisions	(1)	(1)	(2)
Net cash inflow from operating activities	75	84	118

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 29 February 2012

10 Called Up Share Capital

	29 Feb 2012 (unaudited)		28 Feb 2011 (unaudited)		31 Aug 2011 (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	135	30	145	32	139	31
Total	135	30	145	32	139	31

During the six month period the Company repurchased 4,192,000 (six months to 28 February 2011: 5,957,792) of its own shares in the open market for an aggregate consideration of £22m (2011: £29m).

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

11 Contingent Liabilities

£m	At	At	At
	29 Feb 2012 (unaudited)	28 Feb 2011 (unaudited)	31 Aug 2011 (audited)
Bank and other loans guaranteed	4	3	3

Other potential liabilities that could crystallise are in respect of previous assignments of leases where the liability could revert to the Group if the lessee defaulted. Pursuant to the terms of the Demerger Agreement with Smiths News PLC, any such contingent liability, which becomes an actual liability, will be apportioned between the Group and Smith News PLC in the ratio 65:35 (provided that the actual liability of Smiths News PLC in any 12 month period does not exceed £5m). The Group's 65 per cent share of these leases has an estimated future rental commitment at 29 February 2012 of £26m (28 February 2011: £35m).

12 Related Parties

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

13 Post balance sheet events

As at 18 April 2012, the Company has repurchased a further 6.2 million of its own shares in the open market as part of the Company's share buy back programme.

WH Smith PLC

Notes to the Interim Financial Statements

For the 6 months to 29 February 2012

Statement of Directors' Responsibilities

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

The Directors of WH Smith PLC are listed in the WH Smith PLC Annual Report and Accounts 2011.

By order of the Board

Kate Swann
Group Chief Executive

Robert Moorhead
Group Finance Director

19 April 2012

INDEPENDENT REVIEW REPORT TO WH SMITH PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 29 February 2012 which comprises the group income statement, the group statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated reconciliation of movements in equity and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

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

Our responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 29 February 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
19 April 2012

WH Smith PLC

Appendix

Analysis of retailing stores and selling space

Number of High Street stores

	1 Sept 2011	Opened	Closed	29 Feb 2012
High Street	612	3	(4)	611
Total	612	3	(4)	611

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

Number of Travel units

	1 Sept 2011	Opened	Closed	29 Feb 2012
Non franchise units	413	21	(3)	431
Franchise units	136	7	-	143
Caffé Nuovo	12	-	-	12
Total	561	28	(3)	586

Retail selling square feet (millions)

	1 Sept 2011	Opened	Closed	29 Feb 2012
High Street	3.1	-	-	3.1
Travel	0.5	-	-	0.5
Total	3.6	-	-	3.6

Total Retail selling square feet does not include franchise units.