WHSmith

The global travel retailer

Annual Report and Accounts 2024

WH Smith PLC is a leading global travel retailer for travel essentials with a smaller business on the UK high street.

At the heart of our business are our people, customers and partners. We aim to deliver our vision through our strategic priorities and our forensic approach to retailing, and by constantly innovating, expanding globally, improving our profitability and delivering sustainable returns.

Financial and operational highlights

Revenue
£1.9bn

Group profit before tax
£106m

Headline Group profit before tax and non-underlying items[1]
£166m

Headline diluted earnings per share before non-underlying items[1]
89.3p

Dividend per share[2]
33.6p

Total number of stores
1,791

1 Alternative performance measure described and explained in the Glossary on page 173
2 Includes proposed final dividend of 22.6p. Subject to shareholder approval

WH Smith PLC is listed on the London Stock Exchange ("SMWH") and is included in the FTSE 250 Index. WHSmith reaches customers online via its digital channels: **whsmith.co.uk**, **funkypigeon.com** and **cultpens.com**.

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Disclaimer

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“At WHSmith, our purpose is simple: to make every one of life’s journeys better.”

Carl Cowling
Group Chief Executive

Group Chief Executive's statement

Supporting the many journeys of our colleagues, customers and shareholders around the globe is our top priority. Today, we serve customers across 32 countries and our team of 14,000 colleagues go above and beyond every day to ensure our customers' journeys are as important as their final destination.

We operate in fast growing markets, and we have ambitious goals. This means that we are constantly innovating, while focusing on operational excellence and our customers' needs. Whether our customers are visiting our stores while travelling through an airport in the UK or overseas, in a hospital or a railway station, or on their local high street, we are there for every journey. This has been key since the Company was founded in 1792, and since we opened our first Travel store over 175 years ago. We're extremely proud of our heritage, and we're even more proud of the global travel retailer we have become today.

This year, the travel retail market was set to pass a significant milestone, with passenger numbers, the key metric of the industry, exceeding 2019 levels for the first time. Supporting this, many UK travel hubs and airports consistently reported record passenger numbers throughout the year. That said, with inflation and cost-of-living pressures still at the forefront of mind for many, customers continued to prioritise quality, convenience and value, particularly in fast paced travel locations, and our team responded quickly.

During the year, we delivered a strong performance with Headline Group profit before tax and non-underlying items[1] up 16 per cent to £166m and Group revenue up seven per cent on last year to £1.9bn.

A key highlight saw us further develop our one-stop-shop format in Travel UK, our largest division, providing customers with a bespoke customer experience, encompassing everything they would expect from WHSmith, as well as a broader and improved product range, including health and beauty, tech, food to go and coffee. As part of this development, we launched our first food to go range, *Smith's Family Kitchen*, comprising over 30 high-quality, great value products, which have been well received by customers. This is one of many examples of how we continue to successfully execute our strategy and ensure WHSmith is the go-to retail destination customers turn to on their journeys.

North America is a key area of focus for the Group, and we see significant opportunities to grow this business further. This division will become an increasingly significant part of the Group and is now our second largest division in profit terms, after Travel UK. During the year, we opened 40 stores[2] in this market, as well as growing our future pipeline by winning significant tenders, including more recently a further 24 new store wins across major US airports. As the largest travel retail market in the world, we are incredibly excited about the future for WHSmith North America.

1 Alternative performance measure described and explained in the Glossary on page 173

2 See page 22 for a summary of store openings and closures in the year

In our Rest of the World division, we opened 52 stores[2] in the year, including entering Hungary, a new market for WHSmith. The fast pace of global new store openings reflects the scalability and strength of our model, and the expert understanding our teams have of customer needs in international travel environments.

Our UK High Street business continued to deliver its strategy of managing space to maximise returns and maintaining a flexible cost structure. As part of this space management, we opened 30 Toys "R" Us shop-in-shops in the second half of the financial year, and have agreed a further 37 to open ahead of Christmas 2024.

It has been a very busy year across the Group and none of this would be possible without the ongoing support and hard work of all our colleagues. Our colleagues are our top priority, and working with our colleague-led networks, we are committed to promoting an open and honest culture within the workplace where everyone can be their true self. Championing the career journeys of our people is also extremely important to us. We know that by providing the right support, we can create a better business for the future.

For our stakeholders, value creation remains central to our journey and we will continue to execute our successful strategy, while investing for the longer term where we see attractive opportunities for profitable growth.

Carl Cowling
Group Chief Executive

14 November 2024

Our global travel business

As a leading global travel retailer, we employ c.14,000 colleagues to operate our stores across the world to serve our customers on their journeys. We operate in fast growing markets and our business is growing at pace through new store openings and entering new markets.

106
New stores opened in 2024[1]

c.14,000
colleagues

32
countries

Travel UK

Travel UK is the largest division in the Group and operates stores in a wide range of locations, including airports, the largest channel, as well as hospitals, railway stations and motorway service areas across the UK. Our strategy is to become a one-stop-shop for travel essentials across UK transport hubs, supporting customers on their journeys.

Stores
594

Revenue
£795m

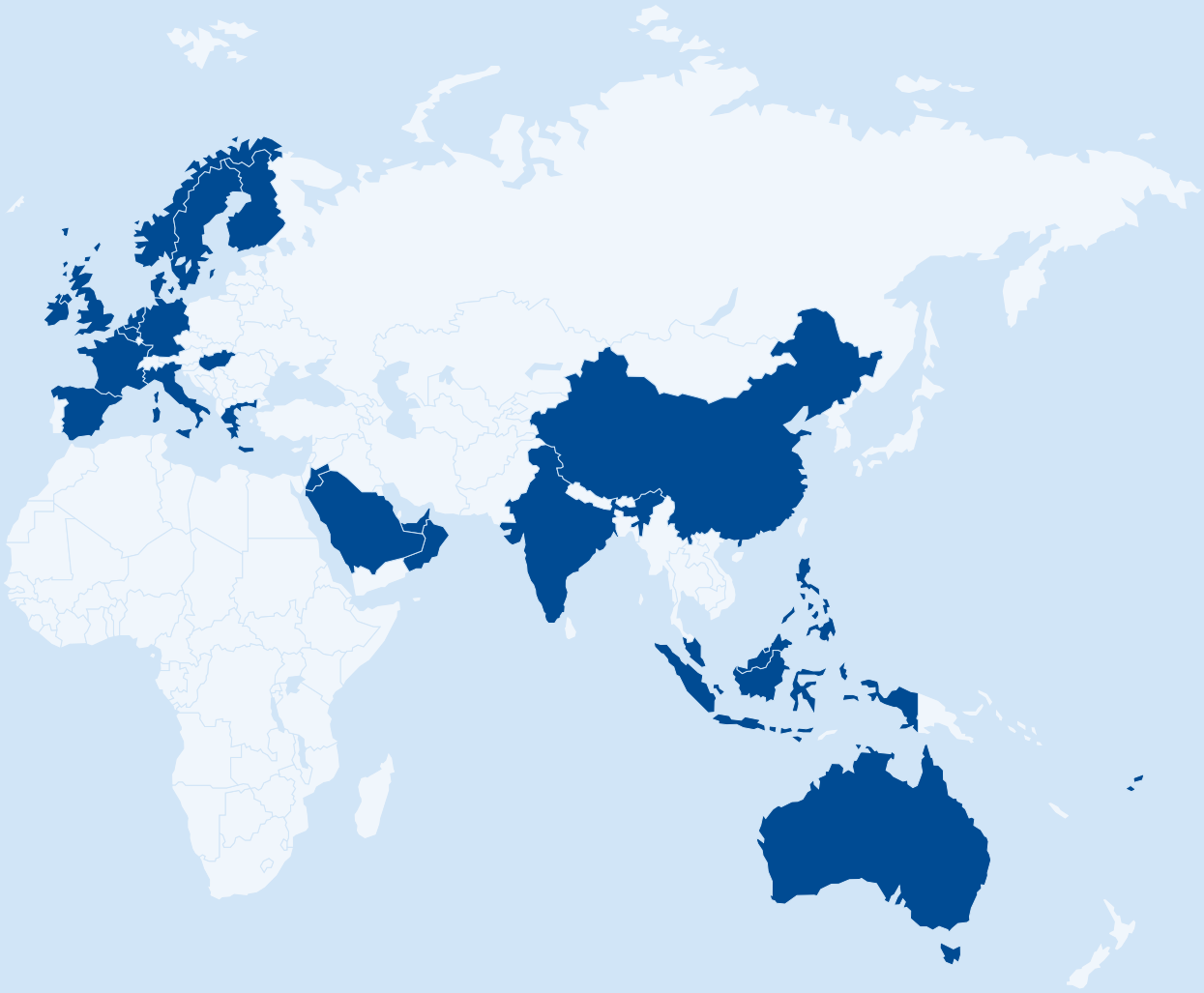
North America

North America is the second largest division in the Group in profit terms with stores primarily in airports across the continent, and a smaller Resorts business located in Las Vegas. We operate a range of own-brand and partner store formats offering a wide variety of travel essentials to support customers' journeys. As the largest travel retail market in the world, we see significant potential for growth ahead.

Stores
341

Revenue
£401m

1 See page 22 for further information on store openings and closures



Rest of the World

We operate in a further 29 countries around the world and ensure our stores deliver outstanding customer service, trade successfully and deliver strong returns. With a small market share currently, the opportunities for growth are substantial and we're committed to our future as a global travel retailer.

Stores
356

Revenue
£270m

High Street

Our High Street business serves customers across major towns and cities in the UK and operates **whsmith.co.uk**, **funkypigeon.com** and **cultpens.com**. It also collaborates with partners including Post Office Limited and Toys "R" Us.

Stores
500

Revenue
£452m

Business model

Creating value for our stakeholders

Our unique combination of strengths:

Understanding customers

We understand and respond to the needs of the travelling customer better than anyone else.

Landlord partners

Our market-leading store design, range breadth and forensic approach to retailing allows us to deliver superior economics and innovative formats for landlord partners.

Our people

We have c.14,000 dedicated colleagues across our stores, distribution centres and support centres.

Store locations

We have a network of 1,291 Travel stores in premium, high footfall locations in 32 countries, and 500 stores in mainly prime locations on UK high streets.

Product range

We work hard to constantly innovate and improve our ranges to ensure we offer a first class proposition for our customers on the move.

Service offering

We provide a fast, convenient and easy to navigate shopping experience for our customers and work closely with a number of strategic partners (such as M&S Simply Food, Costa Coffee, Well Pharmacy, Post Office Limited and Toys "R" Us).

Operational efficiency

We maintain an ongoing focus on efficiency, productivity and cash generation in each channel and territory.

How we create value:

For life's journeys

Format and store design

Through our suite of market-leading, innovative retail store formats, we are able to secure premium, high footfall locations for our stores.

Forensic approach to retailing

We continuously evaluate our store space and the performance of our categories to ensure that we are maximising returns.

Underpinned by:

A commitment to operating responsibly

You can read more about our approach to Environmental, Social and Corporate Governance throughout the report.

Read more on page 40.

Product range

We work with our suppliers and partners to bring together a broad range of products and services to meet the needs of our customers.

Invest in growing our business

The cash we generate as a Group is utilised through our disciplined approach to our capital to maximise returns.

Creating value for:

Our customers

We bring our customers the best products and services for whichever of life's journeys they're on.

Our people

We provide an inclusive and rewarding environment for our colleagues to build a career supported by our internal colleague-led networks.

Our investors

We focus on providing consistent, profitable and sustainable growth, returning surplus cash to shareholders through a clear dividend policy and share buybacks.

Our landlord partners

We are proud of our strong landlord partnerships and we work collaboratively with them to ensure flexibility and that we meet customer needs together.

Our suppliers and business partners

We work collaboratively with our suppliers and business partners to provide customers with a wide range of products and to grow our business and theirs.

Our community groups

We operate a responsible business that contributes to the communities in which we operate.

Read about how we engage with our stakeholders on page 33.

Our culture and values

You can read more about our colleagues, values and diversity throughout the report.

Read more on page 53.

"I, along with the Board, am excited about the future of our business."

Annette Court
Chair

Chair's statement

As Chair of WHSmith, I am pleased to update you on another year of strong progress for the Group. The Group delivered Headline profit before tax and non-underlying items[1] of £166m, up 16 per cent on the prior year and with total revenue growth of seven per cent on last year – a performance our colleagues should be extremely proud of.

At WHSmith, the team is expert in serving customers from a range of retail formats across international locations, supporting their journeys, while at the same time never losing sight of our objective to deliver sustainable, profitable growth for our shareholders.

I take great pride in chairing a business which has a rich heritage, while also retaining its energy, passion and entrepreneurial spirit, and this has been evident in everything that has been achieved this year.

We continue to invest in opportunities that position us well for future growth by driving profitability and increasing margins. During the year, we have opened some significant new stores in airports across the globe in both existing and new markets. I was delighted to visit a number of our North American stores this year, accompanied by the Board. Being able to see first-hand how we adapt our retail disciplines from the UK to our North American stores was insightful, and it was a wonderful opportunity to meet many more colleagues.

We also continue to build our new store pipeline with recent strategic tender wins including Dallas, Denver, and Washington Dulles airports. The opportunities for our global travel business remain substantial.

In our UK High Street business, we have a successful strategy focusing on costs, increasing margins and generating cash. Our aim is to ensure that the profit and cash flow of this business remain robust and sustainable. During the year, we have focused on maximising our returns on space, including the successful opening of 30 Toys "R" Us shop-in-shops. These stores have been very positively received in the local community.

Together with everything that has been achieved in the year, we remain acutely aware of how we operate as a Group and how we fulfil our environmental, social and governance ("ESG") responsibilities. We remain steadfast in our commitment to achieving net zero by 2050 and we are focused on ensuring our operations, and those of our suppliers, are set up to achieve this. You can read more about our sustainability strategy and highlights on pages 40 to 58.

Group Revenue	Dividend per share[2]
£1.9bn	33.6p

Alongside our ESG commitments, our colleague-led networks have played an important role to add structure and clarity to ensure all our people are heard and supported. During the year, it was a privilege to play a small part in an all-colleague webinar hosted by the Gender Network, focusing on women in business. Our colleagues are at the heart of making this such a successful business and there is no doubt that without their ongoing commitment and support, the Group would not be in the strong position it is today. I would therefore like to take this opportunity to thank each and every colleague for their hard work.

Our Board saw a number of changes this year. We were delighted to welcome Situl Jobanputra as a non-executive director, who joins with extensive financial and property expertise. The Board also welcomed Helen Rose as a non-executive director. Helen joins with significant experience in retail and financial services. Marion Sears stood down from the Board this year with our good wishes.

After 20 years' service with WHSmith, and having been appointed to the Board in 2008, Robert Moorhead, CFO and COO, will stand down from the Board in November. Robert has been integral to the transformation of the Group into the global travel retailer that it is today, and he leaves with our very best wishes. Max Izzard is a highly capable successor, joining the Group from Burberry, and Max will join the Board effective 1 December 2024.

Corporate governance remains an important area of focus for the Board and underpins the sustainability of our business and the achievement of our strategy. A more detailed explanation of our approach to corporate governance can be found in our corporate governance report on pages 68 to 75.

Finally, this year we were pleased to announce a £50m share buyback in September, in line with our capital allocation policy, as well as proposing a final dividend of 22.6p, ensuring our shareholders receive the rewards of recent growth and benefit from the strength of our position.

Looking ahead, we have a successful strategy and a strong leadership team in place. The Group has substantial growth opportunities ahead and I, along with the Board, am excited about the future of our business.

Annette Court
Chair

14 November 2024

1 Alternative performance measure described and explained in the Glossary on page 173
2 Includes proposed final dividend of 22.6p. Subject to shareholder approval

Q&A with Group Chief Executive Carl Cowling

"We are well positioned to support our customers' journeys."

Carl Cowling
Group Chief Executive

Q What have been the key highlights of the 2024 financial year?

A It's been another strong year of growth at WHSmith. In 2024, total Group revenue increased seven per cent to £1.9bn and Headline profit before tax and non-underlying items[1] increased 16 per cent to £166m, which is an excellent performance and testament to the hard work of all our colleagues across the business.

In Travel, the growth engine of our business, each division performed strongly with Travel UK delivering a record performance of 20 per cent growth in Headline trading profit[1] to £122m. We saw strong momentum across our Travel markets, particularly over the peak summer trading period, and we continued to benefit from growing passenger numbers.

The roll out of our one-stop-shop formats in Travel UK, including most notably the opening this year of our largest store across the UK estate in Birmingham Airport, is proving successful and has ensured we are well positioned to support our customers' journeys. We also see significant opportunities to grow profitability further.

We maintained a fast pace in our new store opening programme, opening over 100 new stores in total, with the majority of store openings in North America and in our Rest of the World division. The growth opportunities, particularly in North America, are substantial and we are confident we can continue to grow our market share.

I am particularly pleased that the strength of our position and future prospects is reflected in the Board's proposal to pay a final dividend of 22.6p. Alongside the £50m share buyback announced in September, this demonstrates WHSmith's firm commitment to delivering long-term shareholder value.

Q How does WHSmith continue to stay relevant for today's travelling customers?

A As a global travel retailer, we operate in fast growing markets in more than 30 different countries around the world. Customers trust us and they shop with us for a fast, convenient experience.

During the year, we have made excellent progress by focusing on broadening our categories and improving our ranges. This includes focusing on the four key product categories customers are looking for while on the move: food to go and drinks, health and beauty, tech accessories, and books and magazines. Food now represents over 15 per cent of our business in Travel UK and we see further opportunities to grow this category through our *Smith's Family Kitchen* brand. Outside of the UK, we have recently signed a new franchise agreement with Starbucks as we look to expand our coffee offer in North America.

What excites me as a retailer, is that we have made excellent progress with our category development in the UK during the year, and we see great opportunities to make meaningful improvements to our ranges and customer offer overseas.

This focus not only results in us staying relevant with our customers, but it drives average transaction value and growth across each of our channels and divisions enabling us to invest and maximise every opportunity.

1 Alternative performance measure described and explained in the Glossary on page 173

What are your expectations for the travel retail market and WHSmith in the year ahead?

This year, across the international travel market, passenger numbers continued to grow and for the first time were expected to exceed pre-pandemic levels – a significant milestone. Analysis from the International Air Transport Association ("IATA") suggests that passenger numbers will grow in low single digits each year over the medium term.

For WHSmith, our Travel business is well positioned to continue to create value from the growth in passenger numbers and the considerable opportunities to win and open additional stores.

The pace of winning new business in Travel has increased, notably in North America. Recently, we have won a further 24 new stores across major US airports, including Dallas, Denver and Washington Dulles airports.

Across the UK, North America and Rest of the World we now have over 90 stores[1] won and due to open, of which we expect c.60 to open in the current financial year (net of closures c.40), bringing our wide variety of travel retail formats to more customers.

What progress have you made in the year on your journey to become a more sustainable business?

We have excellent sustainability credentials and we continue to make good progress. We know that our customers, colleagues and business partners all want us to act in a responsible way and that operating sustainably enables better business performance.

We are one of the top performing speciality retailers in Morningstar's Sustainalytics ESG Benchmark and, during the year, we were awarded a AAA from MSCI ESG ratings. In addition, we were included, once again, in the Dow Jones World Sustainability Index and awarded an A rating in CDP's annual climate leadership survey.

Our Scope 1 and 2 emissions continue to fall and we have reached our target for 30 per cent of our supply chain emissions to be covered by science-based targets by the end of the financial year.

Championing literacy remains at the heart of everything we do, and we continue to work in partnership with the National Literacy Trust. Our financial assistance is providing direct early years' support to families in communities where help is needed.

Where are the biggest opportunities for growth for WHSmith outside of the UK?

This year, we have continued to cement our status as a global travel retailer and today our business trades in 32 countries across the world. There is no doubt in my mind that North America, the world's largest travel market, is our most exciting growth opportunity and we see excellent prospects to further grow our airport business.

Our business in North America continued to grow at pace this year, with 40 new stores opened, and we are currently part of a large number of live tenders, and we continue to grow the business at pace. We have also, more recently, announced 24 new store wins across major US airports and we have a new store pipeline of c.60 stores[1] won and due to open primarily over the next two years.

Our analysis of the North American market shows that there is a total of approximately 2,000 news and gift, and speciality retail stores across the top 70 airports, of which we currently operate or have won over 260 stores. This demonstrates the scale of opportunity in this market and, given our current success rate, gives us confidence in growing our market share.

While winning and opening new stores to build market share remains a priority for the business, we also see a lot of opportunity for improvement in revenue and profitability in our existing stores by applying our retail expertise, so I am particularly excited about our future across the Atlantic.

1 Pipeline as at 14 November 2024

Key market drivers

Travel

The key driver of the travel market is the number of passengers travelling through the locations in which we operate. We continue to see strong momentum across all our markets as we benefit from growing passenger numbers. Analysis from IATA suggests that passenger numbers were expected to exceed pre-pandemic levels for the first time in 2024, and this is set to continue to grow in low single digits each year in the medium term, particularly in countries with a population of growing affluency and where physical distances support air travel, such as the United States.

Our Travel stores around the world experience high levels of seasonal footfall, driven by leisure travel over the summer months.

Air passenger numbers is a key growth driver and footfall in airports is driven by global demand for flights. During the year, passenger numbers have continued to grow across our markets, primarily driven by further demand for leisure travel. In the UK, many of our major airport partners reported record passenger numbers across the year. However, recovery continues to differ around the world, especially where travel restrictions were in place for a longer period. Where we have reliable data on passenger trends, we see a correlation between changes in passenger numbers and our revenue.

North America is the world's largest travel retail market, valued at $3.9bn[1]. Passenger data here suggests this market will continue to grow.

Travel faces competition in its product categories primarily from other retailers in air, rail, hospitals and motorway service areas. Our markets are impacted by macroeconomic conditions. Interest rates, inflation and costs could impact passenger numbers, as could the threat of conflict.

1 Source: 2019 ACI Factbook, increased by CPI

How we respond:

- Our market-leading store formats and breadth of product range ensure we maximise the number of passengers shopping in our stores
- Efficient use of store space enables us to offer customers a breadth of travel essentials products at a variety of price points to grow average transaction values and drive returns
- Our operational expertise and agility allow us to rapidly adapt to changing market conditions and volatility in passenger numbers
- We remain extremely disciplined in focusing on controlling costs
- We continue to ensure that we offer consumers great quality products and value for money through our promotional offering

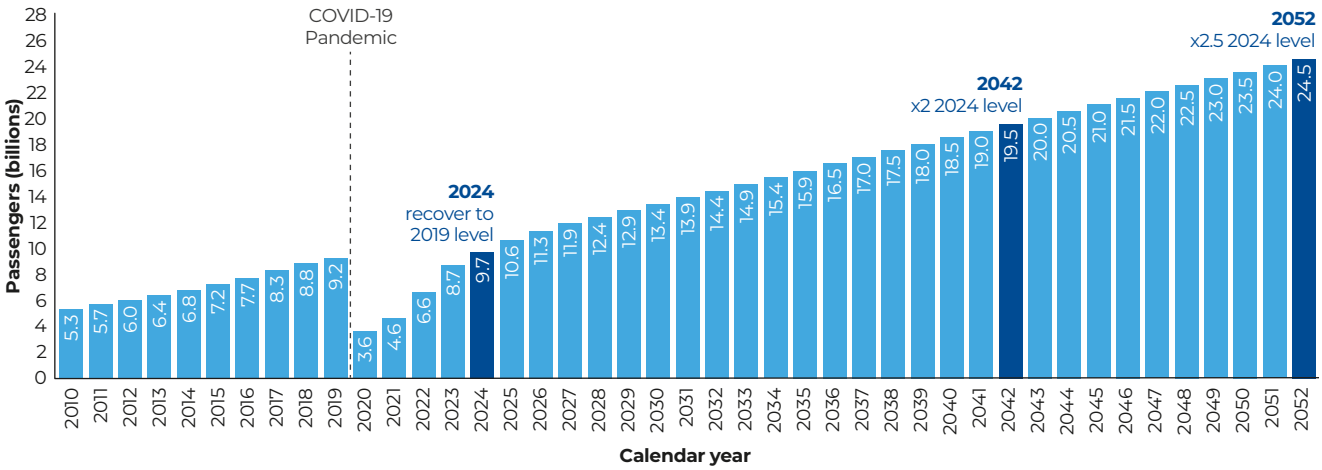
High Street

High Street's performance is dependent upon overall growth in consumer spending and the levels of footfall on the UK high street. Our stores are mainly in prime pitch locations. Similar to Travel, High Street is impacted by macroeconomic trends including factors such as levels of employment, interest rates and consumer spending. Our stores experience higher levels of seasonal footfall ahead of Christmas and our Back to School trading periods.

How we respond:

- We continue to ensure we have profitable stores in the right locations through regular review of our store estate and keeping leases short and flexible
- We maintain a forensic approach to store space in order to maximise returns from our core categories

Long-term Global Passenger Traffic Forecast (2010–2052)[2]



2 Source: ACI (Airports Council International)

Destination
Birmingham

A world class one-stop-shop for travel essentials

Our store at Birmingham Airport became our largest airport store on opening in November 2023, and is the most recent example of our strategy to become a one-stop-shop for travel essentials. By increasing our selling space by 60 per cent to incorporate a wider product selection across key categories as well as a Well Pharmacy, and enhancing the store design and customer experience, the store now consistently ranks among the top performing stores for revenue across the UK Travel estate.

New store revenue growth
+40%

Sq ft
6,000

Scan here to read more about this store opening.

A strong and focused strategy

We measure our performance against our strategy using our KPIs on pages 16 and 17.

Our purpose

To make every one of life's journeys better

Our vision

To be the world's number one travel essentials retailer

Strategic priorities

Space growth

- Opening new stores
- Winning new business
- New, better quality space
- Extending contracts
- Developing formats and brands

ATV growth

- Space management
- Refitting stores
- Range development

Progress

106

new stores opened during the year

90+

new store pipeline[1]

Good ATV Performance

across our channels

Enablers

Forensic approach to retail

- Space management
- In-store execution
- Tight cost control
- Industry-leading returns

Innovative store formats

- Format development
- Portfolio of world-class brands
- Forensic approach to maximising sales density

Profit growth. Strong cash generation.

1 As at 14 November 2024

WH Smith Group

Travel

Category development

- One-stop-shop travel essentials format
- Improving ranges

Cost and cash management

- Flexible rent model
- Investing for growth
- Productivity and efficiencies

High Street

Maintain profitability and cash generation

Expanding

food to go, tech accessories, health and beauty

Investing

for future growth and sustainable returns

£250m+

capital expenditure investment over the last two years

£32m

Headline trading profit[2]

£16m

of cost savings delivered across the business

Low cost operations

- Efficient, nimble supply chain
- Simplification
- Focus on cost control

High performing teams

- Attract, retain and develop the best talent
- Diverse and inclusive workplace

Driving sustainability

- Minimising our impact on the planet
- Engaging our people
- Contributing to communities

Disciplined capital allocation. Shareholder returns.

2 Alternative performance measure described and explained in the Glossary on page 173

Key performance indicators

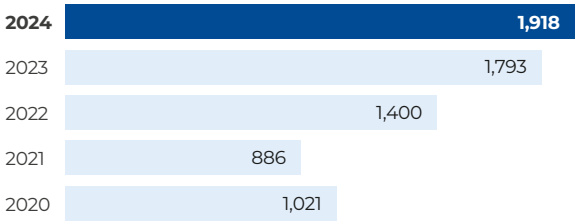
Our key performance indicators ("KPIs") comprise a number of financial and non-financial metrics that enable us to evaluate our performance against our strategic goals. Certain KPIs are Alternative performance measures, which are defined and explained on page 173. These measures are used by the Board as they provide additional useful information on the underlying performance of the Group. Statutory equivalents are provided where relevant.

Financial

Revenue (£m)

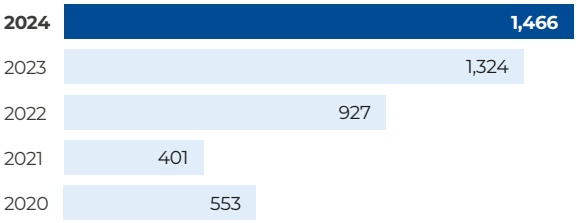
Group

£1,918m



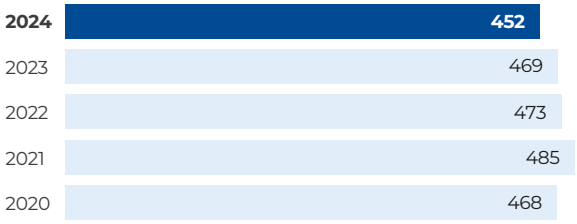
Total Travel

£1,466m



High Street

£452m

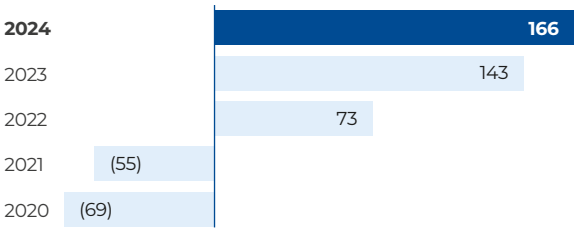


Profit/(loss) (£m)

The below profit/(loss) measures are stated on a pre-IFRS 16 basis.

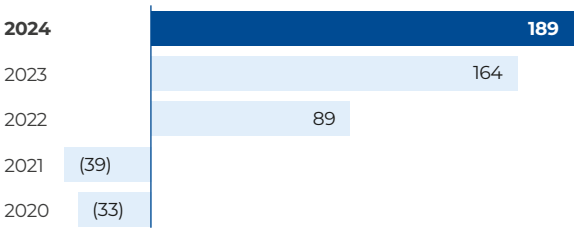
Headline Group profit/(loss) before tax and non-underlying items[1]

£166m



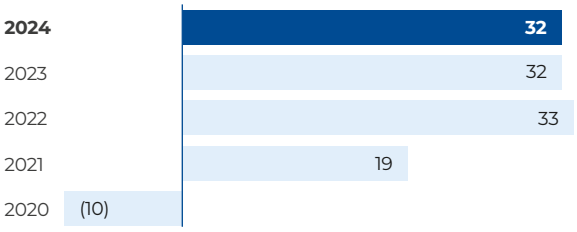
Total Travel Headline trading profit/(loss)[1]

£189m



High Street Headline trading profit/(loss)[1]

£32m

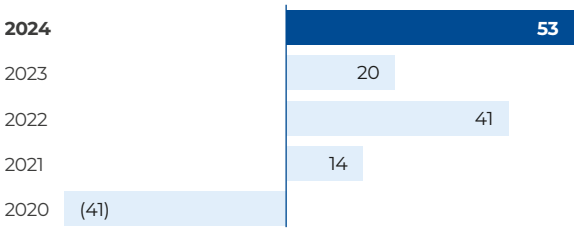


1 Alternative performance measure defined and explained in the Glossary on page 173

Free cash flow[1] (£m)

Free cash flow is defined as net cash inflow from operating activities before the cash flow effect of IFRS 16, non-underlying items, pension funding and other non-cash items, less capital expenditure (see page 29).

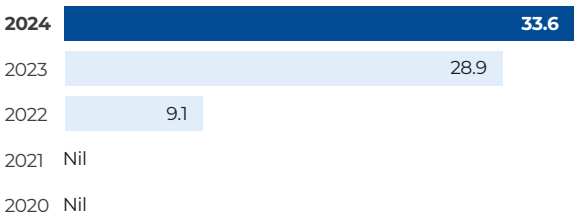
£53m



Dividend per share (p)

Total dividend per share

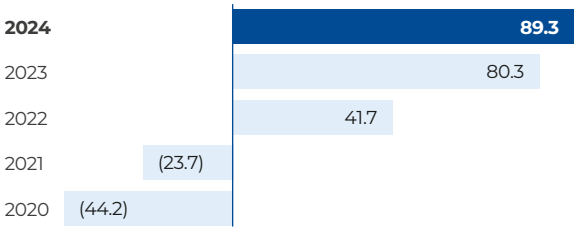
33.6p



Earnings per share (p)

Headlines diluted earnings/(loss) per share before non-underlying items[1]

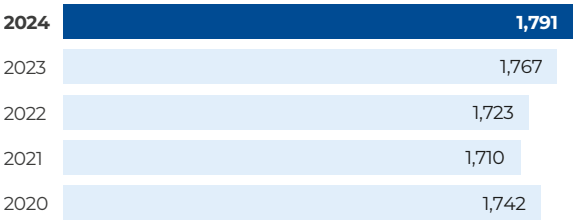
89.3p



Non-Financial

Group total number of stores[2]

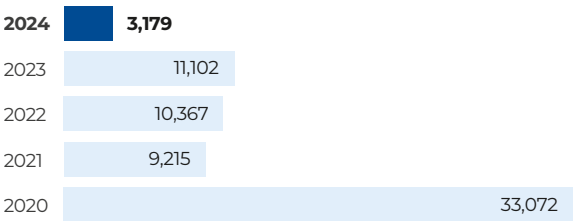
1,791



CO_2 emissions (tonnes of CO_2e)

Global Scope 1 and 2 emissions

3,179



1 Alternative performance measure defined and explained in the Glossary on page 173
2 See page 22 for summary of store openings and closures in the year

New

Destination

Smith's
FAMILY KITCHEN

Our first ever own-brand food range

Launched in 2024, *Smith's Family Kitchen* is a new high-quality range of over 30 food to go products launched exclusively across our Travel UK stores. The range and branding was developed based on feedback from over one thousand customers, and was created to ensure customers don't have to sacrifice taste and quality when travelling. The range has had a strong customer response with sales trending ahead of forecast and the Chicken & Bacon Caesar wrap, the New Yorker Salt Beef sandwich and Chicken Shawarma wrap among the bestsellers.

Products in the new range
34

Meal deals sold every year
11 million

Scan here to watch more from our *Smith's Family Kitchen* launch.

Review of operations

Travel

"I am pleased to report that our Travel business has had another year of excellent progress."

Carl Cowling
Group Chief Executive

Performance review

I am pleased to report that our Travel business has had another year of excellent progress. Total Travel revenue was £1,466m (2023: £1,324m), up 11 per cent compared to the previous year, generating a Total Travel Headline trading profit[1] in the year of £189m (2023: £164m).

	Trading profit[1] (IFRS 16)		Headline trading profit[1] (pre-IFRS 16)		Revenue	
£m	**2024**	2023	**2024**	2023	**2024**	2023
Travel UK	**126**	101	**122**	102	**795**	709
North America	**58**	52	**54**	49	**401**	380
Rest of the World	**18**	13	**13**	13	**270**	235
Total Travel	**202**	166	**189**	164	**1,466**	1,324

Total Travel revenue

£1,466m
(2023: £1,324m)

Total Travel Headline trading profit[1]

£189m
(2023: £164m)

Total Travel revenue (year on year)

+11%
(2023: +43%)

In Travel, our initiatives position us well for future growth:

Space growth – Business development and winning new business

Through building and managing relationships with all our landlord partners, we look to win new space, improve the quality and amount of space, develop new formats and extend contracts. We opened 106 stores in the year (38 stores net of closures). We now have a store pipeline of over 90 stores[2] (c.70 stores net of expected closures), which are due to open over the next three years. Going forward, we expect to win, on average, around 50 to 60 stores a year and close on average c.20 stores as we improve the quality of our space. There are significant space growth opportunities across all our Travel markets.

ATV growth

We aim to grow ATV through our forensic analysis of the return on our space, cross-category promotions, merchandising, store layouts and store refits. The transition of our stores to a one-stop-shop for travel essentials is an important driver of this growth. During the year, we have continued to focus on re-engineering our ranges and we continue to see good ATV performance across our channels.

Category development

We do this by developing adjacent product categories relevant for our customers, such as health and beauty and tech ranges, and expanding existing categories such as food. During the year, we launched a new food to go brand, *Smith's Family Kitchen*. We have also continued to focus on identifying further opportunities where we can reposition our traditional news, books and convenience ("NBC") format to a one-stop-shop travel essentials format. Results from this format have been positive for both our customers and our landlords.

Cost and cash management

We remain focused on cost efficiency and productivity, for example, by continuing to invest in energy efficient chillers across our stores, and investing in our supply chain capabilities in North America to more effectively serve our growing store estate on the East Coast of the US.

1 Alternative performance measure defined and explained in the Glossary on page 173
2 As at 14 November 2024

Review of operations continued

Travel UK

Travel UK, our largest division, has delivered another year of significant growth and we continue to have good opportunities to grow this division further.

Total revenue in the year was £795m (2023: £709m) which, together with improved margins, resulted in a Headline trading profit[1] of £122m (2023: £102m).

Across all our channels we continue to focus on our key growth drivers: space growth, increasing ATV and spend per passenger, driving EBIT margins and benefiting from the growth in passenger numbers. Momentum is strong and we are seeing good results, with revenue growing ahead of passenger numbers.

Air passenger numbers are a key growth driver, and they are forecast to grow in the short and medium term. All our channels in Travel UK have performed strongly during the year with total revenue growth of 12 per cent versus last year. We have started the new financial year well with all three channels delivering good growth.

We are investing in our UK store portfolio, while also identifying new and better quality space opportunities across each of our channels. During the year, we have opened 14 new stores, including three at airports, six in hospitals and five in rail. We see this annual space growth of around 10–15 new stores in Travel UK extending into the medium term. We closed eight small and less well located stores in the year. This year, we expect to open 10 to 15 new stores in the UK and to close c.seven stores.

Revenue growth by key channels

	Revenue (% change) Year to 31 August 2024	
	Total vs 2023	LFL[1] vs 2023
Air	11%	11%
Hospitals	14%	12%
Rail	13%	11%
Total Travel UK	**12%**	**10%**

Air

Air, which is our largest channel in Travel UK, delivered a strong performance with total revenue up 11 per cent and like-for-like ("LFL") revenue up 11 per cent on the prior year.

The development of our one-stop-shop for travel essentials format in the UK is delivering strong results, driving profitability, and highlighting significant opportunities for the future. A good example is our flagship store at Birmingham Airport, which has been trading for 12 months. We are very pleased with this store's performance and it is now one of our top performing stores in Travel UK, with revenue increasing by 40 per cent as a result of this new format.

This store has been designed using local landmarks as inspiration for the look and feel of the store and provides customers with a bespoke customer experience, encompassing everything you would expect from WHSmith, as well as a broader and improved product range, including health and beauty, tech, food to go and coffee. We have also, more recently, opened a Well Pharmacy within the store completing our blended essentials offer for customers on the move.

By widening our offer and creating a fast, convenient shopping experience, customers are putting more items in their baskets, which in turn increases our spend per passenger and drives ATV.

This is a highly scalable format and not only applicable for our larger stores in Air, but also our smaller stores, so we see plenty of good opportunities for the future.

An example of category development to drive ATV is where we have been focused on improving our food offer for customers. Food has been a core category for us for over ten years, now representing 15 per cent of our revenue in Travel UK and we expect this to continue to grow. Over the past two to three years, we have seen a shift to more leisure passengers across Air and Rail. In particular in Air, we have seen longer dwell times and, as a result, we have worked with our airport partners to provide an improved food and beverage offer for customers who are looking for different, convenient, quality food options.

To provide a broader and improved food offer, in June we launched a new food to go range branded *Smith's Family Kitchen* ahead of our peak summer trading period. *Smith's Family Kitchen* is a new high-quality range of over 30 products offering a broad array of sandwiches, wraps and salads, including a premium range. Customer reaction has been positive and sales are ahead of our expectations.

Hospitals

The hospital channel, our second largest channel in Travel UK by revenue, continued its very strong growth with total revenue up 14 per cent and LFL revenue up 12 per cent in the year.

Our ongoing success in this channel illustrates our ability to generate increased profitability from our stores by improving our retail proposition. For example, tailoring our product offer to the specific requirements of hospital staff, patients and visitors by providing an increased range of food, health and beauty and tech accessories.

During the second half of the year, and following the success of our *Smith's Family Kitchen* food launch, we opened our first café under the *Smith's Kitchen* brand at Princess Anne Hospital in Southampton. While it is still early days, this new format is performing in line with our expectations and customer feedback has been positive.

We see plenty more opportunities for us to continue to grow in this channel through our broad suite of brands (WHSmith, Marks & Spencer Simply Food, Costa Coffee, and our proprietary coffee brands). We opened six stores during the year. We currently have 145 stores across over 100 hospitals and we can see scope for at least one of our formats in up to 200 further hospitals.

1 Alternative performance measure defined and explained in the Glossary on page 173

Rail

Rail is also an attractive market. During the year, we delivered a strong performance with total revenue up 13 per cent and LFL revenue up 11 per cent.

We continue to invest in new formats and in new opportunities in Rail, which meet landlord and customer needs. This includes improving ranges to increase spend per passenger and customer conversion and driving ATV growth. For example, widening our tech and health and beauty ranges across many of our stores and, more recently, refurbishing our mainline rail store at Kings Cross station to provide an improved customer proposition and experience.

During the year, we opened five new rail stores in Ealing Broadway, London Euston, London Victoria and Milton Keynes stations.

North America

North America, the world's largest travel market, is our most exciting growth opportunity where we see excellent prospects for further growth in our airport business. This division will continue to become an increasingly significant part of the Group and is now our second largest division in profit terms, after Travel UK.

During the year, we delivered a good performance with 40 new store openings, and passenger numbers in Air continued to grow. We have increased revenue by nine per cent on a constant currency basis, improved gross margins and we continue to invest in our store estate. Total revenue was £401m (2023: £380m), an increase of six per cent. Headline trading profit[1] was up ten per cent to £54m (2023: £49m).

Our North American business is subject to changes in the GBP:USD exchange rates. A five cent change in this rate results in a c.£3m movement in annual Headline trading profit[1].

Our Air business, the largest part of our North American division, combines our Travel Essentials and InMotion businesses. LFL revenue in Air was up one per cent and total growth on a constant currency basis was up 14 per cent.

Travel Essentials is the largest, fastest growing part of our North American business and where we are investing the majority of our capital. In Travel Essentials, we delivered a strong performance with LFL revenue up seven per cent in the year. We see further good opportunities to win and open more Travel Essentials stores in Air, delivering good returns, as we aim to grow our market share to around 20 per cent by 2028. By 2028, we would expect to be operating around 500 stores and our overall Air business to be around 85 per cent of the total North American division, which will drive higher growth and profitability.

A key driver of our growth to date has been our ability to win significant new tenders. We are currently part of a large number of tenders and we continue to grow the business at pace.

We opened a further 40 stores (net of closures, 14) in the year increasing our market share and improving the quality of our space. This included opening new stores at Detroit, Chicago O'Hare and Washington Ronald Reagan airports. Early results are good, and customer and landlord feedback has been positive. During the year, we also closed 26 stores, 16 of which were mainly in two hotels in Las Vegas and consistent with our strategy of improving the quality of our store estate.

We still have a very strong pipeline of new store openings and our success to date in winning tenders demonstrates why we remain confident in our ability to continue to win market share.

We have recently won 24 new airport stores at Dallas, Denver and Washington Dulles airports, and this includes preferred bidder status at two major US airports. These wins include two Starbucks stores following a new franchise agreement. This is an exciting partnership as it opens up plenty more opportunities across North America as we expand our coffee offer.

We continue to make good progress and, as we build scale, we are also investing in our supply chain capabilities, for example, on the East Coast to more effectively serve our growing store estate and this is generating good efficiencies.

We now have a new store pipeline of c.60 stores primarily opening over the next two years and currently, we anticipate closing c.15 stores.

	Revenue (% change) Year to 31 August 2024		
	Total vs 2023	Total at constant currency vs 2023	LFL[1] vs 2023
Air	10%	14%	1%
Resorts	(11)%	(8)%	(3)%
Total North America	**6%**	**9%**	**–%**

Including the 40 store openings in the year, we now have 256 stores in Air (including 124 InMotion stores), 83 stores in Resorts and two stores in Rail.

LFL revenue in our Travel Essentials business was up seven per cent and we see further opportunities for improvement in revenue and profitability by applying our retail expertise.

Our approach to growing our Air business in North America is similar to the UK but it is at a much earlier stage of development.

During the year, we have focused on improving the quality and efficiency of our estate and driving profitability by applying the retail disciplines from our UK stores. Using data from stores that have been trading for an extended period, we are actively analysing our space to enhance our ranges, introduce new categories and reviewing space allocation. While it takes time to implement these changes in the US, they are delivering encouraging early results.

1 Alternative performance measure defined and explained in the Glossary on page 173

Review of operations continued

Some of the specific actions we are taking include: increasing the space allocated to food and drinks across our stores; rolling out chillers to our key stores; improving presentation at the checkout for impulse purchases; and we are introducing tech accessories into our Travel Essentials stores.

We are making good progress and there are further opportunities going forward as we focus on improving the operational performance of this business and margin enhancement.

The smaller part of our Air business is InMotion. LFL revenue was down six per cent. Since acquisition in 2018, we have doubled the profit and improved margins significantly by over 500 bps by working closely with our suppliers, reducing operating costs and fully integrating into our Air business. This integration was completed in the year with all our stores now run by one operations team. In addition, we have successfully used the brand to grow our business overseas.

InMotion has an important role in the Group: it resonates strongly with customers; it enables us to offer a market-leading tech brand to landlords as part of tenders; to maintain strong global relationships with key brands such as Apple and Bose; to offer a broader selection of branded tech accessories in our Travel Essentials stores; and to broaden our higher margin own brand accessories ranges such as the Good Vibes range, which is performing well.

With the lack of innovation in the headphone market, we continue to actively shift the mix more towards higher margin tech accessories. Given this dynamic, we don't anticipate any change in sales trends in InMotion in the short term, however, this should result in improved margin accretion in the longer term.

In the Resorts business, which is centred around Las Vegas, we saw total revenue on a constant currency basis down eight per cent, reflecting the closure of 16 stores following primarily two hotel closures on the Strip, which will also have an annualisation impact this year. LFL revenue was down three per cent in the year, reflecting a higher mix of conference attendees. We are seeing a similar sales trend this year, which is a little softer than we had anticipated, and we continue to rebalance the space to reflect the greater mix of conference visitors.

Rest of the World ("ROW")

Total revenue in ROW was up 18 per cent on a constant currency basis with LFL revenue up nine per cent. Headline trading profit[1] was £13m (2023: £13m) reflecting pre-opening costs and investment in new stores in the first half. Headline trading profit[1] was up £3m on the previous year in the second half.

Our approach is clear: to continue to enter new countries using our three operating models of directly run joint venture and franchise, building our presence and, over time, leveraging our fixed cost base to grow net margins.

We are in a strong position and we continue to make good progress entering new markets. During the year, we opened 52 new stores, including stores in Australia, the UAE, Hungary and Spain, and including acquiring three rail stores in Ireland. We closed 34 stores, of which 16 were franchised.

In the second half of the year, we opened a new 2,900 square foot flagship store at Budapest Airport, a new market for WHSmith. Budapest is a great example of how we have localised the design to create bespoke stores and we see further good opportunities to do this across all markets.

We remain well positioned to benefit from further opportunities as more space becomes available. We now have 356 stores open, and a further 28 won, and yet to open. Of the 356 stores open 146 are in Europe, 92 are in the Middle East and India, and 118 are in Asia Pacific; and 51 per cent are directly-run, eight per cent are joint venture and 41 per cent are franchise. During the current financial year, we expect to open c.25 stores and close c.three stores.

Total Travel stores

	Year ended 31 August 2024			
No. of stores	Travel UK[2]	North America	ROW	Total Travel
At 1 September 2023	588	327	338	1,253
Opened	14	40	52	106
Closed	(8)	(26)	(34)	(68)
Net openings	6	14	18	38
At 31 August 2024	**594**	**341**	**356**	**1,291**
Closures:				
Relocations/loss-makers	(8)	(4)	(6)	(18)
Franchised	–	–	(16)	(16)
Resorts – hotel closures	–	(16)	–	(16)
Lease expiries	–	(6)	(12)	(18)
	(8)	(26)	(34)	(68)

During the year, we opened 106 stores in Travel. As at 31 August 2024, our global Travel business operated from 1,291 stores (2023: 1,253). As part of our strategy to improve the quality of our space, we closed 68 stores in the year. Eighteen closures were the result of relocations or removing loss makers, 16 were mainly in two resort hotels, which closed down in Las Vegas and, in our Rest of the World division, 16 were small franchised stores. We saw an above average number of closures in the year as we would not expect further hotels to close in Las Vegas nor such significant rationalisation of the franchise portfolio. Outside of planned redevelopment, all of these closures were actioned in line with our strategy. Our focus will remain on opening more stores and better quality space. As a result, we expect to see further store closures in the current financial year of c.20 stores and to open a further c.60 stores.

Excluding franchise stores, Travel occupies 1.2m square feet (2023: 1.1m square feet).

1 Alternative performance measure defined and explained in the Glossary on page 173
2 Including one branch in the Isle of Man

Destination
North America

Our most exciting growth opportunity

North America is the largest travel retail market in the world and we see excellent prospects to further grow our airport business. We currently operate around 260 of the 2,000 plus news, gift and speciality retail stores in North America's top 70 airports, demonstrating the significant opportunity ahead.

This year, we opened 40 stores in airports across North America, including owned and third-party brands, with offers curated towards the travelling North American customer.

Scan here to read the latest news from our North America division.

New stores opened in North America in 2024

40

Current Air market share[1]

14%

1 Based on store numbers, including stores won and yet to open as at 14 November 2024

Review of operations continued

High Street

Performance review

During the year, High Street delivered a performance in line with our expectations with Headline trading profit[1] of £32m (2023: £32m), and revenue of £452m (2023: £469m). We managed the business tightly, keeping focused on costs and cash generation. LFL revenue was down two per cent on last year.

As we grow Travel, the High Street division will become a smaller part of the overall Group. This division, which now accounts for around 15 per cent of full year Group profit from trading operations[1], is profitable and cash generative.

Our strategy for our High Street business is clear and consistent: to manage our space to maximise returns and maintain a flexible cost structure. The strategy remains as relevant today as it has ever been and focuses on delivering robust and sustainable cash flows and profit.

We utilise our space to maximise returns in ways that are sustainable over the longer term. We have extensive and detailed space and range elasticity data for every store, which we use to allocate space in categories. We continue to manage our space in High Street to maximise returns and maintain a flexible cost structure and it continues to deliver good results.

As part of this space management, we successfully opened 30 Toys "R" Us shop-in-shops in the second half of the year and following their success, we are in the process of opening a further 37 ahead of Christmas 2024.

Driving efficiencies remains a core part of our strategy and we continue to focus on all areas of cost in the business. During the year, we have delivered savings of £16m and we are on track to deliver savings of £26m over the next three years, of which £11m are planned in the current financial year. These savings come from right across the business, including rent savings at lease renewal (on average, 35 per cent over the last 12 months), which continue to be a significant proportion, as well as marketing efficiencies and productivity gains from our supply chain.

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 where rents are falling. The average lease length in our High Street business, including where we are currently holding over at lease end, is under two years. We only renew a lease where we are confident of delivering economic value over the life of that lease. We have c.470 leases due for renewal over the next three years, including over 100 where we are holding over and in negotiation with the landlord. The store closure process is broadly cash neutral.

Headline trading profit[1]

£32m

(2023: £32m)

As at 31 August 2024, the High Street business operated from 500 stores[2] (2023: 514), which occupy 2.4m square feet (2023: 2.5m square feet). Fourteen stores were closed in the year (2023: 13).

Funkypigeon.com delivered total revenue of £32m (2023: £32m) and Headline EBITDA[1] of £6m (2023: £5m). We continue to see opportunities to grow revenue and profit over the medium term. This year will be a year of investment with higher levels of spend on the platform and brand than in 2024.

Group outlook

The Group has delivered an excellent performance throughout the year, particularly over the key summer trading period.

Our Travel divisions are trading well with a particularly strong performance from our UK Travel business. We are making excellent progress as we continue to benefit from the rollout of our one-stop-shop format, which is creating significant opportunities to further grow profitability.

We remain excited about the significant opportunity for growth in North America. We are very pleased to have recently won a further 24 new stores across major US airports. Our store opening programme is on track and we have a new store pipeline of c.60 stores already won in North America. In addition, we continue to build scale across our Rest of the World division, and we see plenty more opportunities for growth.

Our High Street division delivered a good, profitable performance and continues to generate cash allowing us to invest across the Group.

At the Pre-close Trading Update on 11 September 2024, the Group announced a £50m share buyback, which reflects the strong ongoing cash flow, the receipt of the pension surplus cash return[3] as well as the strength of our balance sheet with leverage now within the target range. In addition, the Board has proposed a final dividend of 22.6p, reflecting current trading and the significant medium and long-term prospects for our global travel business.

The new financial year has started well. While there is some economic uncertainty, we are confident that 2025 will be another year of good progress for the Group.

Carl Cowling
Group Chief Executive

14 November 2024

1 Alternative performance measure defined and explained in the Glossary on page 173
2 Including branches in Guernsey and the Isle of Man
3 See page 29 and Note 26 for further information

Destination
Dublin

Expanding our travel essentials offer in Dublin

For nearly 14 years, we've served customers on their journeys in Dublin Airport. This year, we strengthened our presence in Terminal 2 even further with the opening of a new WHSmith Bookshop and a newly refurbished WHSmith flagship store, opening alongside our InMotion store. From entertaining reads, delicious meal deals or the latest must have tech, our three stores together provide everything today's travellers are looking for.

Scan here to watch more from our Dublin store openings.

Years serving Dublin Airport passengers

14

Stores in Dublin Airport

13

Financial review

"The Group has a strong balance sheet, has highly cash generative trading operations and substantial liquidity."

Robert Moorhead
Chief Financial Officer and
Chief Operating Officer

Group

Total Group revenue at £1,918m (2023: £1,793m) was up seven per cent compared to the prior year.

	Revenue (% change) Year to 31 August 2024		
	Total vs 2023	Total at constant currency vs 2023	LFL[1] vs 2023
Travel UK	12%	12%	10%
North America	6%	9%	–%
Rest of the World	15%	18%	9%
Total Travel	**11%**	**12%**	**7%**
High Street[2]	(4)%	(4)%	(2)%
Group	**7%**	**8%**	**5%**

In Travel, we saw a strong performance with total Travel revenue up 11 per cent (12 per cent on a constant currency basis) to £1,466m and up seven per cent on a LFL basis. This was driven by a strong performance from Travel UK up 12 per cent on a total basis, North America up nine per cent[3], and Rest of the World ("ROW") up 18 per cent[3].

The trading momentum in Travel has continued into the current financial year.

Our High Street business performed in line with expectations, generating revenue of £452m down two per cent on a LFL basis and four per cent on a total basis as we closed 14 stores.

	IFRS		Headline (pre-IFRS 16)[1]	
£m	2024	2023	2024	2023
Travel UK trading profit[1]	**126**	101	**122**	102
North America trading profit[1]	**58**	52	**54**	49
Rest of the World trading profit[1]	**18**	13	**13**	13
Total Travel trading profit[1]	**202**	166	**189**	164
High Street trading profit[1]	**39**	43	**32**	32
Group profit from trading operations[1]	**241**	209	**221**	196
Group profit before tax and non-underlying items[1]	**161**	137	**166**	143
Non-underlying items[1]	**(55)**	(26)	**(56)**	(13)
Non-underlying items – Finance costs[1]	**–**	(1)	**(1)**	(2)
Group profit before tax	**106**	110	**109**	128

Total Travel delivered a Headline trading profit[1] in the year of £189m (2023: £164m) up 15 per cent. Travel UK increased significantly by £20m to £122m. North America increased by £5m to £54m and ROW was in line with the prior year at £13m, with a second half which delivered Headline trading profit[1] up £3m on the prior year.

High Street delivered a Headline trading profit[1] of £32m (2023: £32m), in line with expectations.

Headline Group profit from trading operations[1] for the year was £221m (2023: £196m) with Headline Group profit before tax and non-underlying items[1] up 16 per cent to £166m (2023: £143m).

Group profit before tax, including non-underlying items and on an IFRS 16 basis, was £106m (2023: £110m) in the year.

1 Alternative performance measure defined and explained in the Glossary on page 173
2 Includes internet businesses
3 Constant currency

Net finance costs

£m	IFRS 2024	IFRS 2023	Headline pre-IFRS 16[1] 2024	Headline pre-IFRS 16[1] 2023
Interest payable on bank loans and overdrafts	**13**	12	**13**	12
Interest on convertible bonds	**14**	14	**14**	14
Interest on lease liabilities	**25**	19	**–**	–
Net finance costs before non-underlying items	**52**	45	**27**	26

Headline net finance costs before non-underlying items[1] (pre-IFRS 16) for the year were £27m (2023: £26m). This includes cash costs of £18m and £8m relating to the non-cash debt accretion charge from the convertible bond, which has a fixed coupon of 1.625 per cent.

Lease interest of £25m arises on lease liabilities recognised under IFRS 16, bringing the total net finance costs before non-underlying items on an IFRS 16 basis to £52m (2023: £45m).

Tax

The effective tax rate[1] was 23 per cent (2023: 19 per cent) on the profit for the year, reflecting the increase in the UK corporation tax rate from 19 per cent to 25 per cent, with effect from 1 April 2023. Net corporation tax payments in the year were £18m (2023: £13m) after using all possible loss relief. Based on current legislation, we expect the effective tax rate[1] in the current financial year to be around 25 per cent.

Earnings per share

Calculation of Headline diluted earnings per share[1]

	Headline pre-IFRS 16[1] 2024	Headline pre-IFRS 16[1] 2023
Headline profit before tax[2] (£m)	**166**	143
Income tax expense[2] (£m)	**(39)**	(28)
Headline profit for the year[2] (£m)	**127**	115
Attributable to non-controlling interests (£m)	**(10)**	(9)
Headline profit for the year attributable to equity holders of WH Smith PLC[2] (£m)	**117**	106
Weighted average shares in issue (diluted) (no. of shares – millions)	**131**	132
Headline diluted EPS[2] (p)	**89.3p**	80.3p

The above measures are calculated on a pre-IFRS 16 basis.

Headline diluted EPS[1] was 89.3p (2023: 80.3p), an increase of 11 per cent on the previous year.

EPS calculated on an IFRS 16 basis is provided in Note 9 to the financial statements, and a reconciliation between the IFRS 16 and pre-IFRS 16 earnings per share is provided in Note A4 to the Glossary on page 173.

The diluted weighted average number of shares in issue used in the calculation of Headline diluted EPS[1] assumes that the convertible bond is not dilutive and reflects the number of shares held by the ESOP Trust.

Profit attributable to non-controlling interests primarily represents the joint venture partner share of profit in relation to airport contracts in the USA. For the year ended 31 August 2024, the profit attributable to non-controlling interests was £10m (2023: £9m).

1 Alternative performance measure defined and explained in the Glossary on page 173
2 Before non-underlying items

Financial review continued

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 year in the Income Statement and Statement of Comprehensive Income are detailed in the table below.

		IFRS		Headline pre-IFRS 16[1]	
£m	Ref.	2024	2023	2024	2023
Items included in the Income statement					
Amortisation of acquired intangible assets	(1)	**(3)**	(3)	**(3)**	(3)
Impairment of non-current assets	(2)	**(30)**	(19)	**(23)**	(4)
Provisions for onerous contracts	(3)	**(6)**	(3)	**(11)**	(5)
Transformation programmes – supply chain and IT	(4)	**(9)**	–	**(9)**	–
Costs associated with pensions	(5)	**(2)**	(1)	**(2)**	(1)
IFRS 16 remeasurement gains	(6)	**3**	–	**–**	–
Costs relating to M&A activity and Group legal entity structure	(7)	**(4)**	–	**(4)**	–
Re-platform of whsmith.co.uk and other costs	(8)	**(4)**	–	**(4)**	–
Total non-underlying items recognised in the Income statement, before finance costs		**(55)**	(26)	**(56)**	(13)
Finance costs associated with onerous contracts	(3)	**–**	–	**(1)**	(1)
Finance costs associated with refinancing		**–**	(1)	**–**	(1)
Total non-underlying items recognised in the Income statement		**(55)**	(27)	**(57)**	(15)
Items included in the Statement of comprehensive income					
Remeasurement of the recoverability of the retirement benefit surplus	(5)	**87**	–	**87**	–
Total non-underlying items including items recognised in the Statement of comprehensive income		**32**	(27)	**30**	(15)

(1) Amortisation of acquired intangible assets
Non-cash amortisation of acquired intangible assets of £3m (2023: £3m) primarily relate to the MRG and InMotion brands.

(2) Impairment of non-current assets
The Group has carried out an assessment for indicators of impairment of non-current assets across the store and online portfolio.

Where an indicator of impairment has been identified, an impairment review has been performed to compare the value-in-use of cash generating units, based on management's assumptions regarding likely future trading performance, anchored in the latest Board approved budget and three-year plan, to the carrying value of the cash-generating unit as at 31 August 2024.

As a result of this exercise, a non-cash charge of £23m (2023: £4m) was recorded within non-underlying items for impairment of non-current assets on a pre-IFRS 16 basis, of which £18m (2023: £4m) relates to property, plant and equipment and £5m (2023: £nil) relates to intangible assets (primarily software). On an IFRS 16 basis, the total impairment charge of £30m (2023: £19m) comprises £15m property, plant and equipment (2023: £4m), £5m intangible assets (2023: £nil) and £10m right-of-use assets (2023: £15m).

Included in the impairment values above are impairments of property, plant and equipment connected with Board approved programmes relating to supply chain and IT transformation, as well as the reconfiguration of the Group's online operations. Assets have been impaired where their use is planned to be discontinued as a result of these programmes.

(3) Provisions for onerous contracts
A charge of £11m (2023: £5m; IFRS 16 basis £6m; 2023: £3m) has been recognised in the Income statement to provide for the unavoidable costs of continuing to service a number of non-cancellable supplier and lease contracts where the space is vacant, a contract is loss-making or currently not planned to be used for ongoing operations. This provision will be utilised over the next two to four financial years. The unwinding of the discount on provisions for onerous contracts is treated as an imputed interest charge, and has been recorded in non-underlying finance costs.

(4) Transformation programmes
Costs of £9m have been classified as non-underlying in relation to a number of Board-approved programmes relating to supply chain (£4m) and IT transformation (£5m) (Aug 2023: £nil).

The supply chain transformation programme includes costs related to outsourcing the Group's distribution centres and core distribution network to a third party (GXO) and costs of reconfiguration of the Group's UK distribution centres, in order to generate a more efficient and productive supply chain to support the performance and growth of the Group's UK businesses. This project is expected to conclude in 2025, incurring similar costs as in 2024.

1 Alternative performance measure defined and explained in the Glossary on page 173

The IT transformation programme includes costs relating to upgrading core IT infrastructure, data migration and investment in data security, store systems modernisation and other significant IT projects. These strategic projects will provide additional stability, longevity and operational benefits. The implementation will cover several years and we anticipate costs in 2025 to be similar to 2024.

These multi-year programmes are reported as non-underlying items on the basis that they are significant in quantum, relate to a Board-approved programme and to aid comparability from one period to the next.

(5) Costs associated with pensions
Costs of £2m (2023: £1m) have been incurred relating to professional fees associated with the buyout of WHSmith Pension Trust, which was completed in September 2024 (see Note 26).

This resulted in the recognition of an £87m gain being remeasurement of the recoverability of the retirement benefit surplus, which is included in the Group's Statement of other comprehensive income.

Subsequent to the completion of the buyout, on 10 September the remaining surplus in the scheme of £87m was transferred to the Group, comprising cash of £75m and investments of £12m.

(6) IFRS 16 remeasurement gains
Non-underlying IFRS 16 remeasurement gains result from the de-recognition of lease liabilities on exit from certain locations in which right-of-use assets were previously impaired.

(7) Costs relating to M&A activity and Group legal entity structure
Costs incurred during the year include c.£2m of professional and legal fees in relation to a reorganisation of the Group's legal entity structure, c.£1m relating to acquisition and integration costs of two small acquisitions in Ireland and Australia, and c.£1m relating to final integration costs of the North American businesses.

(8) Re-platform of whsmith.co.uk and other costs
Other non-underlying items recognised during the year of £4m include some restructuring costs, stock write-offs and IT costs in relation to the reconfiguration of the Group's online operations, and costs associated with the resolution of a long running dispute.

A tax credit of £9m (2023: £5m) has been recognised in relation to the above items (£9m pre-IFRS 16 (2023: £2m)).

Cash flow

Free cash flow[1] reconciliation

	pre-IFRS 16[1]	
£m	2024	2023
Headline Group operating profit before non-underlying items[1]	**193**	169
Depreciation, amortisation and impairment (pre-IFRS 16)[2]	**60**	52
Non-cash items	**14**	14
Operating cash flow[1, 2]	**267**	235
Capital expenditure[3]	**(129)**	(122)
Working capital (pre-IFRS 16)[2]	**(49)**	(64)
Net tax paid	**(18)**	(13)
Net finance costs paid (pre-IFRS 16)[2]	**(18)**	(16)
Free cash flow[1]	**53**	20

The Group generated an operating cash flow[1] of £267m in the year (2023: £235m) demonstrating the cash generative nature of the business. Capital expenditure was £129m[3] (2023: £122m) as we continued to invest in new stores, IT and energy efficient chillers and other store equipment. As expected, we had a working capital outflow of £49m in the year (2023: outflow of £64m). This mainly relates to investment in new stores, deferred rent payments in Travel relating to the pandemic and some timing. Most of the outflow was in the first half. This year, we expect a smaller outflow mainly relating to opening new stores. In total, there was a free cash inflow in the year of £53m (2023: £20m). This year, we would expect, subject to investment opportunities, an increase in free cash generation and Headline net debt[1] to be around £340m at the end of the year.

Net corporation tax payments in the period were £18m (2023: £13m).

Capital expenditure was £129m[3] (2023: £122m), which includes the additional spend from opening over 100 stores around the world.

£m	2024	2023
New stores and store development	**67**	58
Refurbished stores	**19**	20
Systems	**15**	19
Other	**28**	25
Total capital expenditure[3]	**129**	122

1 Alternative performance measure defined and explained in the Glossary on page 173
2 Excludes cash flow impact of non-underlying items
3 Excluding capital expenditure related to non-underlying items of £2m

Financial review continued

Reconciliation of Headline net debt[1]

Headline net debt[1] is presented on a pre-IFRS 16 basis. See Note 18 of the Financial statements and Note A8 of the Glossary for the impact of IFRS 16 on net debt.

As at 31 August 2024, the Group had Headline net debt[1] of £371m comprising convertible bonds of £310m and net overdrafts of £61m (2023: £330m, convertible bonds of £301m; £1m of finance lease liabilities; and net overdrafts of £28m).

	Headline pre-IFRS 16[1]	
£m	2024	2023
Opening Headline net debt[1]	**(330)**	(296)
Free cash flow[1]	**53**	20
Dividends paid	**(41)**	(22)
Non-underlying items[1]	**(28)**	(9)
Net purchase of own shares for employee share schemes	**(12)**	(8)
Other	**(13)**	(15)
Closing Headline net debt[1]	**(371)**	(330)
Net overdraft	**(61)**	(28)
Convertible bond	**(310)**	(301)
Finance leases (pre-IFRS 16)	**–**	(1)
Headline net debt[1]	**(371)**	(330)

In addition to the free cash flow, the Group had outflows relating to the dividend of £41m (2023: £22m) being the final dividend from 2023 and the interim dividend from 2024; £12m (2023: £8m) on own shares for the Group's share schemes; and £28m (2023: £9m) of non-underlying items, which mainly relate to transformation and restructuring projects, pensions, capital expenditure incurred on previously impaired stores and spend relating to prior year property provisions. Other includes non-cash accretion on the convertible bond, and payments to non-controlling interests.

On an IFRS 16 basis, net debt was £997m (2023: £895m), which includes an additional £626m (2023: £565m) of lease liabilities.

Financing and capital allocation

The Group has a strong balance sheet, has highly cash generative trading operations and has substantial liquidity.

The Group has the following cash and committed facilities as at 31 August 2024:

	31 August 2024	Maturity
Cash and cash equivalents[2]	**£56m**	
Revolving Credit Facility[3]	**£400m**	June 2029
Convertible bonds	**£327m**	May 2026

The Group has a sustainability-linked revolving credit facility ("RCF") with a maturity date of 13 June 2029 and a £327m convertible bond with a maturity of 7 May 2026, which has a fixed coupon of 1.625 per cent.

As at 31 August 2024, Headline net debt[1] was £371m (2023: £330m) and the Group has access to c.£313m of liquidity. Leverage[1] at the year end was 1.4x Headline EBITDA[1] (2023: 1.4x).

On 10 September 2024, following the buy-out of the defined benefit pension Trust, the Group received a cash refund of £75m[4] and an investment fund of £12m, which will convert to cash over the next two years. Proforma leverage at the year end, including these proceeds, would have been c.1.1x within our target range of 0.75x to 1.25x.

The cash generative nature of the Group is complemented by our disciplined approach to capital allocation. This has been in place for many years and continues to drive our decision making for utilising our cash:

- First, investing in our existing business and in new opportunities where rates of return are ahead of the cost of capital; this year, we expect capital expenditure of c.£125m. The returns in Travel are good with return on capital employed[1] ("ROCE") in the UK at 36 per cent, North America at 16 per cent and ROW at 23 per cent;
- Second, paying a dividend. We have a progressive dividend policy with a target dividend cover, over time, of 2.5x; the Board is proposing a full year dividend of 33.6p per share taking cover to 2.7x compared to a cover of 2.8x in 2023;
- Third, undertaking attractive value-creating acquisitions in strong and growing markets; and
- Fourth, returning surplus cash to shareholders via share buybacks.

1 Alternative performance measure defined and explained in the Glossary on page 173
2 Cash and cash equivalents comprises cash on deposit of £30m and cash in transit of £26m
3 Draw down of £117m as at 31 August 2024
4 See page 31 and Notes 26 and 28 for a description of events after the balance sheet date

The Board has proposed a final dividend of 22.6p per share in respect of the financial year ended 31 August 2024, which together with the interim dividend, gives a full year dividend of 33.6p per share. This reflects the cash generative nature of the business and our confidence in the future prospects of the Group. Subject to shareholder approval, the dividend will be paid on 6 February 2025 to shareholders registered at the close of business on 17 January 2025.

In addition, at the Pre-close Trading Update on 11 September 2024, the Group announced a £50m share buyback, which reflects the strong ongoing cash flow, the receipt of the pension fund buyout cash return, as well as the strength of our balance sheet with leverage now within the target range. As at 13 November 2024, the Group had purchased 0.4m shares for cancellation for total consideration of £6m.

Fixed charges cover[1]

	pre-IFRS 16[1]	
£m	2024	2023
Headline net finance costs before non-underlying items[1]	**27**	26
Headline net operating lease charges (pre-IFRS 16)[1] (Note A12)	**365**	326
Total fixed charges	**392**	352
Headline profit before tax and non-underlying items[1]	**166**	143
Headline profit before tax, non-underlying items and fixed charges	**558**	495
Fixed charges cover – times	**1.4x**	1.4x

Fixed charges, comprising property operating lease charges and net finance costs, were covered 1.4 times (2023: 1.4 times) by Headline profit before tax, non-underlying items and fixed charges.

Return on capital employed[1]

	ROCE %	
	2024	2023
Travel UK	**36%**	32%
North America	**16%**	17%
Rest of the World	**23%**	28%
Total Travel	**26%**	25%
High Street	**37%**	47%
Group	**24%**	25%

Return on capital employed is calculated as the Headline trading profit[1] as a percentage of operating capital employed, and is stated on a pre-IFRS 16 basis. Operating capital employed is calculated as the 12-month average net assets, excluding net debt, retirement benefit surplus/obligations and net current and deferred tax balances.

Balance sheet

The Group had Headline net assets excluding the retirement benefit surplus of £469m, £20m higher than last year reflecting the investment in new store openings and exchange differences on translation of goodwill. Under IFRS, the Group had net assets before the pension surplus of £359m (2023: £340m).

	IFRS		Headline pre-IFRS 16[1]	
£m	2024	2023	2024	2023
Goodwill and other intangible assets	**490**	505	**491**	506
Property, plant and equipment	**316**	270	**308**	263
Right-of-use assets	**505**	444	**–**	–
Investments in joint ventures	**2**	2	**2**	2
	1,313	1,221	**801**	771
Inventories	**217**	205	**217**	205
Payables less receivables	**(190)**	(219)	**(183)**	(216)
Working capital	**27**	(14)	**34**	(11)
Net current and deferred tax asset	**33**	45	**33**	45
Provisions	**(17)**	(17)	**(28)**	(26)
Operating assets	**1,356**	1,235	**840**	779
Net debt	**(997)**	(895)	**(371)**	(330)
Net assets excluding retirement benefit surplus	**359**	340	**469**	449
Retirement benefit surplus	**87**	–	**87**	–
Total net assets	**446**	340	**556**	449

Events after the balance sheet date

As at 13 November 2024, the Company has repurchased 0.4m of its own shares in the open market as part of the Company's share buyback programme for a consideration of £6m.

Subsequent to the completion of the buyout of the WHSmith Pension Trust, on 10 September 2024 the remaining surplus in the scheme of £87m was transferred to the Group, comprising cash of £75m and investments of £12m.

Following the publication of an HMRC newsletter on 24 October 2024, the Group has become aware of a difference in interpretation of the rules on the calculation of the tax due between the Trustee and HMRC on the surplus arising from the buy out of the defined benefit pension scheme. As a result, the Group could be required to reimburse the Trustee £6m. This has not been recorded as a liability in the financial statements of the Group as at 31 August 2024.

Robert Moorhead
Chief Financial Officer and Chief Operating Officer

14 November 2024

1 Alternative performance measure defined and explained in the Glossary on page 173

Our communities

Helping children to develop a love of reading

WHSmith has a long-standing commitment to making a positive impact on the planet, the lives of our people and the communities in which we operate. This includes championing literacy, and this year we supported the Gift a Gruffalo campaign alongside our partner the National Literacy Trust ("NLT"). The campaign resulted in 20,000 copies of *The Gruffalo* going to disadvantaged communities through the NLT's community hubs, so that more children could have the opportunity to discover the magic of reading.

National Literacy Trust Hubs

17

Donated copies of the Gruffalo

20,000

Scan to learn more about the Gift a Gruffalo campaign.

Section 172(1) statement

Listening to our stakeholders

Stakeholder considerations play an important part in the Board's discussions and decision making to promote the success of the Company. Regular engagement ensures that the Board is aware of stakeholder views and interests and enables it to operate in a balanced and responsible way. The Board carefully considers the diverse needs and priorities of stakeholders in its decision making, while ensuring WHSmith's long-term success and reputation is promoted and preserved.

During the year ended 31 August 2024, the Board acted in accordance with Section 172(1) of the Companies Act 2006, with each director performing their duty to promote the success of the Company for the benefit of its members as a whole, and in doing so to have regard to the interests of its stakeholders. Our interactions with key stakeholders and the ways in which their interests have been taken into account by the directors in their decision making are summarised on the following pages. Further examples of how stakeholder views have been considered can be found in our Corporate governance section on pages 66 to 113.

Section 172(1) statement continued

Our people

The success of WHSmith depends on the c.14,000 colleagues employed by the Group. It is essential that they feel engaged, motivated and appreciated.

What matters to our people

- Feeling valued
- Being rewarded fairly
- Being treated with respect and dignity
- Having opportunities for personal growth and career development

How did we engage?

- Our designated Non-Executive Director for workforce engagement, Simon Emeny, provided oversight for the Board
- Simon Emeny and Nicky Dulieu, Remuneration Committee Chair, attended employee forums to discuss, amongst other topics, the Group's approach to remuneration and how this aligns to wider Group pay policy
- The Chief People Officer updated the Board on employee-related matters, including employee engagement, staff retention rates, learning and development, gender pay gap statistics, diversity and inclusion, and workforce remuneration
- The Group Chief Executive and other senior executives hosted regular webinars with support centre colleagues to provide strategy and performance updates and answer any questions
- Board members and senior executives attended business meetings throughout the year, including leadership meetings, trading updates and Risk Committee meetings
- Our annual employee engagement survey was followed up with meetings with employees to gain further understanding
- Employees raised issues, questions and concerns through direct mailboxes for senior executives

What were the key topics raised?

- Reward
- Development and growth for all of our colleagues
- Communications
- Work/life balance and wellbeing
- Culture and authenticity

How did we respond?

- The Board approved an action plan to address actions from the employee survey and monitored implementation throughout the year
- We relaunched the WHSmith Values based on Customer Focus, Drive for Results, Accountability and Valuing our People, incorporating them into our people polices and processes
- We relaunched our learning and development proposition giving colleagues access to a wider range of development opportunities
- We increased our communication and engagement, including more targeted communications for different teams, and continued with webinars and business line specific meetings with senior executives
- Management acted on feedback from our employee networks, chaired by sponsors from our Executive Committee, giving all colleagues the opportunity to participate and influence our broader diversity, equity and inclusion ("DEI") strategy
- Management undertook initiatives to increase employee participation in the employee survey

Customers

Customer loyalty and enthusiasm for our retail proposition are critical to our success. Understanding the needs of our customers ensures that we provide the products and service that they expect.

What matters to our customers

- Availability and range of products
- Convenience
- Customer service
- Value for money
- Safe and responsibly sourced products

How did we engage?

- Board members visited stores in the UK, US, Australia and Europe to assess and review the customer experience and service standards
- The Managing Directors of each business unit updated the Board on customer engagement, market trends and commercial responses
- We used quantitative and qualitative analysis of customer feedback through point of sale, online surveys and focus groups, to provide additional customer insights
- Store teams and customer service teams are in constant dialogue with customers
- The Board received regular updates on customer feedback and service standards, and ensured systems were in place to comply with all relevant product safety legislation

What were the key topics raised?

- Convenience of our offering
- Nature of store environments
- Customer service levels
- Product availability
- Pricing

How did we respond?

- The Board received strategy updates from the Managing Directors of each business unit and approved the customer-facing commercial strategies
- We extended the roll-out of our one-stop-shop formats for travel essentials providing food, health and beauty, tech accessories, books and magazines under one roof
- We continued to invest in our retail estate, opening over 100 new stores during the year
- Each division explored ways to continue to improve its service model to make the customer experience as effortless and efficient as possible
- Customer feedback was communicated to the relevant parts of the business for further action where needed

Section 172(1) statement continued

Investors

Our investors include individual and institutional shareholders, and providers of debt and financial capital, such as banks and bondholders. We maintain an active dialogue with our investors through an extensive investor relations programme.

What matters to our investors

- Long-term value creation and growth opportunities
- Capital allocation
- High-performing Board and Senior Executives
- High standards of business conduct and good governance
- Transparency

How did we engage?

- Individual meetings, virtual presentations and investor roadshows were hosted by members of the Board
- The Board received reports and updates about shareholder relations at each meeting to ensure that Board members were informed of investors' and proxy advisers' views on strategy and corporate governance
- Direct engagement for investors took place via our investor relations team
- Annual report and interim trading updates with investor presentations were provided by the Group Chief Executive and CFO/COO. These were interspersed by more regular Trading Updates
- Nicky Dulieu, as Chair of the Remuneration Committee met with investors to discuss remuneration policy
- An online portal, operated by our registrar, Computershare, provided shareholders with the ability to manage their shareholdings
- At our Annual General Meeting, the Group Chief Executive gave an update on how the Group is performing and the Board answered questions from shareholders

What were the key topics raised?

- Strategy for business growth
- Operational delivery
- More detailed information on the return on capital employed
- Corporate governance practices
- ESG strategy, targets and reporting
- Succession planning

How did we respond?

- The Board dedicated one of its meetings to reviewing and approving the Company strategy
- Annette Court and Nicky Dulieu held meetings with individual shareholders as part of an investor roadshow
- The Board approved a share buyback programme in line with the Company's capital allocation policy
- Returns on capital employed by division are disclosed
- We conducted investor interactions through meetings with major institutional shareholders, individual shareholder groups and financial analysts, attended by directors and senior management including our Chair, Group Chief Executive and CFO/COO
- The ESG Committee incorporated investor feedback into the ESG strategy. We also responded to a number of requests from investors for a briefing on our ESG priorities

Landlord partners

Our landlord partners own the buildings where our retail units are located. They include airport operators, rail infrastructure partners, hospital trusts and other retail estate landlords. Our business success is dependent on retaining and winning new space and in order to do so, we must understand what considerations are important to them.

What matters to our landlord partners

- Store formats and product ranges that are appealing to their customers
- Customer service and satisfaction
- Value of revenue and rent paid per square metre of retail space
- Effective operational implementation
- Compliance with their sustainability requirements

How did we engage?

- Board, executive and senior managers met with landlords
- We held regular dialogue with landlord representatives on performance levels in existing stores and future opportunities
- As part of the tender submission process for new contracts, we attended meetings, webinars and conducted written engagement with landlords
- We participated in various landlord-hosted working groups to collaborate on different challenges on topics such as energy and waste management and security
- We organised store visits for landlords to share examples of latest retail formats
- Membership of appropriate trade bodies and attendance at industry conferences and events

What were the key topics raised?

- Board approval for tenders in Australia, Ireland, Spain, the UK and the USA
- Emerging global trends in retailing and implications for store design and WHSmith format development opportunities
- Sustainability requirements as part of tender submissions and subsequent landlord partner dialogue
- Commercial terms for lease agreements for High Street stores

How did we respond?

- We opened over 100 new stores during the year
- We continued our focus on product ranges, stock volumes and staffing levels to meet demand from seasonal increases in airport footfall
- The Group invested in store design, shop fit outs and product ranging
- We continued to develop a variety of format options including extension of a one-stop-shop for travel essentials, greater localisation of designs and a platform for a variety of brands
- We confirmed ongoing dialogue with airport operators on ways to work together to ensure that we meet customer needs

Community groups

The relationship we have with the communities where our stores and distribution centres are located is key to the sustainability of our business. We want to serve communities, in travel locations, hospitals or town centres, providing jobs and helping local economies where we are based.

What matters to our community groups

- A retail presence to attract other retailers to the locality
- Availability of core products and services such as convenience offerings in travel locations and hospitals and Post Office services in High Street stores
- Support for local and national causes
- High standards of corporate responsibility for environmental and social issues

How did we engage?

- The Board's ESG Committee met three times during the financial year and received briefings from the Sustainability Director on environmental and social issues, including interactions with community stakeholders
- Senior managers participated in sustainability-focused working groups for trade organisations such as the British Retail Consortium and Ethical Trading Initiative ("ETI")
- We held regular meetings with key charity partners
- The Group participated in ESG surveys run by organisations such as the disclosure organisation, CDP and the ETI
- Stakeholders raised questions, views and concerns through the **sustainability@whsmith.co.uk** email address

What were the key topics raised?

- The need to maintain a vibrant retail offering providing core services for local communities
- Support for community groups and charities local to our stores
- The importance of support for pre-school children in disadvantaged areas to address disparities in levels of literacy

How did we respond?

- The ESG Committee reviewed and approved the Sustainability Strategy, action plans and targets for the year under our three pillars of Planet, People and Community
- We continued our long-term partnerships with the National Literacy Trust in the UK and Miracle Flights in North America, and provided financial and in-kind support to a number of other charities and community causes
- We discussed possible partnerships with landlord partners to look at ways to help local communities
- We improved our retail proposition for the specific needs of hospital staff, visitors and patients by providing an increased range of food, health and beauty products and tech accessories
- We participated in industry working groups on key environmental and social issues

Suppliers and business partners

We work closely with over 3,000 suppliers to provide products, goods not for resale and services, which are critical for the smooth running of our business. They range from large multi-national companies to small and medium-sized enterprises. We have agreements with a number of partners to run franchised stores on our behalf, and, this year transferred the running of our UK-based distribution centres and logistics to a third-party provider, GXO.

What matters to our suppliers and business partners

- Fair trading and prompt payment in line with agreed terms
- Opportunities for growth in their business
- A business partner that treats them fairly
- Responsible sourcing and high ethical standards in the supply chain

How did we engage?

- Board overview of information on key suppliers where material, for example, when approval of major supplier or franchise contracts is required
- Overview by the Audit and ESG Committees of labour and environmental standards in the supply chain via quarterly and annual updates
- Direct engagement with suppliers and franchise partners via individual meetings
- Supplier conferences for major groups of suppliers such as trade suppliers for individual businesses or geographies, or suppliers of non-trade goods and services
- Programme of audit and supplier engagement on labour standards
- Anonymised survey of workers in our own-brand supply chain
- Discussions with potential third-party providers to operate logistics activities on our behalf

What were the key topics raised?

- Supplier and product innovation
- Supply chain operations to ensure right products at the right time
- Strategies for science-based carbon targets and net zero emission strategies
- Compliance requirements for emerging legislation

How did we respond?

- The Board, through the Audit Committee, received updates on the risk and resilience of our supply chains
- We worked with business partners to provide suppliers with customer insight data specific to our stores
- The Board oversaw the smooth transition of operations and people to GXO, our new logistics provider
- We engaged with suppliers on human rights due diligence in their supply chains and carbon reduction targets and plans

Sustainability review

Our journey to a more sustainable business

WHSmith has a long-standing commitment to operate in a responsible and sustainable way. As a leading global travel retailer, our operations can impact society and the wider environment. Our customers, colleagues and business partners all want us to act in the right way and we know that operating responsibly enables better long-term business performance.

Our sustainability strategy is a key part of how we operate. It concentrates on those areas, which are important for the success of our business, and where we can bring positive change. It was developed using stakeholder insights to include those areas where our activities could have the greatest potential impact on society and the environment.

The three main pillars of our sustainability strategy are Planet, People and Communities and they provide the framework for our activities. They are underpinned by a strong foundation of responsible business principles and practices to ensure we operate in the right way.

Our Journey to a Sustainable Business

Creating value for all stakeholders

Minimising our impact on the planet

Net zero by 2050

Reduce packaging and waste

Zero deforestation in our supply chain

Engaging our people

Protect health, safety and wellbeing

Promote diversity, equity and inclusion

Human rights and supplier management

Contributing to communities

Help children to develop a love of reading

Make a positive impact through fundraising, donations and volunteering

Responsible business policies and processes

Governance

Good ESG is central to successful risk management, business development and delivery of the expectations of shareholders. A robust and fully embedded framework of clear governance structures, risk management processes and internal controls are key to the delivery of our sustainability commitments.

Our Board level ESG Committee has oversight of our sustainability strategy, setting our ambition and monitoring progress. The Committee is responsible for understanding the potential impact and related risks of ESG considerations on the business. It approves the Company's sustainability strategy, including policies, objectives and a roadmap for delivery, and monitors progress against agreed targets. The work of the Committee is detailed on pages 82 to 84.

The ESG Committee receives input from the ESG Steering Group, which is chaired by the Group Chief Executive and has responsibility for leading the delivery of our sustainability commitments.

The ESG Steering Group meets monthly to review progress against our objectives. Each of the key components of our strategy has a series of targets and an action plan for implementation.

Individual issues are managed by the most appropriate owners across the business. They work with the Group's Sustainability team, whose role is to advance the various initiatives, co-ordinate implementation of the sustainability programme and provide updates to the key governance bodies.

Quarterly updates are also provided to the Group Audit Committee on key ESG risk areas. As part of WHSmith's risk management processes (see pages 59 to 65), detailed risk registers are maintained by each business and used to identify, manage and monitor risks at quarterly Business Risk Committees.

The Business Risk Committees review the progress made towards achieving our long-term sustainability targets once a quarter, together with any emerging issues that need to be considered.

We include ESG metrics and targets in our incentive plans for senior management (see pages 87 to 99) and as part of our revolving credit facility. We receive a reduction in interest rates from the lending banks if the targets are met.

Our governance framework

Sustainability review continued

Materiality and our approach to reporting

We undertake an annual materiality assessment to determine the most important sustainability issues for our business. This assessment is based on the extent to which our activities could impact society and the environment, and the extent to which a socio-economic, environmental or ethical issue could impact our business financially.

Our materiality assessment incorporates the views of internal and external stakeholders who provide input in a number of different ways, which are set out in more detail on pages 33 to 39. We use feedback from stakeholders to identify the areas where they believe our activities could have the biggest impact on society and the environment, and the extent to which different issues could generate significant risks or commercial opportunities for our business.

Our ESG Committee, and the other governance bodies listed above, regularly discuss new and existing themes and issues that matter to our stakeholders. Priority issues are addressed by programmes and action plans with clear and measurable targets and committed resources.

Our ESG Steering Committee reviews our materiality assessment annually and chooses what we measure and include within our reporting based on priority issues for our investors, customers, colleagues and other stakeholders. Our reporting is informed by stock exchange listing and disclosure rules.

We remain committed to transparent and balanced sustainability reporting and commissioned SLR Consulting to conduct a limited assurance engagement over selected information, which is marked with an asterisk (*) in this report. Further details are provided in our **Sustainability Addendum**. All of our reporting is available on our **website**:

- This Annual Report and Accounts has a summary of the progress against our sustainability strategy and targets for the year, and meets our statutory obligations
- The accompanying **Sustainability Addendum** includes our most recent materiality matrix, sustainability performance data, third-party assurance statement and content tables for key reporting standards
- **Policies and position statements** describe our expectations and management approach for key topics

Benchmarks and external ratings

We engage with a number of external proxy agencies, benchmarking schemes and other membership organisations. We are signatories of the UN Global Compact and we continue to rank highly in external benchmarks and indices, including the following (as at 31 August 2024):

Benchmark	External rating
Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA	For the fourth year, WHSmith has been included in the Dow Jones Sustainability World Index, one of only nine speciality retailers to be included.
SUSTAINALYTICS a Morningstar company	WHSmith received an ESG Risk Rating of 10.2 and was assessed by Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors. This rating places us in the top position for speciality retailers.
ENVIRONMENTAL QUALITYSCORE HIGHEST RANKED BY ISS ESG 1	WHSmith achieved a "C+" rating. This is supported by our "Prime" status, which is given to companies that are perceived to be sustainability leaders in their industry.
MSCI ESG RATINGS AAA (CCC B BB BBB A AA AAA)	WHSmith has a rating of AAA in the MSCI ESG Ratings assessment, the highest rating possible.
CDP DISCLOSURE I NSIGHT ACTION	WHSmith achieved a climate disclosure score of "A – leadership".

Minimising our impact on the planet

	Aim	Target (against a 2020 baseline)	Progress
Climate action	**Net zero emissions by 2050**	By 2030: reduce absolute Scope 1 and 2 emissions by 80 per cent from 2020 base year.	2024 emissions are 90* per cent lower than 2020.
		By 2027: 75 per cent of suppliers by emissions covering purchased goods and services and up-stream transport and distribution will have science-based targets.	32* per cent of GHG emissions from purchased goods and services and up-stream transport and distribution are from suppliers with science-based targets.
Reducing waste	**Reduce environmental impact from packaging and materials**	By 2025: reduce waste material and minimise own-brand plastic packaging.	In 2024, we sent 14* tonnes (less than one* per cent) of waste to landfill compared to 400 tonnes (12 per cent) in 2020.
Protecting natural resources	**Net zero deforestation**	By 2025: ensure forestry materials in own-brand products and paper-based non-trade goods come from recycled or certified sources.	In 2024, 100* per cent of pulp, paper and timber products purchased for sale were from certified sources or recycled materials. Further work is planned to assess certification in relation to non-trade goods.

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (*) in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at **whsmithplc.co.uk/sustainability**

Climate action

WHSmith has a long history of reducing carbon emissions through greater energy efficiency, investment in technology and equipment, and switching to lower-carbon sources of energy and fuel. We are committed to continuing to play our part in helping to reduce emissions to avoid the most severe consequences of climate change.

We have set a target to be net zero across our full value chain by 2050, aligned to a 1.5°C trajectory. Our carbon transition plan includes a number of initiatives to reduce energy and fuel use, switch more of our power to renewable sources and take action to adapt to the changing climate. We know that we will not be able to reach net zero in isolation, and, therefore, are encouraging customers, suppliers, business partners and policy makers to join us on our journey.

More information on our climate strategy, including our commitments, climate risks and opportunities, and action plans for transitioning to net zero are included in our TCFD disclosures on pages 44 to 52.

Reducing waste

Waste is not only damaging to the environment but adds additional cost to our business. We are focused on reducing excess materials and maximising recycling wherever we can. Total waste volumes increased slightly this year as a result of greater volumes of waste stock being cleared for recycling.

We operate a recycling system which enables us to recycle most forms of waste, including cardboard, paper, plastics and metals. Separate facilities for waste segregation are available in our distribution centres and support centres. Reusable skips transport goods between our distribution centres and stores, rather than cardboard boxes, which need recycling more frequently.

We work with our suppliers to minimise the quantities of secondary packaging used to protect products being transported to our stores, which helps to reduce the waste being generated from our operational activity.

We regularly review the type and quantities of packaging we use, including primary packaging for our own-brand products and the secondary packaging used to protect goods during transit and distribution. We seek to identify opportunities to minimise packaging wherever possible and use cardboard and forms of plastic that can be recycled where these provide a better environmental option than virgin and hard to recycle materials.

Sustainability review continued

With the launch this year of *Smith's Family Kitchen*, the number of food lines that we sell continues to grow. Our focus is on reducing food waste, which predominately arises from chilled food that has reached its use-by date.

Our stock control systems use historical and predictive data to order enough food to meet customer demand, while ensuring that we only stock food that we expect to sell. We also operate a discounting strategy in all of our stores, with processes in place to reduce the price of chilled food that is approaching, but has not yet exceeded, its use-by date.

We partner with the food redistribution organisation Too Good to Go, who provide an online application to connect customers to any of our stores that have surplus unsold food. This application allows customers to reserve a bag of food, which is approaching its use-by date, to purchase later in the day from a WHSmith store at a reduced price.

These actions all help to minimise the amount and proportion of waste, which is sent for treatment and disposal. This year more than 99* per cent (2023: 99* per cent) of our waste was sent for recycling or to energy from waste facilities rather than for disposal to landfill.

Operational waste (direct operations only)

	2024	2023	2022
Total waste (tonnes)	**3,253***	3,105*	3,247*
Percentage diverted from landfill (per cent)	**99***	99*	99*

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (*) in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at **whsmithplc.co.uk/sustainability**

Protecting natural resources

Paper-based products are a core part of WHSmith's product offering and we are committed to minimising the environmental impacts from the sourcing of any paper, card or wood components for our products.

Our **Sustainable Forests Policy** sets out our standards and requirements for our supply chain and includes a zero deforestation policy for any WHSmith-branded products. Our standards require that all paper, card and wood for our own-brand products are sourced from legal and well managed forests that have been certified to credible certification standards such as FSC® or PEFC™ or from verified recycled sources.

Suppliers must provide proof of Chain of Custody certification and in line with the requirements of national and international timber regulations, we carry out an in-depth and rigorous assessment of supplier timber-sourcing systems. We can demonstrate that 100* per cent (2023: 100* per cent) of WHSmith-branded products containing paper-based materials originate from certified or recycled material.

We are currently updating our procedures and supplier guidance to ensure we are ready for the introduction of the EU Deforestation Regulation in 2024/25 when due diligence processes will be extended to a wider range of products beyond our own brand.

Climate-related financial disclosures

Introduction

The Task Force on Climate-related Financial Disclosures ("TCFD") established a framework for understanding and analysing climate-related risks and opportunities. WHSmith recognises that climate change presents a number of potential risks and opportunities for our business. Our target is to be net zero across our value chain by 2050.

We have considered our TCFD-related reporting obligations under the UK's Financial Conduct Authority Listing Rules and in line with the requirements of UK Listing Rule 6.6.6R(8), our disclosure of climate-related financial information is consistent with the Recommendations of the TCFD, recommended disclosures and all-sector guidance. Our approach to materiality for TCFD reporting is the same as for other components of ESG and is set out on page 42.

Board oversight of climate risks and opportunities

The Board has ultimate responsibility for ensuring climate change is embedded into the Group's strategy, risk management, financial and business planning processes. Climate considerations are taken into account for performance monitoring and any decisions regarding major financial approvals and acquisitions. The ESG, Audit and Remuneration Committees of the Board provide oversight of certain climate-related activities and any issues of material significance are discussed as they occur. The work of the Committees is detailed on pages 82 to 84.

The Audit Committee has responsibility for ensuring that the Group has identified climate risks and opportunities, that those risks and opportunities have been adequately assessed, and that appropriate risk management, monitoring and mitigation plans are in place. The Committee also oversees the Group's wider obligations in relation to non-financial reporting. Climate-related matters are included in quarterly updates from the Group Audit and Risk Director as part of the Group's wider risk management processes.

The ESG Committee has responsibility for ensuring the Group has appropriate climate policies, action plans and targets that are part of a wider sustainability strategy. This includes the development of short, medium and long-term goals and targets in relation to climate change, development of a carbon transition plan and monitoring progress. This year, the ESG Committee discussed climate change in three meetings. The Committee received dedicated briefings from the Sustainability Director on current legislation and emerging developments in relation to carbon and nature, and reviewed progress against the Group's carbon targets. Climate-related skills and experience of individual Committee members are set out on pages 82 to 84.

TCFD recommendations and recommended disclosures

	Disclosure location
Governance	
(a) Describe the Board's oversight of climate-related risks and opportunities	Page 44
(b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 45
Strategy	
(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Pages 46 to 48
(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Pages 47 to 48
(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages 47 to 48
Risk management	
(a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 45
(b) Describe the organisation's processes for managing climate-related risks	Pages 46 to 48
(c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Pages 46 to 47
Metrics and targets	
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Page 49
(b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks	Pages 51 to 52
(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 52

The Remuneration Committee ensures that the Group's incentive plans are aligned with targets relating to climate change. Climate-related performance indicators are included in the Long-Term Incentive Plan awards as set out on page 106.

Management's role

The Group Chief Executive has the delegated authority from the Board to manage WHSmith's actions in relation to the Group's strategy and climate change. He is assisted by a number of senior managers in the assessment and management of climate-related matters.

- The Group Sustainability Director supports the Group Chief Executive in progressing WHSmith's net zero transition strategy, including developing climate scenarios, identifying climate risks and opportunities, developing transition plans and embedding them into business activities, and ensuring progress is appropriately monitored. She is responsible for updating the Board and the ESG Committee on climate-related matters, including progress against the Group's targets at least three times a year.
- The Managing Directors of each division identify, monitor, manage and mitigate climate risks and opportunities associated with their activities. They are also responsible for ensuring the delivery of plans to reduce emissions and capitalise on carbon-related opportunities within their businesses.
- The CFO/COO is responsible for monitoring the effective application of the Group's processes for managing climate risks. He is also responsible for providing assurance over financial information and climate-related disclosures.

There are a number of governance bodies and reporting processes to ensure management is informed about climate-related issues. The ESG Steering Group, chaired by the Group Chief Executive, has responsibility for leading the delivery of sustainability commitments including those relating to climate change. It meets once per month to review progress against targets, and this provides the basis for a report to the ESG Committee three times per year. The Business Risk Committees are responsible for identifying and assessing climate risks and opportunities and ensuring appropriate due diligence and mitigation. They meet once per quarter and provide input to the Group risk report to the Audit Committee four times per year.

Identifying and assessing risks and opportunities

Our framework for identifying and assessing climate-related risks is integrated into Group-wide processes for risk identification and prioritisation (see pages 59 to 65). We use the following processes to identify and assess transition and physical risks and opportunities:

- Monitoring of changes in the external policy environment, including existing and emerging legislation, and government announcements;
- Observing market developments, such as technological advances that may reduce our operating costs, or changes in consumer behaviour that may impact sales of particular products or customer footfall in certain locations; and
- Evaluating changes in our cost base related to properties, logistics or supply of goods that may be linked to climate-related impacts.

Sustainability review continued

We maintain a register of climate risks and opportunities, across short, medium and long-term time horizons. These time horizons are defined as follows:

- Short-term – up to three years: we develop financial plans and use them to manage expectations and performance on a three-year cycle. We assess the Group's viability under the requirements of the UK Corporate Governance Code over a three-year period and our financial plans incorporate decarbonisation measures required to meet our near-term targets and address short-term risks.
- Medium-term – three to ten years: many of our financial commitments, such as some store leases, contractual agreements with landlord partners, and the useful economic life of our assets often exceed three years. Medium-term climate risks are considered in all investment decisions involving longer-term commitments and many of our climate-related opportunities are often materialised within this time.
- Long-term – beyond ten years: it is expected that the product mix in our stores could look very different to the current offering, addressing the societal changes that will come with transitioning to a net zero world. This timescale is beyond our financial planning and investment period horizons, but we recognise that longer-term risks may need to be incorporated into our future business strategy and planning.

Risks are assessed in relation to the severity of potential business impact (on a scale from one to six) and the likelihood of the business being impacted (low, medium or high). This scoring is in line with all other risks included in the Company's risk register. Determination of the severity of impact includes both financial and reputational components, and other factors such as our ability to respond to a particular risk. In assessing the likelihood, we consider factors such as whether similar risks have materialised in the past and our ability to mitigate the risk. This allows us to identify the more significant potential risks for more detailed financial assessment and incorporation into the risk registers and summary risk maps prepared by all business functions.

We consider Environment and Social Sustainability, which includes climate-related issues, to be a principal risk based on stakeholder expectations that we will conduct our business in a responsible and sustainable way. Failing to deliver our sustainability agenda could damage our reputation, introduce higher costs and impact our ability to meet our strategic objectives.

Scenario analysis

In 2022, in order to further assess and evaluate climate risk and opportunities, we commissioned external consultants to help us understand how our business could be affected under two climate scenarios over short, medium and long-term horizons. The findings remain relevant for the year ended 31 August 2024.

Current policies scenario

This scenario assumes only currently implemented government policies are preserved. There is no reduction in emissions and climate change accelerates to 2.5°C of warming by 2050 and >4°C by 2100 bringing irreversible change. This scenario provides an indication of potential outcomes under business as usual. It involves little to no transition risks in the early stages (as no additional action is being taken), but results in irreversible and disruptive physical risks.

Net zero 2050 scenario

This is an ambitious scenario that limits global warming to 1.5°C by 2100 through stringent policy intervention and innovation, reaching net zero emissions around 2050. It offers an indication of potential outcomes where global warming is limited to current internationally agreed levels. It involves more transition risks in the early stages and physical risks are less extreme than under the current policies scenario. It is only relevant to medium and long-term time horizons because of the timescales needed to implement.

Climate risks and opportunities and their impact on our business

The analysis helped us to estimate indicative financial impacts from different climate risks under the two scenarios. The table on pages 47 to 48 sets out the most significant climate risks and opportunities for WHSmith, the potential impacts they may have on our business and our resilience to respond. We have assessed transition risks associated with societal changes in policies, technologies, markets and stakeholder expectations and physical risks arising from acute climate-related weather events, or longer-term chronic changes to the climate. Opportunities from mitigation and adaptation to climate change are also included.

The impacts detailed in the table on pages 47 to 48 are stated prior to mitigation or controls being in place and are subject to uncertainties attributed to the underlying scenario models, impact pathways and assumptions made. They assume that our business activities remain largely unchanged throughout and any increases in costs are fully absorbed by WHSmith. The financial impacts quoted are not forecasts but are based on the outputs from the 2022 modelling derived from different data inputs and plausible modelled scenarios, and are subject to a wide range of uncertainties.

The financial implications of the risks and opportunities identified are considered within the Group's financial planning processes. The modelling undertaken to date has determined that the financial impacts are not expected to be significant within our short-term forecast period. Over the medium and longer term, the results of the scenario analysis have been considered in the assessment of viability and goodwill impairment, where appropriate, but are not considered to be material. We will continue to keep this assessment under review.

The results of our scenario analysis do not currently identify any significant impact on our business model over the time horizons assessed, and, therefore, no further changes in strategy are required, beyond our current activities to decarbonise our business in line with limiting global temperature rises to 1.5°C.

Managing climate risks and opportunities

Climate risks are managed in line with our overall risk appetite to ensure appropriate responses are in place for those risks. These responses may include accepting a risk without any further action, mitigating or reducing the risk

with appropriate controls, transferring the risk, for example to insurance providers, or stopping or modifying the activity that gives rise to the risk. The decision as to which response is appropriate depends on a number of factors, including the size of the risk (in terms of impact and likelihood), the level of resource that would be required for different responses, the time frame over which a risk is likely to materialise and the extent to which the risk level could be reduced by a response. An integrated approach ensures we manage climate risks within our overall risk appetite over different time horizons.

Summary of climate-related risk and opportunities

Climate risk/opportunity and business impact	Potential financial impact[1]			Business resilience and strategic response
	Short term	Medium term	Long term	
Increased energy and fuel prices from changes in carbon taxes, geopolitical energy policies and industry decarbonisation could result in higher costs for operating buildings, transport and purchase of goods. (Policy and legal, and market risk.) Geographies affected: global retail, purchasing and distribution operations.	**Current policies**			We closely monitor any changes in legislation, taxation policies and market dynamics. Our procurement team seek to minimise the price we pay for electricity and gas. We have a balanced energy purchasing strategy to mitigate price volatility. We continue to reduce energy consumption and switch to low carbon alternatives wherever feasible. Future cost projections for energy and fuel are included in our financial plans. Metrics used: Electricity, gas and fuel consumption (page 49); and Energy and fuel pricing (not disclosed).
	£	££	££	
	Net zero 2050			
	N/A	£££	£££	
Switching to lower carbon sources of power and fuel could result in increased costs. In the UK, our Swindon distribution centre and some of our High Street stores are heated by natural gas. To meet net zero targets and new building standards, we will need to invest in gas replacement systems and electric vehicles, which could incur additional costs. (Technology and Reputation risk.) Geographies affected: global operations, but particularly UK.	**Current policies**			Capital expenditure on gas control systems has reduced our reliance on natural gas. We continue to invest in lower-carbon alternatives for heating and air conditioning during store refits and building upgrades. Both capital and operating expenditure projections for energy and fuel are included in our financial plans. Metrics used: Scope 1, 2 and 3 emissions (pages 51 to 52); Electricity, gas and fuel consumption (page 49); Renewable electricity pricing (not disclosed); and Landlord partner commercial terms (not disclosed).
	£	£	£	
	Net zero 2050			
	£	£	£	
Climate change is likely to result in chronic changes in precipitation patterns with some regions experiencing droughts and others greater rainfall. These changes could affect the supply and availability of raw materials for some product categories such as stationery and food and drink, with a resulting increase in the cost of supply. (Chronic physical risk.) Geographies affected: global purchasing operations.	**Current policies**			We sell a broad range of products, which means that even if certain categories are impacted by supply chain challenges, revenues can be maintained through sales of other product categories. We will continue to evaluate our product offering in the context of medium and long-term climate change and the impacts that this could have on different raw materials in our supply chain, and if necessary, adapt our ranges as appropriate. Metrics used: Cost of sales (page 138); Scope 3 emissions (page 52).
	£	£	£££	
	Net zero 2050			
	£	£	££	
Extreme weather events, including storms and flooding are becoming more frequent and could cause disruption to transport routes affecting our distribution network and our ability to transport stock to where it is needed. More frequent periods of heavy rainfall could lead to flooding at one or more of our stores or distribution centres. (Acute physical risk.) Geographies affected: global retail and distribution operations.	**Current policies**			Our stock is held across a number of WHSmith-operated distribution centres, by suppliers at their sites and in 1,791 stores in 32 different countries. The impact of a flood event would therefore be limited. We have a diverse product range with a limited number of fast-moving goods, and therefore the majority of our logistics operations are resilient to any short-term impacts from major weather events. Metrics used: Insurance costs (not disclosed).
	£	£	£	
	Net zero 2050			
	£	£	£	

1 Potential financial impact determined by impact on annual margin prior to any mitigation activity. Ranges have been chosen to align with our other accounting processes. There have been no identified impacts on investment in research and development, acquisitions or divestments or access to capital

£ <£10m ££ £10–30m £££ >£30m

Sustainability review continued

Climate risk/opportunity and business impact	Potential financial impact[1]			Business resilience and strategic response
	Short term	Medium term	Long term	
There may be opportunities for increased revenues as a result of changing consumer trends relating to a switch to public transport and increased revenue from new and existing product categories. A switch to lower-carbon intensity forms of transport could result in an increase in revenues in some of our channels. As the climate changes, there is also likely to be an increase in customer demand for some of our existing lines and new products. These include those that have the potential to mitigate the impacts of climate change, because they have a lower environmental footprint, or products that help customers to adapt to a changing climate, particularly for those who are travelling. (Physical opportunity.) Geographies affected: global retail operations.	**Current policies**			WHSmith is collaborating with our landlord partners on net zero strategies to play our part in demonstrating industry's intent for greener forms of travel. We have a diverse portfolio of stores across air, rail, hospitals, shopping centres and high street locations which would maximise the opportunities for growth in any of these formats. Our commercial teams are constantly assessing consumer trends and the potential for new products and can quickly adapt to any developments in the marketplace to capitalise on new opportunities. For example, in response to a warmer climate, we are ensuring our ranges of travel products are meeting the needs of travellers. Metrics used: Commercial sales from products designed for a lower-carbon economy (not disclosed).
	£££	£££	£££	
	Net zero 2050			
	£££	£££	£££	

1 Potential financial impact determined by impact on annual margin prior to any mitigation activity. Ranges have been chosen to align with our other accounting processes. There have been no identified impacts on investment in research and development, acquisitions or divestments or access to capital

£ <£10m £££ £10–30m £££ >£30m

In addition to the strategic responses in the table, other processes for managing climate risks and opportunities are undertaken at Group, business function and individual property level, and include:

- A Group-wide policy framework, which includes our **Environment Policy, Code of Business Conduct and Responsible Sourcing Requirements for Suppliers**;
- Monitoring of key metrics including energy and fuel consumption and pricing, cost of sales, consumer trend data and sales information;
- Operational procedures covering, for example, processes relating to energy and fuel management;
- Emergency response plans, for example, for flood management or for disruption to supply networks;
- Internal audit and investigation; and
- Annual attestation processes by senior managers of business functions, joint ventures and franchise partners.

Senior management and the Board undertake regular reviews of risk and opportunities relating to climate change to ensure that any emerging issues that might impact our strategy are appropriately identified and evaluated. Significant climate-related issues form part of risk reports to the Audit Committee. The ESG Committee evaluates the annual update of the climate risk and opportunity register and ensures appropriate responses are in place. At an operational level, each business division reviews its risk profile and risk responses throughout the year to ensure climate risks and opportunities are managed effectively.

Our internal audit team provides independent assurance of the controls in place for significant risks across the business, and this includes advice to senior management and the Board on the adequacy and effectiveness of climate risk management.

Our climate risk management processes follow the overall approach for Group-wide risk management. Climate risks and opportunities are considered from a strategic and operational perspective to ensure we maintain a comprehensive view of potential climate-related impacts over different time horizons. Senior management and the Board regularly review climate risks and opportunities in line with other risks, to ensure a holistic view and that risk mitigation responses are appropriate to risk materiality, and are properly integrated into relevant business activities.

Climate strategy

The Group's strategy incorporates the delivery of our sustainability plans as a key enabler, including minimising our impact on the planet and decarbonising our activities (pages 14 to 15). We recognise that transitioning to a net zero business is the best way of mitigating climate risk and capitalising on any climate-related opportunities. Our target is to become a net zero emissions business by 2050. Our intention is to reduce Scope 1, 2 and 3 emissions by at least 90 per cent by 2050 (from a 2020 baseline) before neutralising any residual emissions.

As a first step to this long-term goal, we have set near-term targets to help track our performance against our overall climate target over time. The following targets were developed using the Science Based Target initiative's ("SBTi's") Criteria and Recommendations for Near-Term Targets, Version 5.0 and have been validated by SBTi.

- We will reduce absolute Scope 1 and 2 GHG emissions by 80 per cent by 2030 from a 2020 base year; and
- 75 per cent of our suppliers (by emissions) covering purchased goods and services and upstream transport and distribution services will have science-based targets in place by 2027.

Our carbon transition strategy focuses on a number of key actions:

- Continuing to reduce our electricity and gas consumption through increased energy efficiency and investment in more efficient heating, lighting and cooling.
- Continuing to invest in renewable electricity for direct and indirect power purchases.
- Reducing our dependence on fossil fuels for transport and logistics.
- Enhancing supplier engagement across all Business Divisions to ensure our supply chain is adequately disclosing carbon emissions and setting targets to reduce them.
- Working with landlord and franchise partners to look at opportunities to collaborate to reduce emissions.
- Reducing carbon emissions from packaging.
- Working with others in the retail sector to encourage other stakeholders such as governments and policy makers to make more rapid and larger scale interventions towards net zero. We were a founding member of the British Retail Consortium's Climate Action Roadmap, which was established to bring together retailers, suppliers, policy makers and other stakeholders, and to support customers to deliver the UK retail industry's ambition to be net zero by 2040.

Metrics and performance against targets

We use a number of different metrics to measure our climate-related impacts, evaluate progress against our targets and monitor risks and opportunities. They have been developed with consideration of the cross-industry metrics described in the TCFD implementation guidance table A2.1, where we consider these to be material to our business. Key metrics used to measure and manage climate risk and opportunities are listed below and included in the table on pages 47 and 48.

Metrics for managing climate risk

Metric	Link to risk	Units	2024	2023	2022
Electricity and gas consumption	Increased costs for energy and fuel	MWh	**77,544***	83,908*	82,581*
Fuel consumption	Increased costs for energy and fuel	millions of litres	**1.72***	1.73*	1.54*
Electricity from renewable sources	Increased costs for energy and fuel Increased costs for meeting net zero targets	MWh	**66,498***	52,101*	53,231*
Absolute Scope 1 emissions	Increased costs for meeting net zero targets	tonnes CO_2e	**1,370***	1,765*	1,609*
Absolute Scope 2 emissions			**1,809***	9,337*	8,758*
Absolute Scope 3 emissions	Increased costs of raw materials		**513,030**	468,420	291,730

Other climate-related metrics

Metric	Link to risk	Units	2024	2023	2022
Own-brand wood and paper-based products from sustainable sources	Linked to deforestation target	Per cent	**100***	100*	>99*
Waste diverted from landfill	Component of Scope 3 emissions	Per cent	**>99***	99*	99
GHG Scope 1 and 2 emissions intensity	Industry benchmark	tonnes CO_2e/ £m revenue	**1.7***	6.2*	7.4*
		tonnes CO_2e/ million square feet	**738***	2,437*	2,352*

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (*) in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at **whsmithplc.co.uk/sustainability**

Sustainability review continued

Other metrics used to monitor climate-related impacts include:

Executive remuneration: Climate-related performance indicators formed part of the Long-Term Incentive Plan (see Directors' remuneration report on pages 85 to 109).

Revolving credit facility: The Company's revolving credit facility includes specific annual targets aligned to the Group's Sustainability strategy, with lower interest rates on any drawdown if we meet two or three of these targets, no change for one target and a higher rate if we do not meet all three targets. These targets include ongoing delivery of Scope 1 and 2 reductions and agreement with suppliers to set science-based carbon reduction targets to cover Scope 3.

Carbon pricing: The main carbon taxes affecting our business are the UK Climate Change Levy, which is included in the cost of gas and electricity used to power our buildings and the UK Fuel Duty, which is included in the cost of diesel and petrol used for the distribution of our goods. These carbon taxes are part of energy and fuel costs, which we monitor on an ongoing basis. We have also included carbon pricing in our scenario analysis, using projections from models by the International Energy Authority and the Network for Greening the Financial System.

External benchmarks: We monitor performance on climate change in external benchmarks, including the CDP Climate Change disclosure initiative and this year we were included in the leadership group of companies with an "A" rating.

Energy and fuel consumption

We use energy to light and heat our stores, distribution centres and support centres. We have been working for many years to reduce the amount of energy we use, recognising opportunities to reduce our overall GHG emissions and operating costs for the business.

Our energy consumption in 2024 was 77,544* MWh (2023: 83,908*) a decrease of eight per cent. The main reason for this decreased consumption was a reduction in energy consumption in UK stores. Total consumption in non-UK stores increased because of an increase in the number of stores in Europe and North America. We are continuing with a range of energy reduction measures to minimise the amount of electricity and gas that we use. These include:

- Further development of our building management system to monitor energy consumption across stores and adjustment of energy settings for lighting, heating and air conditioning to minimise energy;
- Replacement of LED lights coming to the end of their life, with new, more energy-efficient ones;
- Installation of boiler controls for gas heating systems to further reduce consumption; and
- The use of fridges in our Travel stores with doors that prevent cold air losses, increasing energy efficiency.

Our fuel consumption in 2024 was 1.72 million* litres (2023: 1.73 million*).

Metrics for managing climate risk

Metric	2024	2023	2022
Energy use (buildings) MWh			
UK	**55,116***	61,750*	62,048*
Non-UK	**22,428***	22,158*	20,533*
Total	**77,544***	83,908*	82,581*
Energy use (buildings) MWh			
Gas	**7,493***	9,649*	8,817*
Grid electric (renewable)	**66,498***	52,101*	53,231*
Grid electric (non-renewable)	**3,553***	22,158*	20,533*
Total	**77,544***	83,908*	82,581*
Fuel use for transport (litres)	**1.72 million***	1.73 million*	1.54 million*

Energy use is calculated from metered billing data for electricity and gas supplied directly to WHSmith under half-hourly billing data. Non-half-hourly data is extrapolated using floor areas

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (*) in accordance with assurance standards ISAE 3000 and 3410. Further data and full details of the scope and methodology for reporting energy, fuel use and carbon emissions and SLR Consulting's full assurance statement is available at **whsmithplc.co.uk/sustainability**

Scope 1, Scope 2, and Scope 3 greenhouse gas ("GHG") emissions, and the related risks

Global Scope 1 and 2 emissions (tonnes CO_2e)

Metric	2024	2023	2022
Scope 1 emissions			
From natural gas to heat stores, support centres and distribution centres	**1,370***	1,765*	1,609*
Percentage of emissions from UK-based operations	**100%***	100%*	100%*
Scope 2 emissions (market based)			
From electricity purchased to power stores, support centres and distribution centres	**1,809***	9,337*	8,758*
Percentage of emissions from UK-based operations	**0%***	0%*	0%*
Total Scope 1 and 2 emissions (market based)	**3,179***	11,102*	10,367*
Percentage of emissions from UK-based operations	**43%***	16%*	16%*
Market based carbon intensity metric (revenue)			
(tonnes CO_2e per £m revenue)	**1.7***	6.2*	7.4*
Market based carbon intensity metric (floorspace)			
(tonnes CO_2e per square foot)	**738***	2,437*	2,352*
Scope 2 emissions (location based)			
From electricity purchased to power stores, offices and distribution centres	**17,949***	19,361*	18,625*

Emissions have been calculated using the methodology defined in the GHG Protocol Corporate Standard. We use the market based method for Scope 2 for our total emissions to account for purchasing of low-carbon electricity. Our reporting boundary includes our operations in the UK and our directly run international businesses where we have operational control, consistent with those included in our consolidated financial statements. Our reported Scope 1 and 2 emissions include all UK and international properties, both owned and leased, over which we have operational control

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (*) in accordance with assurance standards ISAE 3000 and 3410. Further data and full details of the scope and methodology for reporting energy, fuel use and carbon emissions and SLR Consulting's full assurance statement is available at **whsmithplc.co.uk/sustainability**

Our total Scope 1 and 2 market based emissions decreased this year to 3,179* tonnes CO_2e (2023: 11,102*), as a result of switching more of the electricity used to run our stores to renewable sources in Europe and North America. Emissions reductions were made through investments in more efficient lighting, better gas and electricity control systems and changes to refrigeration units, including the deployment of new ranges of chillers with closing doors.

One hundred per cent of the electricity for buildings in the UK, Europe and the United States of America is renewably sourced, as a result of green tariffs where we source directly, and the purchase of renewable electricity certificates for electricity provided by landlord partners. All certificates are retired on our behalf to avoid double-counting.

Emissions from our UK operations were 1,370* tonnes CO_2e (2023: 1,765*). These residual emissions arise from the combustion of natural gas and to date, we have been unable to remove them completely as alternative technologies appropriate for our buildings do not yet exist. As the technology and nature of our operations evolve, we expect to be able to reduce emissions from these activities.

Sustainability review continued

Global Scope 3 emissions (tonnes CO_2e)

Scope 3 category	2024	2023	2022
1. Purchased goods and services and capital goods and services	**403,000**	374,000	210,000
2. Capital goods and services	Emissions from capital goods and services have been included in our purchased goods and services category.		
3. Fuel and energy-related activities	**5,000***	6,400*	3,700*
4. Upstream transport and distribution	**16,000**	15,000	23,000
5. Waste generated in operations	**30***	80*	90*
6. Business travel	**2,300***	1,940*	1,440*
7. Employee commuting	**17,300**	17,600	16,900
8. Upstream leased assets	Included in Scope 1 and 2 emissions.		
9. Downstream transport and distribution	Not relevant for our business.		
10. Processing of sold products	Not relevant for our business.		
11. Use of sold products	**50,000**	37,000	1,700
12. End-of-life treatment of sold product	**14,000**	11,000	30,600
13. Downstream leased assets	Not relevant for our business.		
14. Franchises	**5,400**	5,400	4,300
15. Investments	Not relevant for our business.		
Total Scope 3 emissions	**513,030**	468,420	291,730

Scope 3 emissions have been calculated in accordance with the Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Our reporting boundary includes our operations in the UK and our directly run international businesses where we have operational control, consistent with those included in our consolidated financial statements. 2023 figures for category 1, 4, 11 and 12 emissions were restated to be on a comparable basis with 2024 as described in the **Sustainability Addendum**

We engaged SLR Consulting to provide independent limited assurance of the emissions data in the table above as marked with an asterisk (*) in accordance with assurance standards ISAE 3000 and 3410. Further data and full details of the scope and methodology for reporting emissions and SLR Consulting's full assurance statement are available at **whsmithplc.co.uk/sustainability**

The majority of our Scope 3 emissions are from Category 1: Purchased Goods and Services, and emissions, which increased this year as our revenue continued to grow. As a first step towards our target for 75 per cent of suppliers to have science-based targets in place, we have started to engage with our largest suppliers. Those with science-based targets in place now represent 32* per cent of Category 1, 2 and 4 emissions.

We are working with our transport and logistics operators to reduce Category 4 emissions, and have reduced emissions per pallet moved by approximately 29* per cent since 2007, by working with suppliers to reduce fuel consumption through better route planning and optimisation of delivery schedules, driver training and vehicle telematics.

Progress against targets

Scope 3 category	2020 baseline	2024	Progress
Reduce Scope 1 and 2 GHG emissions by 80% by 2030	33,072* tonnes CO_2e	**3,179*** tonnes CO_2e **90%*** reduction	●
75% of supply chain emissions to be covered by science-based targets by 2027	Unknown	**32%*** of emissions are covered by science-based targets	●
All forestry materials will be from recycled or certified sources in WHSmith-branded products	99%*	**100%***	●

● On track to meet target

Engaging our people

	Aim	Target (baseline as stated)	Progress
Health and wellbeing	**Create an environment that supports physical, mental and financial wellbeing**	By 2025: improve our employee engagement score from a 2021 base year.	Our third global engagement survey took place in October 2023, with a 22 per cent improvement in engagement scores over the 2021 baseline.
		Ongoing: ensure all managers receive mental wellbeing training.	We have increased the number of eligible managers and have scheduled additional training sessions to ensure everyone is covered. Currently, 44 per cent of managers have been trained and measures are in place to close this gap by the end of the next financial year.
Diversity, equity and inclusion	**Increase diversity of senior management**	By 2025: increase gender and ethnic diversity of the Board, Group Executive Committee and Senior Manager populations.	As at 31 August 2024, the proportion of women at Board level had increased to 50* per cent. There was an increase in the proportion of women on the Group Executive Committee. The proportion of female Senior Managers increased from 32* per cent in 2021 to 40* per cent in 2024. Nine* per cent of Senior Managers were from ethnic minorities.
Supply chain human rights	**Protect worker rights in our supply chains**	Ongoing: ensure we audit our own-brand suppliers at least every two years.	As at 31 August 2024, 89 per cent of supplier sites had been audited through site visits and 11 per cent had been assessed through desktop audit within the previous two-year period.
		By 2023: develop an audit and engagement programme for our tier two suppliers.	As at 31 August 2024, 47 tier two suppliers to our direct tier one suppliers have been identified for additional due diligence. To date, we have visited 49 per cent of these suppliers.
		By 2025: 15 per cent of own-brand suppliers will have worker representation committees in place.	As at 31 August 2024, 12* per cent of own-brand suppliers have worker representation committees in place.

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (*) in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at **whsmithplc.co.uk/sustainability**

Employee engagement

Effective colleague engagement and an open, inclusive culture are essential to creating an environment for our teams to deliver for our customers. Our Group Chief Executive, CFO/COO and the Managing Directors of each division brief our support centre teams on a monthly basis to provide updates on the Company's strategy and the latest operational developments, and answer any questions.

We have a number of other communication channels that are used for engaging colleagues across the business, including feedback forums with senior management and various network committees with executive sponsors.

To help us to understand more about how our colleagues feel about working for WHSmith, we use a third-party research organisation to carry out our annual engagement survey.

The results of the survey are used each year to create an action plan to improve the working environment in support centres and stores; improve dialogue and engagement; and build collaboration across our teams.

Continuing to improve the culture of the business is important to the long-term success of the Company and our target to improve employee engagement by 2025 is one of the performance measures in senior management incentive plans.

Learning and development

Our learning and development programmes are designed to provide our employees with the knowledge and skills they need to deliver their role and to support them as they develop their careers. We provide a range of learning opportunities and initiatives that are designed to help our employees develop their aptitude and experience.

These include online courses, workshops, mentoring and coaching and we continue to review and develop these activities, to ensure that they meet the requirements of our business and the learning and development needs for our colleagues. Individuals also have regular career conversations with their managers during the year, with more formal performance reviews taking place twice yearly.

Sustainability review continued

Reward and benefits

We believe in rewarding all employees with fair and competitive reward packages. All employees are entitled to a base salary and benefits, including pension and staff discount. Participation in a pension plan is offered to all employees in accordance with local legislation. We support working from home through hybrid working arrangements in roles where remote working is feasible.

In the UK, WHSmith operates an HMRC-approved Save-As-You-Earn share option scheme (Sharesave Scheme), which provides employees with the opportunity to acquire shares in the Company on favourable terms. At the end of the savings period, the participant has the opportunity to buy the shares at a special option price that is fixed at the start of the scheme at a discount to the share price at that time. As at the 31 August 2024, 641 employees were participating in our Sharesave Scheme.

Health, safety and wellbeing

We are committed to maintaining high standards of health, safety and wellbeing and the Board monitors the Company policies, processes and practices on an annual basis. The Group has a number of health and safety committees that comprise employee representatives and professional health and safety advisers.

Colleagues receive health, safety and wellbeing training appropriate to their role, including in relation to fire safety, manual handling, how to prevent slips, trips and falls and how to recognise and help colleagues who may be affected by poor mental health. The **Group Health and Safety at Work Policy** is the basis for our health and safety management system, which sets out responsibilities, processes and procedures.

This year, there were 33* reportable accidents across the Company involving employees, contractors and members of the public and no fatalities. We continue to look at the root causes of safety incidents to try to eradicate them at source.

Reportable accidents

	2024	2023	2022
UK	**25***	33*	27*
North America	**0***	0*	0*
Australia	**1***	1*	0*
Rest of the World	**7***	14*	7*
Total	**33***	48*	34*

We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (*) in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at **whsmithplc.co.uk/sustainability**

We are committed to creating a workplace where our colleagues feel valued, that they have a sense of belonging and are supported at every stage of their career with WHSmith. Our aim is to ensure that all line managers are trained in mental health awareness and that they have access to the right tools to be able to support colleagues who may be experiencing stressful life events. We continue to have at least as many trained mental health first aiders as physical first aiders to ensure colleagues can access support when they need it.

WHSmith has partnered with several organisations to ensure our mental wellbeing provision is robust and meaningful. In the UK, the Retail Trust provides our Employee Assistance Programme ("EAP"), offering support for employees and immediate family members, and in store counselling when incidents occur, which could impact the wellbeing of the whole team. Localised EAP offerings are also available for employees in other countries.

Research shows that financial wellbeing can have a strong impact on our mental health. Current and retired employees and their families who are in financial difficulty or hardship can apply to the WHSmith Benevolent Fund, a registered charity established in 1925.

This year, we worked with Salary Finance, enabling UK employees to access free financial education and loans at lower rates than those typically offered by traditional lenders. To enhance this offer, financial support and many useful budgeting and educational resources are also available for our employees to access through our EAP.

Diversity, equity and inclusion

At WHSmith, our people are fundamental to the success of our business whatever their age, race, religion, gender, sexual orientation or disability. We continue to focus on developing a culture of diversity, equity and inclusion ("DEI"), backed up by a framework of policies, procedures and ways of working.

We hope that our people genuinely feel that they can bring their whole selves to work. We want to ensure that all our employees receive equal and fair treatment, and this applies to recruitment and selection, terms and conditions of employment, promotion, training, development opportunities and employment benefits. We believe in creating a working environment that is free from discrimination and harassment, and we will not permit or tolerate this in any form.

Our DEI action plans set out how we are working towards our goal of creating an environment where everybody is welcome and feels they belong. Our DEI Committee enables colleagues from across our business to engage directly with leadership and work collaboratively on improvements.

We have continued to improve the quality of data and information that we hold in relation to our people, with various campaigns throughout the year to encourage employees to provide information to help shape our policies and practices.

We recognise the value that employee networks can bring. We currently have six employee networks in operation across the business including those for Pride, Gender Equity, Race and Culture, Disability, Parents and Carers, and Wellbeing. These groups have provided a channel for employee-led engagement and input to our DEI priorities.

The networks are each sponsored by a member of the Group Executive, providing visible senior leadership and a way for employee views to be relayed to the senior management team.

We run regular internal engagement campaigns linked with key events during the year, including International Women's Day, Pride, Black History Month, International Day of Persons with Disabilities and a variety of religious celebrations. These activities are always framed as part of our wider DEI strategy.

Our external partnerships continue to evolve and allow us to continue to build our external profile, while also providing the opportunity to externally benchmark our work. We have signed several industry charters, committing to making progress on improving DEI in our business. We are signatories to the British Retail Consortium's Diversity and Inclusion Charter, have joined the industry organisation, Diversity in Retail and are partnering with Black Young Professionals to help us to attract, engage, recruit and retain black talent. This year we also joined the Stonewall Diversity Champions programme, developed to unlock the potential of our LGBTQ+ workforce.

In terms of equal opportunities, the Company gives full and fair consideration to applications for employment when these are received from disabled people. Training, career development and promotion opportunities are equally applied for all our employees, regardless of disability.

We remain committed to improving diversity at senior levels and the proportion of women at Senior manager level has increased this year. Our latest **Gender Pay Report** can be found on our website. It shows a reduction in the pay gap due to a greater proportion of females moving into senior roles.

Male and female representation across the Group (as at 31 August 2024)

	2024				2023				2022			
	Male		**Female**		Male		Female		Male		Female	
	Number	**Per cent**	**Number**	**Per cent**	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Board[1]	**4***	**50***	**4***	**50***	3*	37*	5*	63*	5*	63*	3*	37*
Group Executive Committee Members[2]	**10***	**77***	**3***	**23***	9*	82*	2*	18*	7*	70*	3*	30*
Senior managers[3]	**57***	**60***	**38***	**40***	49*	60*	32*	40*	49*	65*	26*	35*
Managers[4]	**293***	**46***	**338***	**54***	349*	49*	369*	51*	349*	48*	371*	52*
All employees	**5,458***	**38***	**8,993***	**62***	5,710*	38*	9,225*	62*	5,143*	37*	8,876*	63*

1 Board includes all statutory directors
2 Group Executive Committee Members are those who have responsibility for planning, directing or controlling the activities of the Company
3 Includes Group Executive Committee Members and colleagues graded at levels one and two below
4 Includes support centre colleagues graded at the level below 3 plus Store Managers, Cluster Managers and Post Office Managers
We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (*) in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at **whsmithplc.co.uk/sustainability**

Ethnicity data for UK employees (as at 31 August 2024)

	2024	2023	2022	2021 Census[1]
Asian	**17%***	17%*	15%*	9%
Black	**3%***	3%*	4%*	4%
Mixed	**2%***	1%*	1%*	3%
Other	**2%***	2%*	1%*	2%
White	**76%***	77%*	79%*	82%
Percentage of employees included	**88%***	91%*	89%*	

1 Census data covers England and Wales
We engaged SLR Consulting to provide independent limited assurance of the data marked with an asterisk (*) in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at **whsmithplc.co.uk/sustainability**

Sustainability review continued

Human rights and our supply chain

As a global retailer, we have a responsibility to respect and support the dignity, wellbeing and human rights of those in our own business, our supply chain and the communities that we serve.

We must act in a way that avoids infringing the rights of others and prevents adverse human rights impacts from our activities. We manage human rights risks through our due diligence processes in line with the United Nations Guiding Principles for Business and Human Rights.

Our **Human Rights Policy** provides further details on our approach and sets out the minimum requirements that everyone working for, and with, WHSmith must meet. We are committed to ensuring full respect for the human rights of anyone working for us in any capacity and to fair and safe work for all workers throughout our supply chain.

This year, we have updated our salient labour issues and identified six priority areas for protecting human rights in our supply chain: health and safety; freedom of association and collective bargaining; working hours and overtime; gender equality; social insurance and supply chain transparency. We use a number of sources of information and data including generic information published by governments, international agencies, trade unions, non-governmental organisations ("NGOs") and other third-party experts; and information specific to our supply chain gathered from workers during site visits, worker surveys and worker representation committee meetings. We prioritise those risks where the impact on workers is likely to be greatest and where we are likely to be able to have the greatest impact through our actions.

We work with suppliers and other third parties to develop and progress targets and action plans for improvements across these areas. We take a zero-tolerance approach to modern slavery and our latest **Modern Slavery Statement** sets out the steps we have taken to prevent modern slavery in our own operations and supply chain.

WHSmith is a member of the Ethical Trading Initiative ("ETI"), an alliance of companies, trade unions and non-governmental organisations that promotes respect for workers' rights around the globe. Our Responsible Sourcing Standards are based on the ETI Base Code and underpin our strategy and sustainable sourcing activities. We will only place orders with suppliers who are committed to working towards compliance with these standards, and we endeavour to bring about continual improvement through a programme of factory audits and ongoing engagement.

To ensure we are identifying and assessing any risks from workers' rights or environmental issues through our sourcing activities, we have developed a due diligence process to provide appropriate risk control, mitigation and remedy where needed.

Our in-house audit and engagement team conducts audits of our own-brand suppliers at least every two years, assessing compliance with our standards and grading suppliers as gold, silver, bronze and unacceptable. They also use a risk-based audit approach for key tier two suppliers who manufacture major components that are then used by our direct tier one suppliers of finished products. These audits are identifying similar levels of compliance and issues as for our tier one suppliers, and continue to work with suppliers to build capacity to improve standards for workers further down our supply chains.

We use a mix of announced and unannounced audits and a factory must be graded bronze or above if we are to work with them. Our ESG Committee reviews progress against our responsible sourcing strategy annually, looking at our audit and engagement programmes, emerging trends and risks, targets and performance.

The most frequent issues identified include health and safety non-conformances, compliance with conditions relating to working hours and missing documentation. We also frequently identify non-conformance with social insurance requirements, a common problem in China where a large proportion of our suppliers are based.

In reviewing the supplier performance for this year, it is notable that there were no suspended suppliers, a clear improvement from last year when three suppliers faced suspended orders. This positive shift suggests enhanced compliance and stronger adherence to our Responsible Sourcing Standards across the supply chain.

To supplement the information we gain from supplier audits, our team also spends a significant part of its time engaging with suppliers on an ongoing basis to build stronger and more transparent relationships. The team's engagement focuses on resolving specific issues identified during audits and on delivering wider projects to help suppliers deliver on key areas such as worker representation or health and safety.

We have an independent hotline for workers to report issues they are concerned about, which we then investigate and follow up with supplier management to ensure any complaints or suggestions are dealt with in the appropriate way. Calls to the hotline typically involve queries about topics such as pay, accommodation and relations with other workers.

This year, we have made good progress against our target to increase the number of suppliers covered by our worker representation initiative. The aim of this programme is to help suppliers to develop fully functioning worker committees to represent workers on any matter affecting their rights, employment conditions or working environment to resolve problems as they arise. 26* suppliers (2023: 11 suppliers) (12 per cent* (2023: 5 per cent) of the total supplier base) have now joined this programme and have established committees that have been operating for a year or more.

Our due diligence processes for products that do not carry our brand have been extended this year to include an assessment of compliance with our Responsible Sourcing Standards. All trade products are now risk assessed prior to purchase on the basis of country of origin and type of product supplied. Any higher risk products are now assessed through a review of third-party audit reports to ensure compliance with our environmental and social requirements. We have also introduced a process at the supplier onboarding stage to ensure that suppliers are aware of, and can operate in accordance with, our Responsible Sourcing Standards.

Contributing to communities

	Aim	Target (baseline as stated)	Progress
Literacy	**Help children to develop a love of reading**	By 2025: work with the National Literacy Trust to provide a book to every child in the UK who does not own one of their own.	Since 2021, we have donated over 525,000 books (or cash equivalent).
Supporting charities and local causes	**Make a positive impact through fundraising, donations and volunteering**	By 2025: increase the number of employees involved in supporting charities through fundraising and volunteering.	Applications for support to the WHSmith Trust from employees supporting charities through fundraising and volunteering increased by 360 per cent this year.

Literacy

Research in 2023 by our partner, the National Literacy Trust, showed that approximately one in four young people in the United Kingdom do not own a book of their own. The pandemic and the cost-of-living crisis have widened the gap in children's literacy between affluent cities and towns and areas of greater socio-economic deprivation.

We have a long-term partnership with the National Literacy Trust, and this year we continued our support for their Young Readers' Programme, providing books and other materials for schools in socio-economically disadvantaged areas. This was augmented by the WHSmith Group Charitable Trust (the "WHSmith Trust") which provided a financial contribution towards the programme, supported by donations from WHSmith customers and employees.

We are working with the National Literacy Trust to ensure every child in the country can own a book of their own. To date, we have donated the equivalent of over 525,000 books, through book donations and financial contributions to provide the support that is needed. This year, in its 25th anniversary year, we gifted 20,000 copies of The Gruffalo to the National Literacy Trust to distribute to primary school children through a Gift-a-Gruffalo fundraiser with our customers.

WHSmith continues to take a leading role in the delivery of the World Book Day initiative, which is the biggest annual celebration of books and reading in the UK. Many of our High Street stores participated, redeeming book vouchers enabling children to choose one of the special World Book Day books or offset the cost against any of our children's ranges of books.

We also partnered with the WHSmith Trust to donate WHSmith vouchers to schools across the UK for them to choose books to increase their school library resources. Almost 363,000 World Book Day vouchers were redeemed and WHSmith vouchers totalling £20,000 were donated to over 200 schools.

Supporting charities and local causes

To support and encourage employee involvement with charities, the WHSmith Trust matches funds raised by employees for charities of their choosing and recognises employees who volunteer through a financial donation to the charity equivalent to the value of the time spent.

This year, through our charity partnerships, colleague and customer fundraising and in-kind donations we have donated £1,082,000* to charities and other good causes. The full extent of our community investment activity is outlined in our **Sustainability Addendum** 2024 and details of how we engage with charities and other good causes are set out in our **Code of Business Conduct**.

Our North American business has a longstanding partnership with a charity called Miracle Flights, which is a non-profit organisation providing commercial flights for children in need of life-saving medical care, not found in their local communities. WHSmith North America sells their toy bear mascot in stores and this year raised almost £105,000 for the work of the charity.

Our International team have also raised money and provided product donations for local charities and causes in the vicinity of our airport stores.

We engaged SLR Consulting to provide independent limited assurance of the data marked with * in accordance with assurance standard ISAE 3000. Full details of the methodology and SLR Consulting's assurance statement are available at **whsmithplc.co.uk/sustainability**

Sustainability review continued

Responsible business practices

We aim to always act with integrity, making the right decisions and demonstrating the appropriate behaviours to earn the respect of our customers and all those with whom we do business. Everyone who works for, or on behalf of, of WHSmith has a responsibility to report anything that they are aware of that may be unlawful or criminal, or could amount to an abuse of our policies, systems or processes.

Our **Code of Business Conduct** sets out how our business operates, and what is expected of every person who works for, and on behalf of, WHSmith. It includes policies relating to individual conduct, such as for anti-bribery and anti-corruption measures, conflicts of interest, and data protection, as well as those relating to how we work together, such as for diversity and inclusion, anti-harassment and bullying, and health and safety. It also sets out our business standards in relation to fair trading practices, such as pricing and marketing, quality and product safety, trade controls, competition and supply chain practices.

All employees are required to confirm that they have read, and are working in accordance with, our **Code of Business Conduct** on an annual basis and are encouraged to report any suspected breaches. Reports can be made internally or using our independently operated and confidential whistleblowing helpline at **safecall.co.uk/report**.

Safecall operates under a non-retaliation policy, so that anyone who raises a concern in good faith is treated fairly, with no negative consequences for their employment. Each report is formally and robustly investigated and monitored to ensure that any corrective action or remediation has been undertaken.

Safecall is available to our suppliers and business partners and is communicated through our Responsible Sourcing Standards. These standards set out in more detail the behaviours and conduct we expect from all suppliers.

We require all employees and anyone working for us in any capacity to comply with the UK Bribery Act, in addition to any local anti-bribery and anti-corruption laws. Our **Code of Business Conduct** states that employees or others working on our behalf must never offer or accept any kind of bribe, and that our subcontractors, consultants, agents and others we work with must have similar anti-bribery and anti-corruption measures in place.

Non-financial and sustainability information statement

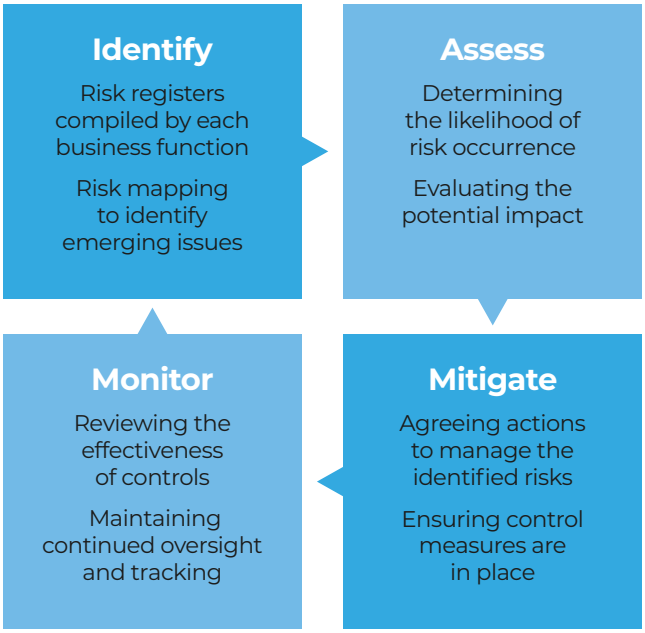
The sustainability section of the Annual Report on pages 40 to 58, the **Sustainability Addendum** 2024 and the Policies and Position Statements section of our **website** contain a wide range of information about the environment, employees and social matters. The table below sets out where information on non-financial and sustainability matters can be found within our Annual Report and Accounts. The due diligence arrangements for each topic are included in the respective policy documentation on our **website**.

Disclosure	Policies and standards which govern our approach	Pages
Business model		6 and 7
Environmental matters	Section 172(1) statement Sustainability – planet Principal risks and uncertainties	33 to 39 43 to 52 59 to 65
Climate-related financial disclosures	TCFD reporting	44 to 52
Colleagues	Section 172(1) statement Sustainability – people Directors' remuneration report	33 to 39 53 to 56 85 to 109
Social matters	Section 172(1) statement Sustainability – communities Principal risks and uncertainties	33 to 39 57 59 to 65
Respect for human rights	Section 172(1) statement Sustainability – people Principal risks and uncertainties	33 to 39 53 to 56 59 to 65
Anti-corruption and anti-bribery matters	Sustainability – Responsible business Principal risks and uncertainties	58 59 to 65
Non-financial KPIs	Key Performance Indicators – Non-financial Sustainability	17 40 to 58
Principal risks and uncertainties	TCFD reporting Principal risks and uncertainties	44 to 52 59 to 65

Principal risks and uncertainties

Risk management framework

Our risk management framework is designed so that material business risks throughout the Group can be identified, assessed and effectively managed. This framework incorporates the following core elements:



Risk monitoring responsibilities

Board and Audit Committee

Overall responsibility for risk management oversight rests with the Board, exercised through the delegated monitoring by the Audit Committee. Day-to-day management of risk is embedded within the business through a layered approach, as summarised below.

Business Risk Committees and Executive Management

Formal Risk Committees are held on a quarterly basis within each division, comprising members of each Divisional Executive team and Senior Management, the CFO/COO and Group Risk and Audit Director. These Business Risk Committees act as a forum to review the updated risk registers and reports on ongoing risk monitoring activity undertaken by Internal Audit and other corporate oversight functions. All principal business functions compile risk registers to identify key risks, assess them in terms of their likelihood and potential impact, and determine appropriate control strategies to mitigate the impact of these risks, taking account of risk appetite.

Operational Audit, Loss Prevention and Second Line Oversight Functions

These functions help to monitor compliance with internal control procedures across stores, distribution centres and other areas of the business, encompassing our ongoing programme of store audits and stocktaking results, and help to identify and monitor further areas of emerging risks.

Internal Audit

The Audit function facilitates the ongoing update of corporate and business function risk registers, and conducts an independent programme of activity in order to evaluate and test the working of internal controls in relation to the Group's systems and processes. The results of this ongoing programme are shared with the Business Risk Committees and the Group Audit Committee.

Annual review of the effectiveness of internal control

During the year, the Board reviewed the effectiveness of the Group's risk management and internal controls systems. This review included the discussion and review of the risk registers and the internal controls across all business functions, as part of an annual exercise facilitated by the Internal Audit team. During the year, the Board also received presentations from management on specific risk areas such as cyber risk, international expansion, and the ongoing risk monitoring processes and appropriate mitigating controls.

Principal risks and uncertainties continued

Board review of principal and emerging risks and uncertainties

The Board has undertaken a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Those principal risks are described on the following pages, along with explanations of how they are managed and mitigated. The Group recognises that the profile of risks constantly changes and additional risks not presently known, or that may be currently deemed immaterial, may also impact the Group's business objectives and performance. Our risk management framework is, therefore, designed to manage rather than eliminate the risk of failure to achieve business objectives, and, as such, can only provide reasonable and not absolute assurance against these principal uncertainties impacting on business performance.

Changes in principal risks compared to last year

The table on pages 60 to 63 summarises the principal risks and uncertainties agreed by the Board. The table incorporates further information relating to the change in the level of these risk exposures during the year, to highlight whether, in our view, exposure to each of the principal risks is increasing, decreasing or remains broadly the same.

Ongoing global conflicts

WHSmith has no direct operations in countries impacted by the current ongoing global conflicts. The business could, however, be significantly impacted by any further potential escalation of these conflicts or wider geopolitical threats.

Emerging risks

Our risks will continue to evolve in response to future events and new challenges, where further emerging risks may develop that could materially impact the business in the future. Our Risk Forums and Monitoring Framework seek to identify such potential changes in our risk landscape.

Key:

Link to our strategic priorities

1. Space growth
2. ATV growth
3. Category development
4. Cost and cash management
5. Maintain profitability and cash generation of our High Street and digital businesses
6. Disciplined capital allocation

Change in risk level

↑ Higher ↔ No change ↓ Lower

Risk/description	Mitigation	Change in risk level
Economic, political, competitive and market risks		
The Group operates in highly competitive markets and in the event of failing to compete effectively with travel, convenience and other similar product category retailers, this may affect revenues obtained through our stores. Failure to keep abreast of market developments, including the use of new technology, could threaten our competitive position. Factors such as the economic climate, levels of household disposable income, seasonality of revenue, changing demographics and customer shopping patterns, and raw material costs could impact on profit performance. The Group may also be impacted by political developments both in the UK and internationally, such as regulatory and tax changes, increasing scrutiny by competition authorities and other changes in the general condition of retail and travel markets or impacts from further geopolitical threats or escalation in global conflict.	The Group's performance is dependent on the levels of consumer confidence and upon effectively predicting and quickly responding to changing consumer demands, both in the UK and internationally. The Group conducts customer research to understand current demands and preferences in order to help translate market trends into saleable merchandise and store formats.	↑ Uncertainties relating to geopolitical threats or escalation of global conflict.
		Link to our strategic priorities: 1 2 3 4 5 6

Risk/description	Mitigation	Change in risk level
Brand and reputation		
The WHSmith brand is an important asset and failure to protect it from unfavourable publicity could materially damage its standing and the wider reputation of the business, adversely affecting revenues. As the Group continues to expand its convenience offer in travel locations, introducing a wider range of products, associated risks include compliance with food hygiene and health and safety procedures, product and service quality, environmental or ethical sourcing, and associated legislative and regulatory requirements.	The Group monitors the Company's reputation, brand standards and key service and compliance measures to ensure the maintenance of operating standards and regulatory compliance across all our operations. We undertake regular customer engagement to understand and adapt our product, offer and store environment. We operate a framework for monitoring compliance with all regulatory, hygiene and safety standards, encompassing supplier and store audits and clearly defined sourcing policies and procedures. Our ESG-related policies and processes encompass risk identification and mitigation in respect of all environmental, ethical sourcing and other reputational risks.	↔ **Link to our strategic priorities:** 1 2 3 4 5
Key suppliers and supply chain management		
The Group has agreements with key suppliers in the UK, USA, Europe, Asia and other countries in which it operates. The interruption or loss of supply of core category products from these suppliers to our stores may affect our ability to trade. Quality of supply issues may also impact the Group's reputation and impact our ability to trade.	The Group conducts risk assessments of all its key suppliers to identify alternatives and develop contingency plans in the event that any of these key suppliers fail. Suppliers are required to comply with the conditions laid out in our Supplier Code of Conduct that covers areas such as production methods, employee working conditions and quality control. The Group has contractual and other arrangements with numerous third parties in support of its business activities. None of these arrangements alone are individually considered to be essential to the business of the Group.	↔ **Link to our strategic priorities:** 1 2 3 4 5
Store portfolio		
The quality and location of the Group's store portfolio are key contributors to the Group's strategy. Retailing from a portfolio of good quality real estate in prime retail areas and key travel hubs at commercially reasonable rates remains critical to the performance of the Group. Most Travel stores are held under concession agreements, on average for five to ten years, although there is no guarantee that concessions will be renewed or that Travel will be able to bid successfully for new contracts. All of High Street's stores are held under leases, and consequently, the Group is exposed, to the extent that any store becomes unviable as a result of rental costs.	The Group undertakes research of key markets and demographics to ensure that we continue to occupy prime sites and identify appropriate locations to acquire new space. We maintain regular dialogue and good relationships with all our key landlords. The Group also conducts customer research and analysis to gather feedback on changing consumer requirements, which is shared with landlords as part of this ongoing relationship management programme.	↔ **Link to our strategic priorities:** 1 3 4 5

Principal risks and uncertainties continued

Risk/description	Mitigation	Change in risk level
Business interruption		
An act of terrorism or war, or an outbreak of a pandemic, could reduce the number of customers visiting WHSmith outlets, causing a decline in revenue and profit. In the past, our Travel business has been particularly impacted by geopolitical events such as major terrorist attacks, which have led to reductions in customer traffic. Closure of travel routes both planned and unplanned, such as the disruption caused by natural disasters or weather-related events, may also have a material effect on business. The Group operates from a number of distribution centres and the closure of any one of them may cause disruption to the business. In common with most retail businesses, the Group also relies on a number of important IT systems, where any system performance problems, cyber risks or other breaches in data security could affect our ability to trade.	The Group has a framework of operational procedures and business continuity plans that are regularly reviewed, updated and tested. The Group also has a comprehensive insurance programme covering our global assets, providing cover ranging from property damage and product and public liability, to business interruption and terrorism. Back up facilities and contingency plans are in place and are reviewed and tested regularly to ensure that business interruptions are minimised. The Group's IT systems receive ongoing investment to ensure that they are able to respond to the needs of the business. Back-up facilities and contingency plans are in place and are tested regularly to ensure that data is protected from corruption or unauthorised use.	↑ Uncertainties relating to geopolitical threats or escalation of global conflict. **Link to our strategic priorities:** 4 5
Reliance on key personnel		
The performance of the Group depends on its ability to continue to attract, motivate and retain key support centre and store staff. The retail sector is very competitive, and the Group's personnel are frequently targeted by other companies for recruitment.	The Group reviews key roles and succession plans. The Remuneration Committee monitors the levels and structure of remuneration for directors and senior management and seeks to ensure that they are designed to attract, retain and motivate the key personnel to run the Group successfully.	↔ **Link to our strategic priorities:** 1 2 3 4 5
International expansion		
The Group continues to expand internationally. In each country in which the Group operates, the Group may be impacted by political or regulatory developments, or changes in the economic climate or the general condition of the travel market.	The Group utilises three business models to manage risk in our overseas locations: directly run, joint venture and franchise. The Group uses external consultants to advise on compliance with international legislative and regulatory requirements, to monitor developments that may impact our operations in overseas territories, and to conduct reputational due diligence on potential new business partners. Our geographical spread of activity mitigates against the material concentration of risk in any one area.	↑ Uncertainties relating to geopolitical threats or escalation of conflict, as the business continues to expand globally. **Link to our strategic priorities:** 1 4 6
Cyber risk, data security and GDPR compliance		
The Group is subject to the risk of systems breach or data loss from various sources including external hackers or the infiltration of computer viruses. Theft or loss of Company or customer data or potential damage to any systems from viruses, ransomware or other malware, or non-compliance with data protection legislation, could result in fines and reputational damage to the business that could negatively impact our revenue.	The Group employs a framework of IT controls to protect against unauthorised access to our systems and data, including monitoring developments in cyber security. This control framework encompasses the maintenance of firewalls and intruder detection, encryption of data, regular penetration testing conducted by our appointed external quality assurance providers and engagement with third-party specialists, where appropriate. We have a Steering Group overseeing our approach and response to cyber risk, and monitoring our programme of ongoing compliance with the Payment Card Industry Data Security Standard and the UK and EU GDPR.	↑ Continuing increase in number of externally reported cyber threats. **Link to our strategic priorities:** 4 5

Risk/description	Mitigation	Change in risk level
Treasury, financial and credit risk management		
The Group's exposure to, and management of, capital, liquidity, credit, interest rate and foreign currency risk are analysed further in Note 21 on page 154 of the financial statements. The Group also has credit risk in relation to its trade and other receivables, and sale or return contracts with suppliers.	The Group's Treasury function seeks to reduce exposures to interest rates, foreign exchange, and other financial risks, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements. The value of any deposit that can be placed with any approved counterparty is based on short-term and long-term credit ratings and, in accordance with the Group's treasury policy, it is limited to a maximum of £75m for each approved counterparty. The Group's Treasury policies and procedures are periodically reviewed and approved by the Audit Committee and are subject to Group Internal Audit review. The Group has a £400m revolving credit facility with a maturity date of 13 June 2029. The facility is provided by a syndicate of banks and is sustainability linked. The facility has a further uncommitted extension option of one year, subject to lender approval. The Group also has a £327m Convertible Bond at a fixed coupon rate of 1.625 per cent, which expires in May 2026.	↔ **Link to our strategic priorities:** 4 5 6
Environment and social sustainability		
Our investors, customers and colleagues expect us to conduct our business in a responsible and sustainable way. Climate change is now recognised as a global emergency. Failure to effectively respond and influence our value chain and wider stakeholders to de-carbonise could damage our reputation and introduce higher costs. Delivery against our sustainability targets and meeting regulatory obligations is vital. We have identified several climate-related risks, including; • Increases in the cost of energy and fuel from carbon pricing and changing market dynamics. • Disruption to supply of goods caused by acute and chronic changes in weather patterns. Although the impact is limited over our outlook period, these risks are potentially significant over the longer term.	Our sustainability strategy, Our Journey to a Better Business, sets out policies, objectives, and action plans to address our key issues. It is overseen by Board and Executive level committees. We have set a target to be net zero by 2050 and are taking action across the business to increase our climate resilience. We continue to focus on more environmentally responsible sourcing practices, reducing and redesigning packaging where possible and ensuring traceability for forestry products.	↔ **Link to our strategic priorities:** 1 2 3 4 5

Principal risks and uncertainties continued

Viability statement

In accordance with the UK Corporate Governance Code 2018, the directors are required to issue a "viability statement" declaring whether the directors believe the Group will be able to continue to operate and meet its liabilities over a period greater than 12 months.

In assessing the Group's viability, the Board has considered current and historical performance, the Group's current financial position, the business model and strategy, our approach to risk management and our principal risks and uncertainties and mitigating factors (see pages 59 to 65).

The Group's business model and strategy is presented on pages 3 to 31. The Strategic report describes the Group's plans at both Group and operating division level. These plans consider the Group's cash flows, committed funding liquidity positions, forecast future funding and key financial metrics.

Current financing

The Group's financing arrangements comprise a £400m multi-currency revolving credit facility ("RCF") maturing in June 2029. As at 31 August 2024, the Group had drawn down £117m on the RCF, and had £30m cash on deposit. The Group also has £327m convertible bonds in issue with a maturity of May 2026.

The covenants on the above facilities are tested half-yearly and are based on fixed charges cover and net borrowings.

Assessment period

In determining the appropriate timeframe for assessing the Group's viability, the Board has considered the ongoing challenges in the macroeconomic environment including the cost-of-living impact and historically high inflation rates.

A three year period is considered the most appropriate timeframe for the Group's viability assessment for several reasons:

- It is consistent with the Group's financial planning cycle, management incentive schemes and medium-term financing considerations.
- The Group updates its three-year plan annually, taking into consideration the identified principal and emerging risks over this timeframe. The three-year plan was approved by the Board in July 2024 and the 2025 Budget was approved by the Board in September 2024.

Assessment of viability

In making the viability assessment, the directors have modelled a number of scenarios for the three-year period to 31 August 2027. As disclosed in the Strategic report on pages 59 to 65, the Board has undertaken a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The process of mitigating and managing these risks is described on pages 59 to 65 of the Strategic report.

Within the viability scenario modelling we have applied an assumption that we will be able to refinance existing lending facilities as they become due.

The base case scenario is consistent with the Board approved 2025 Budget and the three-year plan, which takes into consideration uncertainties regarding the ongoing challenges in the macroeconomic environment. Under this scenario, the Group has significant liquidity and comfortably complies with all covenant tests during the three-year assessment period.

The base case forecasts have been subject to stress-testing, which models the impact of several "severe but plausible" downside scenarios, based on the identified principal risks covering a range of operational and financial impacts. The aim of this modelling is to understand the circumstances that could lead to the viability of the Group being threatened, with particular focus given to those risks that would have the most material and pervasive impacts.

- Economic downturn

Representing a fall in demand and substantial cost inflation, in the context of ongoing challenges in the macroeconomic environment.

We have applied the same assumptions modelled as part of the going concern assessment (refer to page 126) extrapolated across the remainder of the three-year viability assessment period. This scenario assumes reductions to revenue assumptions of between five and ten per cent versus base case as appropriate by division; additional inflation in labour costs beyond that included in the base case; and margin pressures. Apart from an equal reduction in turnover rents in our Travel businesses, we have not assumed any decrease in other variable costs.

Further scenarios have been modelled taking into consideration other key principal risks to the Group, including:

- Loss of a key contract in Travel
- Supply chain disruption
- Impact of a data breach and potential fines
- Impact of increased carbon pricing

We consider the likelihood of these scenarios occurring concurrently to be improbable and are confident in the Group's ability to apply mitigating actions in such a scenario.

Reverse stress-testing has also been applied to the economic downturn scenario to determine the level of Travel revenue reduction the Group could absorb before breaching its financial covenants. The required reduction was considered to be remote.

Mitigating actions that would be available to the Group in the above scenarios include reduction or deferral of non-committed capital expenditure, reductions in discretionary operating spend, reduction or suspension of dividends, restructuring of operations and renegotiation of facilities. The scenario analysis has not taken such mitigating actions into account.

The anticipated costs of our net zero climate change commitments have been incorporated within the base case model within the next three years. As set out in our climate-related disclosures on pages 44 to 52, the impact on the Group's financial performance and position is not expected to be material in the short term, however, we have modelled a scenario related to the potential impact of increased carbon pricing within the assessment period.

Conclusion

Taking account of all the above matters, the Group's current financial performance and position, and the principal risks, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the viability assessment period.

This Strategic report was approved by the Board on 14 November 2024.

On behalf of the Board

Carl Cowling
Group Chief Executive

14 November 2024

Directors' biographies

Annette Court

Chair

Date of appointment: 1 September 2022. Annette was appointed as Chair on 1 December 2022.

Committee membership: Chair of the Nominations Committee.

Skills and experience: Annette has a proven track record as a Chair of a publicly quoted company and brings a wealth of experience from her Board appointments, and has a strong background in financial services and technology. She is a non-executive director of Sage Group plc. She was previously the chair of Admiral Group plc, CEO of Europe General Insurance for Zurich Financial Services and the CEO of Direct Line Group (formerly RBS Insurance). She has also been a member of the Board of the Association of British Insurers ("ABI").

Carl Cowling

Group Chief Executive

Date of appointment: 26 February 2019. Carl was appointed as Group Chief Executive on 1 November 2019.

Committee membership: Member of the ESG Committee.

Skills and experience: Carl has considerable retail experience and has been instrumental in the development and execution of the Company's strategy. His strong leadership and strategic expertise enable him to lead the Group and create shareholder value. He joined WHSmith as Managing Director, Travel in November 2014. In 2017, he was appointed Managing Director, High Street. Prior to joining WHSmith, Carl was Managing Director of Global partnerships at Carphone Warehouse and previously spent over a decade at Dixons where he held the roles of Ecommerce Director, Commercial Director and Managing Director of the airport retailing business, Dixons Travel.

Robert Moorhead

Chief Financial Officer and Chief Operating Officer

Date of appointment: 1 December 2008. Robert will step down from the Board on 30 November 2024.

Skills and experience: Robert has over 25 years of retail and financial management experience, which has proved invaluable in his role as Chief Financial Officer and Chief Operating Officer. He has a deep understanding of the Group's businesses and strategy and has a strong track record of creating shareholder value. He is a Chartered Accountant and joined WHSmith in 2004 as Retail Finance Director. He is a non-executive director and Chair of the Audit Committee of The Watches of Switzerland Group PLC. Previously, he was Group Finance Director at Specsavers Optical Group and Finance and IT Director of World Duty Free Europe. He also held a number of roles at B&Q and Kingfisher Group. He started his career at Price Waterhouse.

Colette Burke

Non-Executive Director

Date of appointment: 1 July 2023.

Committee membership: Member of the Audit, ESG, Nominations and Remuneration Committees.

Skills and experience: Colette has significant US and retail experience. She is the Executive Vice President and Chief Commercial Officer of the LEGO Group, responsible for the Group's global commercial strategy. Prior to joining the LEGO Group, she had a 25-year career at consumer electronics company, Bose Corporation as Global Head of Sales and Marketing and across a wide range of commercial, general management and marketing leadership roles at a global, regional and national level, including 19 years working in the United States.

Nicky Dulieu

Non-Executive Director

Date of appointment: 9 September 2020.

Committee membership: Chair of the Audit and Remuneration Committees, and a member of the ESG and Nominations Committees. Nicky will step down as Chair of the Audit Committee on 30 November 2024.

Skills and experience: Nicky has substantial financial and retail expertise. She trained as an accountant and held various strategic and financial roles within Marks & Spencer Group plc over a 23-year period. In 2006, Nicky joined the board of Hobbs Limited as Chief Operating Officer and Finance Director and was Chief Executive from 2008 until 2014. With her finance and retail expertise, she is a valuable member of the Board and Chair of the Audit Committee and Remuneration Committee. She is a non-executive director of Barratt Redrow plc and The Unite Group PLC.

Simon Emeny

Non-Executive Director

Date of appointment: 26 February 2019.

Committee membership: Senior Independent Director and a member of the Audit, ESG, Nominations and Remuneration Committees.

Skills and experience: Simon has a wealth of consumer-facing experience, including transport hub sites, and brings this broad range of skills and commercial expertise to the Board and its Committees. He is group chief executive of Fuller, Smith & Turner PLC, a role he has held since 2013. Simon is also a non-executive director of National Gallery Global Limited. He was previously the Senior Independent Director of Dunelm Group PLC.

Situl Jobanputra

Non-Executive Director

Date of appointment: 1 March 2024.

Committee membership: Chair of the ESG Committee and a member of the Audit, Nominations and Remuneration Committees.

Skills and experience: Situl has significant financial and property experience and brings this broad range of skills and commercial expertise to the Board and its Committees. He is an experienced corporate financier, having previously worked in mergers and acquisitions, equity capital markets, corporate broking and real estate investment banking, latterly at Deutsche Bank. He is the Chief Financial Officer of Shaftesbury Capital PLC, having joined in 2014 and served on its board since 2017.

Helen Rose

Non-Executive Director

Date of appointment: 1 July 2024.

Committee membership: Member of the Audit, ESG, Nominations and Remuneration Committees. Helen will be appointed Chair of the Audit Committee on 1 December 2024.

Skills and experience: Helen is a chartered accountant and former senior finance and operations leader with considerable experience in multi-site retail and financial services sectors. She is a non-executive director of Greencore plc.

Ian Houghton

Company Secretary and Legal Director, and was appointed in September 1998.

Previous directors who served during the financial year ended 31 August 2024:

Kal Atwal stepped down as a director of the Company on 12 September 2023.

Marion Sears stepped down as a director of the Company on 7 February 2024.

Corporate governance report

"The Board of the Company is committed to achieving the highest standards of corporate governance."

Annette Court
Chair

Board role and effectiveness

The Board of the Company is committed to achieving the highest standards of corporate governance.

As Chair, my role is to run the Board to ensure that the Company operates effectively and ensure that the Board works collaboratively and has the right balance of skills, knowledge, independence and experience to assess, manage and mitigate risks.

This report, which forms part of the Directors' report, provides details of how the Company has applied the principles of, and complied with the provisions of, the UK Corporate Governance Code 2018 (the "Code"). A copy of the Code is available publicly from **frc.org.uk**.

Purpose, values and culture

Our purpose is to make every one of life's journeys better.

We have been serving customers through our presence in town centres, travel hubs and hospitals for over 230 years, providing a retail destination of choice and a sense of community for thousands of customers every day. We have a presence in 32 countries, employ approximately 14,000 employees, source products from thousands of suppliers and play an important part in creating vibrant and sustainable local economies.

We recognise we have an obligation to grow our business sustainably, providing financial returns for our shareholders, while maintaining high standards of environmental stewardship and social equity. In delivering these obligations, it is important that our colleagues, business partners and suppliers are able to make the right decisions. We support them with a strong values-based culture, ongoing training and development, and a solid foundation of responsible business governance, policies and programmes. You can read more about our purpose, values and culture on pages 33 to 58.

Stakeholder engagement

As a Group, we have a long-standing commitment to high standards of corporate responsibility, which includes considering the interests of a broad stakeholder group in making business decisions. The Board remains focused on all our stakeholders, including our colleagues, customers, shareholders and the communities we are part of. You can read about our engagement with investors on page 36, with our customers on page 35, with our employees on page 34 and community involvement on page 38, and our approach to rewarding our workforce in the Remuneration report on page 93.

There are a number of effective employee engagement processes in place across the Group, including the employee engagement survey and employee forums. Simon Emeny is the designated non-executive director with responsibility for workforce engagement. Board members attended employee forums and engaged with employees throughout the year on a wide range of subjects, including the Company's approach to executive pay.

Section 172 of the Companies Act 2006 (the "Act") requires a director to have regard to stakeholder interests when discharging their duty to promote the success of the Company for the benefit of the shareholders as a whole. You can read how the Board has had regard to the interests of the Company's stakeholders in accordance with Section 172 of the Act on pages 33 to 39.

Board changes

In March 2024 we announced that, after more than 20 years with the business, Robert Moorhead would be retiring as CFO/COO with effect from 30 November 2024. Robert Moorhead is succeeded by Max Izzard who joined WH Smith on 1 September 2024 as CFO Designate and will be appointed to the Board on 1 December 2024. Max Izzard is a highly experienced finance director, with deep expertise in multi-site international consumer businesses. He was previously SVP of Group and Corporate Finance at Burberry PLC. Robert Moorhead will remain as an employee of the Company until 28 February 2025 in order to assist with the transition to Max Izzard as CFO. In February 2024, we announced that Marion Sears would be stepping down from the Board on 7 February 2024, and Situl Jobanputra's appointment as a non-executive director with effect from 1 March 2024. In June 2024, we announced the appointment of Helen Rose as a non-executive director with effect from 1 July 2024.

Thanks

I want to pay tribute to Robert Moorhead's achievements during his 20 years with the business. He has played an integral role in the transformation of the Group to a highly successful global travel retailer. He leaves the Group in a strong financial and strategic position and we wish him well for the future. I would like to thank Marion Sears for her contribution to the Board, in particular through her leadership of the Remuneration Committee and for also chairing the ESG Committee. I would also like to thank Nicky Dulieu for her valuable contribution as Chair of the Audit Committee and her ongoing support as Chair of the Remuneration Committee.

I would like to offer my sincere thanks to all my colleagues across the Group for their tremendous efforts and ongoing commitment to its continued success.

Annette Court
Chair

14 November 2024

Corporate governance statement

This report, which forms part of the Directors' report, together with the Strategic report and Directors' remuneration report provides details of how the Company has applied the principles of the Code.

Throughout the financial year ended 31 August 2024, and up to the date of this report, the Board considers that it has complied with the provisions of the Code. Following the publication of the UK Corporate Governance Code 2024, we will review our governance framework in order to align with the 2024 Code.

The Company's disclosures on its application of the principles of the Code can be found on the following pages:

Board leadership and Company purpose	
Chair's letter	See pages 68 and 69
ESG Committee report	See pages 82 to 84
Purpose, values and culture	See page 68
Strategy	See pages 1 to 65
Shareholder and stakeholder engagement	See pages 33 to 39
Division of responsibilities	
Leadership, commitment and Board support	See pages 69 and 70
Composition, succession and evaluation	
Board and Committee evaluation	See pages 72 and 73
Nominations Committee report	See pages 80 and 81
Audit, risk and internal control	
Risks, viability and going concern	See pages 77 to 79
Audit Committee report	See pages 76 to 79
Remuneration	
Directors' remuneration report	See pages 85 to 109

The information that is required by Disclosure Guidance and Transparency Rule 7.2 to be contained in the Company's Corporate governance statement is included in this Corporate governance report, in the Directors' remuneration report on pages 85 to 109 and in the Directors' report on pages 110 to 112.

Composition and operation of the Board

As at the date of this report, the Board comprised the Chair, two executive directors and five independent non-executive directors. Short biographies of each of these directors, which illustrate their range of experience, are set out on pages 66 and 67. There is a clear division of responsibility at the head of the Company: Annette Court (Chair) being responsible for running the Board and Carl Cowling (Group Chief Executive) being responsible for implementing strategy, leadership of the Company and managing it within the authorities delegated by the Board. Simon Emeny is the Senior Independent Director. The Board structure ensures that no individual or group dominates the decision-making process.

All the directors, whose biographies are on pages 66 and 67, served throughout the financial year ended 31 August 2024 and up to the date of this report with the exception of Situl Jobanputra and Helen Rose who were appointed as non-executive directors on 1 March 2024 and 1 July 2024 respectively.

Corporate governance report continued

All of the non-executive directors who served during the year and up to the date of this report are considered by the Board to be independent.

All directors have access to the advice and services of the Company Secretary and may take independent professional advice at the Company's expense in the furtherance of their duties. The Board receives appropriate and timely information, with Board and Committee papers normally being sent out a week before meetings take place. The need for director training is regularly assessed by the Board.

The interests of the directors and their immediate families in the share capital of the Company, along with details of directors' share awards, are contained in the Directors' remuneration report on pages 85 to 109.

At no time during the year did any of the directors have a material interest in any significant contract with the Company or any of its subsidiaries.

Attendance at Board meetings

The Board met ten times during the year. It is expected that all directors attend Board meetings and Committee meetings unless they are prevented from doing so by prior commitments. The minimum time commitment expected from the non-executive directors is one day per month attendance at meetings, together with attendance at the AGM, Board away-days and site visits, plus adequate preparation time. Where directors are unable to attend meetings, they receive the papers for that meeting giving them the opportunity to raise any issues and give any comments to the Chair in advance of the meeting. Following the meeting, the Chair briefs any director not present on the discussions and any decisions taken at the meeting.

The following table shows the number of Board and Committee meetings held during the financial year ended 31 August 2024 and the attendance record of individual directors:

			Number of meetings attended				
Directors and role	**Board skills and competencies**	**Board Tenure – Years**	**Board 10**	**Audit 4**	**ESG 3**	**Nominations 5**	**Remuneration 6**
Annette Court[a] Chair	Finance and retail expertise, strong board leadership and considerable governance experience.	2	9 of 10[b]	–	–	5 of 5	–
Colette Burke Non-executive director	US and retail expertise, strong commercial and marketing experience on a global level.	1	10 of 10	4 of 4	3 of 3	5 of 5	6 of 6
Carl Cowling[c] Group Chief Executive	Strategic and retail expertise, strong leadership of the Group and creation of shareholder value.	5	10 of 10	–	3 of 3	–	–
Nicky Dulieu Non-executive director	Finance and retail expertise, extensive knowledge of retail and customer service.	4	9 of 10[d]	4 of 4	3 of 3	4 of 5[d]	6 of 6
Simon Emeny Non-executive director	Commercial expertise and a wealth of consumer facing experience.	5	10 of 10	4 of 4	3 of 3	5 of 5	6 of 6
Situl Jobanputra[e] Non-executive director	Financial and property expertise and an experienced corporate financier.	–	6 of 6	2 of 2	1 of 1	3 of 3	3 of 3
Robert Moorhead[f] Chief Financial Officer/ Chief Operating Officer ("CFO/COO")	Retail and financial expertise, deep understanding of the Group and strategy, and creation of shareholder value.	16	10 of 10	–	–	–	–
Helen Rose[g] Non-executive director	Finance and operational expertise with considerable experience in multi-site retail and financial services sectors.	–	2 of 2	1 of 1	1 of 1	1 of 1	1 of 1

a) Annette Court was invited to and attended 4 meetings of the Audit Committee, 3 meetings of the ESG Committee and 6 meetings of the Remuneration Committee
b) Annette Court was unable to attend the 25 July 2024 Board meeting due to a prior commitment, which had been arranged before the meeting was convened. She received the papers in advance of the meeting and gave her comments to the Senior Independent Director, Simon Emeny, who chaired the meeting in her absence
c) Carl Cowling was invited to and attended 4 meetings of the Audit Committee, 5 meetings of the Nominations Committee and 6 meetings of the Remuneration Committee
d) Nicky Dulieu was unable to attend the November 2023 Board and Nominations Committee meetings for personal reasons. She received the papers in advance of the meetings and gave her comments to the Chair
e) Situl Jobanputra was appointed as a director of the Company on 1 March 2024
f) Robert Moorhead was invited to and attended 4 meetings of the Audit Committee, 3 meetings of the ESG Committee, 4 meetings of the Nominations Committee and 3 meetings of the Remuneration Committee
g) Helen Rose was appointed as a director of the Company on 1 July 2024
h) Kal Atwal stepped down from the Board on 12 September 2023. Prior to leaving the Company she attended 1 meeting of the Board
i) Marion Sears stepped down from the Board on 7 February 2024. Prior to leaving the Company she attended 4 meetings of the Board
j) The Board and the Remuneration Committee have met three times since 31 August 2024. The Audit Committee has met twice since 31 August 2024 The ESG Committee has met once since 31 August 2024

Board and executive management diversity

The table below shows a breakdown of the composition of the Board and executive management as at 31 August 2024 in accordance with the UK Listing Rules disclosure requirements. As at 31 August 2024, one of the four senior positions on the Board was held by a woman and the representation of women on the Board was 50 per cent, and the Board composition included one director from an ethnic minority background. At the year end, the Board and members of executive management were asked to complete a diversity disclosure questionnaire to confirm which of the categories set out in the table below they identify with:

Gender identity	Number of Board members	% of the Board	Number of senior positions on the Board (CEO, CFO, Chair and SID)	Number in executive management	% of executive management[1]
Women	4	50	1	3	23
Men	4	50	3	10	77
Non-binary	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Ethnic background	Number of Board members	% of the Board	Number of senior positions on the Board (CEO, CFO, Chair and SID)	Number in executive management	% of executive management[1]
White British or other White (including minority-White Groups)	7	88	4	12	92
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	1	12	–	1	8
Black/African/Caribbean/ Black British	–	–	–	–	–
Other ethnic group	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1 Executive management includes the Group Executive Committee (most senior executive body below the Board) and the Company Secretary, excluding administrative and support staff, as defined by the UK Listing Rules

2 As announced on 15 March 2024, Robert Moorhead will step down from the Board on 30 November 2024 and Max Izzard will be appointed to the Board on 1 December 2024. This change is not expected to impact the Company's ability to meet any of the gender and ethnic diversity targets set out in the UK Listing Rules

Matters reserved for the Board

The Board manages the Company through a formal schedule of matters reserved for its decision, with its key focus being on creating long-term sustainable shareholder value. The significant matters reserved for its decision include: the overall management of the Company; approval of the business model and strategic plans including acquisitions and disposals; approval of the Company's commercial strategy and operating and capital expenditure budgets; approval of the Annual Report and Accounts statements, material agreements and non-recurring projects; treasury and dividend policy; control, audit and risk management; executive remuneration; and environmental, social and corporate governance matters.

The Board has a forward timetable to ensure that it allocates sufficient time to key areas of the business. The timetable is flexible enough for items to be added to any agenda as necessary. The Board's annual business includes Chief Executive's reports, including business reports; financial results; strategy and strategy updates, including in-depth sessions on specific areas of the business and strategic initiatives; consideration of potential acquisitions; risk management; dividend policy; investor relations; health and safety; whistleblowing; sustainability strategy; Board evaluation; governance and compliance; communications; and the Annual Report and Accounts.

The Board set itself a number of objectives at the beginning of the year to help it manage the Company and support its strategy, including in relation to People and future talent planning, Culture, Group operations, growing the Group's North American businesses, cyber security and sustainability. The Board reviewed how it had met its objectives at each meeting during the year and as part of the Board evaluation. The Board has set new objectives for the financial year ending 31 August 2025.

During the year, the Board assessed the basis on which the Company generates and preserves value over the long-term and considered the opportunities and risks to the ongoing future success of the business, the sustainability of the Company's business model and how its governance contributes to the delivery of its strategy. Further information on the risks and opportunities to the future success of the Company can be found in the Strategic report on pages 3 to 65.

Corporate governance report continued

Board activities in the financial year ended 31 August 2024

Strategy		
	• Approval of Company purpose and values • Approval of the Group's long-term objectives and commercial strategy of the Group • Oversight of Group performance against strategy and budget • Approval of the sustainability strategy and report	• Reviewing the strategic plans for each of the businesses • Approval of the Three-Year Plan • Project and tender approvals • Corporate strategy updates • Approval of internal Group legal entity restructure
Financial and operational performance		
	• The Company's preliminary and interim results, trading statements and the Annual Report and Accounts • Going concern and viability statements • Fair, balanced and understandable assessment • Climate-related disclosures	• Dividend, treasury and tax strategies • Approval of the budget • Approval of capital expenditure • Approval of Share buyback programme • Consideration of the buy-out of the WH Smith Pension Trust
Other stakeholder engagement		
Customers	• Customer initiatives and experience updates • Extending our categories and ranges, including a greater focus on food, health and beauty, and technology products • Global sourcing strategy	• Reviewing customer feedback and approving customer-facing strategies • Investing in existing and new stores • Continuing to reduce environmental footprints where possible and improving product environmental labelling
Shareholders	• Annual General Meeting • Investor relations updates	• Consultation on Board composition and executive remuneration including the new directors' remuneration policy • Chair met significant shareholders
Employees	• Annual health, safety and wellbeing reviews to ensure employee safety • Company culture • Focus on Diversity, Equity and Inclusion • People strategy • Consideration of workforce pay, including the annual pay review	• Modern slavery update and statement • Talent, succession planning and leadership • Employee engagement insights • Gender pay gap reporting • Colleague leadership and development • Approving the transfer of distribution centre colleagues to GXO
Governance and risk		
	• Risk framework and internal control review • Regulatory compliance updates • Group delegation of authority review • Succession planning including the appointment of Max Izzard as CFO	• Principal risks and uncertainties review • Cyber security • Conflicts of Interest and new appointments • Committee Terms of Reference review • Board evaluation process

Climate-related financial disclosures

The Board received presentations and updates on the progress of the Company to comply with the UK Listing Rules requirement to make disclosures which are consistent with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations and recommended disclosures, and the Companies Act 2006 requirements in relation to climate-related financial disclosures. You can read more on our climate-related financial disclosures on pages 44 to 52.

Board and Committee evaluation

The performance of the Board, its Committees and its individual directors is a fundamental component of the Company's success. The Board regularly reviews its own performance and carried out a formal evaluation in June and July 2024. The Board, in accordance with the Code, appointed an external evaluator, Ian White, to carry out the Board evaluation this year. Ian White provides board evaluation services and has no other connection with the Company or any individual directors. Ian White has reviewed and agreed with this disclosure on the Board evaluation undertaken by him.

The scope of the Board evaluation process was discussed and agreed with the Chair and Company Secretary and included the following components:

- **Questionnaire:** Board members and certain executives completed an anonymous questionnaire designed to focus on a number of key areas and to provide context to the evaluation.
- **Individual interviews:** One-to-one interviews were conducted with Board and executives.
- **Board and Committee observations:** The evaluator observed Board and Committee meetings to assess how directors interacted with each other and the dynamics of the meetings.
- **Documentation review:** Board and Committee papers along with previous reviews and other governance material was reviewed by the evaluator.
- **Draft report:** A draft report was provided to the Chair and Company Secretary for discussion.
- **Report:** The final report was shared with Board members in September 2024 and reviewed at the Board meeting in November 2024, with the evaluator facilitating the discussion. The Board will oversee the action plan to address recommendations and monitor progress in 2025.

The main areas considered during the evaluation were Board composition, expertise and role; strategy and operations; Board objectives; Board dynamics and culture; management of Board and Committee meetings; Board and Committee papers, presentations and support; risk management; and leadership, succession planning and priorities.

The results of the assessment confirmed that the Board has a clear sense of its purpose and that it is functioning well, with some identified opportunities for improvement. Everyone interviewed felt that the Board was an open, inclusive and participative Board committed to the success of the Company and its stakeholders. There were key areas where Ian White made recommendations to the Board in order to continuously and progressively improve how it works. The recommendations, including those set out below, were discussed and agreed by the Board.

Outcomes and areas of focus for 2025

Enhanced visibility of new Board members	New members of the Board should enhance their visibility and strengthen their relationship with colleagues. As such, they should consider a range of options including making informal visits to colleagues by walking the floor, visiting stores more often and holding and attending meetings within Group offices.
Effective meetings	Agendas should be kept under review to ensure effective prioritisation.
Board papers	The Company Secretarial team should take steps to remind those presenting papers to the Board or a Committee that they follow properly the guidelines as to form and content.
Succession planning	While the Board is relatively new in its composition it should keep succession planning high on the agenda, particularly given the relatively small size of the Board.

The Board also reviewed the actions agreed following the internally facilitated evaluation carried out in 2023 and agreed that good progress had been made in respect of these actions, including in respect of the Company's Board succession plan (most notably, the appointment of Max Izzard as CFO Designate) and a greater focus on talent management and succession plans at Senior Leadership level to strengthen the diversity of the senior management pipeline. In addition to the Board and Committee evaluation process, the Group Chief Executive reviews the performance of the CFO/COO and other senior executives.

The Chair reviews the performance of the Group Chief Executive.

The Chair also undertook a review with each of the non-executive directors to assess their effectiveness and commitment to the role. During the year, the Chair had regular meetings with the non-executive directors, without the executive directors present, to discuss Board issues and how to maintain the best possible team. The Board is satisfied that each of the non-executive directors dedicates sufficient time to the business of the Company and contributes to its governance and operations. The Senior Independent Director met the other non-executive directors to undertake an assessment of Annette Court's performance. The non-executive directors confirmed that there are no relationships or circumstances which are likely to affect, or could appear to affect, her judgement or independence. The non-executive directors, taking into account the views of the executive directors, concluded that Annette Court is an effective Chair and clearly demonstrates her commitment to the role.

Succession planning

Under the Company's amended Articles of Association, which were approved and adopted on 26 January 2024, directors are required to retire and submit themselves annually for re-election and new directors appointed by the Board offer themselves for election at the next AGM following their appointment. The Company's Articles of Association give a power to the Board to appoint directors and, where notice is given and signed by all the other directors, to remove a director from office.

During the year ahead, the Board will continue to focus on executive succession planning to ensure the readiness of internal candidates for all key roles across the business. The Board is committed to good governance, culture and leadership, recognising that these are key considerations for a strong, sustainable business and that the tone comes from the top. The Company's purpose, values and culture will continue to form an important part of the Board's discussions. The Nominations Committee will continue to support the Board by ensuring that culture is built into recruitment and succession considerations.

Corporate governance report continued

Culture

The Board assesses and monitors the culture of the business in a number of ways, including through: interaction with executives, members of the senior management team, and other employees in Board meetings and on visits to stores, offices and other Company locations; regular Board agenda items and supporting papers, covering risk management, internal audit reports and follow-up actions, customer engagement, health and safety, accident reports, employee engagement and retention, whistleblowing and regulatory breaches; assessing the results of colleague surveys, reviewing a range of employee indicators, including engagement, retention, absence, learning and development, gender pay, DEI, workforce composition and demographics; and engaging with other stakeholders, as described in the Section 172 Statement on pages 33 to 39 and the Corporate governance report. During the year, the Board was satisfied that the practices and behaviour of the Board and employees were aligned with the Company's purpose, values and strategy.

The Board recognises the importance of being visible and accessible to customers and employees. During the year, the non-executive directors attended business risk committee meetings, employee forums and accompanied management on site visits to the High Street and Travel stores. The Board also visited its stores in Newark and LaGuardia Airports, Moynihan and Penn Station in New York and Dublin Airport to gain a better understanding of the operation and culture of the North American and International Travel businesses. The Board believes that site visits provide directors with valuable insights into the business, helping to deepen their knowledge and understanding of the Company. When joining the Board, a new non-executive director typically meets individually with each Board member and with senior management to give them insight into all aspects of the business, including our strategy, culture, values, sustainability, governance, and the opportunities and challenges facing the business. The Company Secretary briefs them on policies, Board and Committee procedures, and core governance practice. They visit a number of business locations and meet key advisers. They also receive induction materials including recent Board and Committee papers and minutes, strategy papers, investor presentations, Matters Reserved for the Board and the Board Committees' Terms of Reference.

During the year, Colette Burke, Situl Jobanputra and Helen Rose participated in an induction programme, which included:

- a review of previous Board papers and minutes, a briefing paper on the duties of directors, Terms of Reference for the Board and Committees, and Group policies and procedures including the Code of Dealing;
- meetings with senior management, including the Managing Directors of the Group's businesses, Chief People Officer, Group Risk Director, Investor Relations Director and Legal Director/ Company Secretary;
- attended trading and risk committees;
- meetings with advisers; and
- store visits.

A similar induction programme has been designed for Max Izzard who joined the Company as CFO Designate on 1 September 2024 and who will join the Board as an executive director on 1 December 2024.

Diversity policy

The Board values diversity in all its forms, both within its own membership and at all levels of the Group. The Board is highly supportive of the initiatives the Company has in place to promote diversity throughout the business. The Board believes that diversity in its widest sense is a key component to the success of the Company and receives reports on the Company's diversity profile to ensure that the workforce reflects our commitment to diversity. The Board aims to ensure its membership, and that of the wider Group, reflects diversity in its broadest sense so that it has a combination of demographics, skills, experience, race, age, gender, sexual orientation, education and professional background, thereby providing a wide range of perspectives, insights and challenge needed to support good decision making. The Board's diversity policy sets out the Company's approach to diversity applicable to the Board, its Committees and senior management and aims to ensure that the Board nominations and appointments process, and the hiring and promotions process for senior management, is based on fairness, respect and inclusion, and that the search for candidates will be conducted with due regard to the benefits of diversity.

Further information on the Company's commitment to diversity can be found in the Nominations Committee report on pages 80 and 81 and in the Employees section of the Strategic report on pages 53 to 55.

Risk management

The Board has overall responsibility for the Group's system of risk management and internal control (including financial controls, controls in respect of the financial reporting process and operational and compliance controls) and has conducted a detailed review of its effectiveness during the year to ensure that management has implemented its policies on risk and control. This review included receiving reports from management, discussion, challenge, and assessment of the principal risks.

No significant failings or weaknesses were identified from this review. In addition, the Board received presentations from management on higher risk areas, for example, cyber security, UK supply chain/IT transformation and international expansion. The Board has established an organisational structure with clearly defined lines of responsibility, which identify matters requiring approval by the Board. Steps continue to be taken to embed internal control and risk management further into the operations of the business and to deal with areas that require improvement, which come to the attention of management and the Board. Such a system is, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing emerging and principal risks faced by the Group, including those risks relating to social, environmental and ethical matters. The Board undertakes a robust assessment of the Group's emerging and principal risks. The Board confirms that the processes have been in place for the year under review and up to the date of this report and that they accord with the Financial Reporting Council ("FRC") Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (the "Risk Management and Internal Control Guidance"). The processes are regularly reviewed by the Board. The principal risks and uncertainties facing the Group, together with the procedures and processes for identifying, managing and the steps taken to mitigate principal and emerging risks, can be found in the Strategic report on pages 59 to 65.

Further information on internal controls and risk management can be found in the Audit Committee report on pages 78 and 79.

Engagement with shareholders

The Board's primary role is to promote the success of the Company and the interests of shareholders. The Board is accountable to shareholders for the performance and activities of the Group. The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance are understood. This is achieved principally through the Annual Report and Accounts and the AGM. In addition, a range of corporate information, including all Company announcements and presentations, is available to investors on the Company's website **whsmithplc.co.uk**. For more information on shareholder engagement see page 36.

Formal presentations are made to institutional shareholders following the announcement of the Company's full year and interim results. The Board recognises that the AGM is normally the principal forum for dialogue with private shareholders. All directors normally attend the AGM and are available to answer questions that shareholders may wish to raise.

The Board as a whole is kept fully informed of the views and concerns of major shareholders. The Group Chief Executive and CFO/COO update the Board following meetings with major shareholders and analysts' briefings are circulated to the Board. The Head of Investor Relations also carries out a regular programme of work and reports to the Board the views and information needs of institutional and major investors. This is part of the regular contact that the Group maintains with its institutional shareholders. When requested to do so, the Chair and non-executive directors attend meetings with major shareholders.

During the year, the Chair engaged with the Company's largest shareholders to understand their views on the Company. The Chair of the Remuneration Committee also engaged with the Company's largest shareholders and representatives in respect of the renewal of the Company's directors' remuneration policy.

Anti-corruption

The Company has continued to enhance its policies and procedures in order to meet the requirements of the Bribery Act 2010. These policies and procedures include training for individuals to ensure awareness of acts that might be construed as contravening the Bribery Act. The Group's policy on anti-bribery and corruption is included in the Company's Code of Business Conduct at **whsmithplc.co.uk/sustainability**.

Fair, balanced and understandable

The Board confirms that it considers the 2024 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Discussion of the Board's assessment of the Annual report and accounts is described in the Audit Committee report on page 78.

Board Committees

The Board delegates specific responsibilities to the Board Committees, being the Audit, ESG, Nominations and Remuneration Committees. Details of the role, composition, responsibilities and activities of the Audit Committee can be found on pages 76 to 79, the ESG Committee on pages 82 to 84, the Nominations Committee on pages 80 and 81 and the Remuneration Committee in the Directors' remuneration report on pages 85 to 109. The role and responsibilities of each Committee are set out in formal Terms of Reference, which are available on the Company's website **whsmithplc.co.uk**.

Approvals Committee

The Approvals Committee facilitates the internal approvals process by approving matters as delegated by the Board. The Approvals Committee comprises the Group Chief Executive and the CFO/COO.

Disclosure Committee

The Disclosure Committee is responsible for ensuring compliance with the Company's obligations under the UK Market Abuse Regulation and the maintenance of disclosure controls and procedures. The Disclosure Committee comprises all of the directors of the Company and the Company Secretary.

Corporate governance report continued
Audit Committee report

"I am pleased to present my report on the activities of the Audit Committee for the financial year ended 31 August 2024."

Nicky Dulieu
Chair of the Audit Committee

Audit Committee report

Dear Shareholder

As Chair of the Audit Committee, I am pleased to present my report on the activities of the Audit Committee for the financial year ended 31 August 2024. Our principal objectives are to oversee and assist the Board in its responsibility to produce an Annual Report and Accounts which is fair, balanced and understandable and to provide effective financial governance in respect of the Group's financial results, the performance of both the internal audit function and the external auditor, and the management of the Group's systems of internal control, business risks and related compliance activities.

The other members of the Committee are Colette Burke, Simon Emeny, Situl Jobanputra and Helen Rose, who are all independent non-executive directors. The Board considers that I have recent and relevant financial experience, as required by the Code, and that the Committee, as a whole, has competence relevant to the sector in which the Company operates. The Committee met four times during the year. At the invitation of the Committee, the Chair of the Board, the Group Chief Executive, the CFO/COO, the Director of Audit and Risk, representatives of the Group's senior management team and of the external auditor attend meetings. The Committee has regular private meetings with the external and internal auditors during the year.

A summary of other activities undertaken by the Committee during the year is as follows:

- reviewing the Company's approach to cyber security;
- considering papers from management on the significant financial reporting judgements made in the preparation of the Interim results announcement and the Annual Report and Accounts;
- considering the Company's going concern statement and papers from management, which consider the liquidity and covenant compliance of the Group;
- considering the Company's viability statement and papers from management, which consider the long-term viability of the Group;
- considering presentations and updates on the Company's climate-related financial disclosures;
- considering the accounting implications of the buyout of the WH Smith Pension Trust;
- reviewing the effectiveness of the Group's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk, including cyber security and tax;
- monitoring the integrity of the Group's financial statements and trading statements;
- assessing and recommending to the Board that the Annual Report and Accounts is fair, balanced and understandable;
- reviewing the Interim results announcement and the Annual Report and Accounts, including, where relevant, compliance with the UK Listing Rules, Disclosure Guidance and Transparency Rules, the Code and statutory reporting requirements and recommending those documents for Board approval;
- receiving updates and recommendations on the reforms to the Code and internal controls proposed by the UK Government;
- considering the Company's emerging and principal risks and uncertainties and reviewing the mitigating actions that management has taken to ensure that these risks are appropriately monitored and controlled;
- considering the Company's systems and framework of controls designed to detect and report fraud and money laundering;
- receiving reports from Internal Audit in respect of calls to the Company's confidential Speak Up helpline (which is operated by an external company, Safecall);
- receiving reports and presentations from members of the Company's senior management and its business risk committees on areas of the Company's control and risk management processes;

- receiving and reviewing reports from the Internal Audit and Risk teams and reviewing and agreeing their annual plans;
- holding private meetings with the external and internal auditors;
- agreeing the scope of PwC's annual audit plans, assessing the effectiveness of the external audit process and considering the accounting, financial control and audit issues reported by PwC that flowed from their work;
- approval of plan for audit partner rotation;
- reviewing external auditor's independence and approving the policy on the engagement of PwC to supply non-audit services;
- negotiating and agreeing the audit fee;
- undertaking a performance review of Internal Audit and the external auditor;
- reviewing the Company's treasury policy;
- approval of the Group Tax Strategy;
- receiving updates on the policies and procedures for the UK and EU General Data Protection Regulations ("GDPR");
- considering and approving the report on the Company's payment practices;
- assessing the impact of new accounting standards and guidance; and
- reviewing the Committee's Terms of Reference.

There were no shareholder requests for certain matters to be covered in the audit during the year and there were no regulatory inspections of the quality of the Company's audit.

An explanation of the application of the Group's accounting policies is provided on pages 126 to 136.

Audit Committees and the External Audit: Minimum Standard

The Financial Reporting Council's Audit Committees and the External Audit: Minimum Standard (the "Standard") applies to the Company on a comply or explain basis by virtue of the Company's status as a FTSE 350 constituent. This Audit Committee report describes how, and the extent to which, the Company has complied with the provisions of the Standard (in particular the External auditor, External auditor effectiveness and External auditor independence sections of this report). There were no shareholder requests for certain matters to be covered in the audit during the year and there were no regulatory inspections of the quality of the Company's audit. An explanation of the application of the Group's accounting policies is provided on pages 126 to 136.

Significant financial reporting issues and areas of judgement

In preparing the financial statements, there are a number of areas requiring the exercise by management of judgement. The Committee's role is to assess whether the judgements made by management are reasonable and appropriate. In order to assist in this evaluation, the CFO/COO presents an accounting paper to the Committee twice a year, setting out the key financial reporting judgements, and other papers as required.

The main areas of judgement that have been considered by the Committee in the preparation of the financial statements are as follows:

Going concern and viability statement

The Committee reviewed management's assessment of viability and going concern.

The Committee considered the Group's performance and financial position and the forecast assumptions applied in the approved budget and three-year plan. The Committee also considered the Group's financing facilities and future funding plans. In making the going concern and viability assessments, the Committee gave consideration to the downside scenarios modelled given the uncertainties surrounding the current challenging macroeconomic environment. Based on this, the Committee concluded that the assumptions applied are appropriate in both the viability and going concern assessments, and confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate, with no material uncertainties.

The Committee reviewed the process and assessment of the Company's prospects made by management in support of its longer-term viability statement, including:

- the review period and alignment with the Company's internal plans and forecasts and with its work to support the going concern basis of presentation for the financial statements;
- the assessment of the capacity of the Company to remain viable after consideration of future cash flows, borrowings and mitigating factors; and
- the modelling of the potential financial impact of certain of the Company's principal risks materialising using severe but plausible scenarios on the Company's financial performance.

The Committee received reporting from PwC on the work undertaken to assess going concern and viability and specifically discussed the content of the disclosures made in the Strategic report on pages 64 and 65 and the basis of preparation within Note 1 of the financial statements on page 126.

The viability statement is set out in the Strategic report on pages 64 to 65.

Inventory valuation

The Committee received a paper from management on accounting for, and valuation of, inventory. It discussed the judgements made by management, with specific consideration given to inventory provisioning, including provision for out-of-date, slow moving or obsolete stock. The Committee also received reporting from PwC regarding the audit work they performed over the valuation of inventory. The Committee is satisfied that the process and judgement adopted by management for the valuation of inventory is sufficiently robust to establish the value of inventory held and is satisfied as to the appropriateness of the Company's provisioning policy.

Corporate governance report continued

Non-underlying items

The Committee considered the presentation of the financial statements and, in particular, the presentation of non-underlying items in accordance with the Group accounting policy. This policy states that adjustments are only made to reported profit before tax in determining an alternative performance measure where items are not considered part of the normal operations of the business, are considered exceptional because of their size, nature or cause of occurrence, as well as consistency with prior periods. The Committee received detailed reports from management outlining the judgements applied in relation to the non-underlying costs incurred during the year.

These costs were attributable to the impairment charges and provisions for onerous contracts recognised where carrying value of assets is not expected to be recovered by the value-in-use; costs associated with Board-approved programmes relating to supply chain and IT transformation; costs associated with pensions; costs relating to M&A activity and Group legal entity structure; and amortisation of acquired intangible assets.

This was a key area of focus for the Committee, which was cognisant of the need to ensure that items were appropriately classified and that the disclosure of the non-underlying items was sufficient for users of the financial statements to understand the nature and reason for the items. The Committee challenged management on the nature of items classified as non-underlying to ensure that there was consistency of treatment compared to the prior year. The Committee received reporting from PwC on the work undertaken in respect of the classification of non-underlying items.

Fair, balanced and understandable assessment

At the request of the Board, the Committee has considered whether, in its opinion, the 2024 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee was assisted in its review by a number of processes, including the following:

- the Annual report and accounts is drafted by senior management with overall co-ordination by a member of the Group Finance team to ensure consistency across the relevant sections;
- an internal verification process is undertaken to ensure factual accuracy;
- an independent review is undertaken by the Director of Audit and Risk to assess whether the Annual report and accounts is fair, balanced and understandable using a set of pre-defined indicators (such as consistency with internally reported information and investor communications);
- comprehensive reviews of drafts of the Annual report and accounts are undertaken by the executive directors and other senior management;
- an advanced draft is reviewed by the Board and the Company's Legal Director and, in relation to certain sections, by external legal advisers; and
- the final draft of the Annual Report and Accounts is reviewed by the Committee prior to consideration by the Board.

Following its review, the Committee advised the Board that the Annual Report and Accounts, taken as a whole, was considered to be fair, balanced and understandable and that it provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Risk management and internal controls

The Committee monitors and regularly reviews the effectiveness of the Group's risk management processes and internal financial and non-financial controls. The key features of the risk management process that were in place during the year are as follows:

- each business conducts risk assessments based on identified business objectives, which are reviewed and agreed annually by the management of each business. Risks are considered in respect of strategy, reputation, operations, financial and compliance and are evaluated in respect of their potential impact and likelihood. These risk assessments are updated and reviewed quarterly and are reported to the Committee;
- a Group risk assessment is also undertaken by the Internal Audit team, which considers all areas of potential risk across all systems, functions and key business processes. This risk assessment, together with the business risk assessments, forms the basis for determining the Internal Audit Plan. Audit reports in relation to areas reviewed are discussed and agreed with the Committee;
- the Internal Audit team meets annually with all senior executives, to undertake a formal review and certification process in assessing the effectiveness of the internal controls across the Group. The results of this review are reported to the Committee;
- the Committee confirms to the Board that it has reviewed the effectiveness of the systems of internal control, including financial, operational, and compliance controls and risk management for the period of this report, in accordance with the Code and the Risk Management and Internal Control Guidance;
- the Board is responsible for approving the annual budget and the three-year plan, for approving major acquisitions and disposals and for determining the financial structure of the Company, including treasury and dividend policy;
- the Committee assists the Board in the discharge of its duties regarding the Group's financial statements, accounting policies and the maintenance of internal business, operational and financial controls. The Committee invites input and attendance from members of the senior management team of the Group at its meetings to discuss the design and operation of key business and internal controls and the assessment of risks that affect the Group. The Committee provides a link between the Board and PwC through regular meetings;
- the Company has in place internal control and risk management systems in relation to the process for preparing consolidated financial statements. The key features of these systems are that management regularly monitors and considers developments in accounting regulations and best practice in financial reporting and, where appropriate, reflects developments in the consolidated financial statements. PwC also keeps

the Committee appraised of these developments; the Committee and the Board review the draft consolidated financial statements. The Committee receives reports from management and PwC on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated financial statements, and provides robust and independent challenge to management where appropriate; and the full year financial statements are subject to external audit and the half-year financial statements are reviewed by PwC;

- the Internal Audit team advises and assists management in the establishment and maintenance of adequate internal controls and reports to the Committee on the effectiveness of those controls;
- there is a comprehensive system for budgeting and planning, and for monitoring and reporting the performance of the Company's business to the Board. Monthly results are reported against budget and prior year, and forecasts for the current financial year are regularly revised in light of actual performance. These results and forecasts cover profit, cash flows, capital expenditure and balance sheets; and
- routine reports are prepared to cover treasury activities and risks, for review by senior executives, and annual reports are prepared for the Board and Committee covering tax, treasury policies, insurance and pensions.

The Director of Audit and Risk attends the meetings of the Committee to discuss the above matters.

External auditor

During the year, PwC reported to the Committee on their independence from the Company. The Committee and the Board are satisfied that PwC has adequate policies and safeguards in place to ensure that auditor objectivity and independence are maintained. PwC were re-appointed as external auditor at the 2024 AGM, following a competitive tender process.

Partner rotation

Jonathan Lambert has been the lead audit partner since the start of 2019. At the end of the audit of the financial year ended 31 August 2024, Jonathan Lambert will have been in post for five years, meeting the term limit according to the Auditing Practices Board's Ethical Standards. Following the completion of this year's audit, Jonathan Lambert will be replaced by Jon Sturges. Jon Sturges shadowed the audit for the financial year ended 31 August 2024.

The directors will be proposing the re-appointment of PwC at the forthcoming AGM. The Committee will continue to monitor the objectivity, effectiveness and independence of PwC as external auditor.

External auditor effectiveness

In line with the Committee's Terms of Reference, the Committee undertook a thorough assessment of the quality, effectiveness, value and independence of the 2023 financial year audit provided by PwC. The Director of Audit and Risk prepared a questionnaire seeking the views and feedback of the Board, together with those of Group and divisional management, and it formed the basis of further discussion with respondents. Input was sought from Committee members and from members of the management team on areas including the auditor's expertise, professionalism, independence and challenge; their planning and audit approach and whether the agreed audit plan had been met; the quality and content of reporting and the outputs from the audit; and governance of the audit including assessment of team members' performance and independence. The findings of the survey were considered by the Committee and concluded that PwC continued to perform effectively and remains independent, and that the audit was of a sufficiently high standard. As a result, PwC's re-appointment as external auditor at the forthcoming AGM is recommended to shareholders.

External auditor independence

The Committee has a formal policy on the Company's relationship with its external auditor in respect of non-audit work to ensure that auditor objectivity and independence are maintained. The policy is reviewed annually by the Committee. The only significant non-audit work undertaken by PwC in the financial year ended 31 August 2024 related to the interim review. The auditor may only provide such services if such advice does not conflict with their statutory responsibilities and ethical guidance. The Committee made enquiries of PwC and management and were satisfied that no such conflict existed.

On behalf of the Committee, my approval is required before the Company uses PwC for non-audit services as specifically set out in the policy, or if the fees exceed £25,000 per matter. The Committee is satisfied that it was compliant during the year with its policy in respect of the scope and maximum level of permitted fees incurred for non-audit services provided by PwC. For the financial year ended 31 August 2024 the non-audit fees paid to PwC were £131,000, of which £130,000 related to the interim review, and the audit fees payable to PwC were £1,640,000.

The Company has complied during the financial year under review, and up to the date of this report, with the provisions of the CMA Statutory Audit Services Order 2014.

Finally, this is my last letter to you as Chair of the Committee. Having been appointed as Chair of the Remuneration Committee on 7 February 2024, I will be stepping down as Chair of the Committee on 30 November 2024 and handing over to Helen Rose, who will take up the position on 1 December 2024. Helen Rose is a chartered accountant and former senior finance and operations leader with considerable experience in financial services. I will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Nicky Dulieu
Chair of the Audit Committee

14 November 2024

Corporate governance report continued
Nominations Committee report

"The Committee will continue to focus on succession planning and talent management for key roles in the business."

Annette Court
Chair of the Nominations Committee

Dear Shareholder

As Chair of the Nominations Committee, I am pleased to present my report on the activities of the Nominations Committee for the financial year ended 31 August 2024. The Committee's principal responsibility is to ensure that the Board comprises individuals with the requisite skills, knowledge, independence and experience to ensure that it is effective in discharging its responsibilities and ensure that appropriate procedures are in place for the nomination, selection and succession of directors and senior executives.

The other Committee members are Colette Burke, Nicky Dulieu, Simon Emeny, Situl Jobanputra and Helen Rose, who are all independent non-executive directors. In the event of any matters arising concerning my membership of the Board, I would absent myself from the meeting as required by the Code and the Senior Independent Director would take the Chair.

The Committee met five times during the year. The principal matters discussed at the meetings were succession planning for Board and senior executives, career planning, identifying talent across the businesses and reviewing the work that has been undertaken in respect of improving diversity in the Company's senior leadership group. The Committee, as part of the Board's succession plan, appointed Russell Reynolds Associates to assist in the identification of potential candidates to replace Robert Moorhead as CFO and in the appointments of Situl Jobanputra and Helen Rose as non-executive directors. Russell Reynolds Associates have signed up to the voluntary code of conduct for executive search firms and had no other connection to the Company or its directors.

In March 2024, the Company announced that Robert Moorhead would be stepping down from the Board on 30 November 2024. He will remain as an employee of the Company until 28 February 2025 in order to assist with the transition to Max Izzard as CFO. Max Izzard joined the Company on 1 September 2024 as CFO Designate and will be appointed to the Board with effect from 1 December 2024.

The Committee keeps itself updated on key developments relevant to the Company, including on the subject of diversity and inclusion. Further information on diversity and inclusion can be found on pages 54 and 55.

The Board believes in creating, throughout the Company, a culture free from discrimination in any form and is proud of its long history of being regarded as a responsible and respected employer. The Board believes that the benefits of a diverse workforce will help the Company achieve its strategic objectives.

The Committee is fully committed to supporting diversity and inclusion at Board and senior executive level in compliance with the Code and recognises the importance of diversity in effective decision making. The long-term aim is to increase the diversity of our Board. The importance of diversity extends beyond the Board to senior management and throughout the Company. The Committee monitors the progress made to increase diversity at Board and senior management levels and compliance with the three UK Listing Rules targets for gender and ethnic diversity.

During the year under review, the Company had 50 per cent women on the Board and 23 per cent in the senior leadership team. The Board is committed to strengthening the pipeline of women in senior roles across the business and an action plan has been agreed to take further steps to improve workplace diversity.

The Company requires gender balanced shortlists for all internal and external recruitment at a senior executive level to ensure that we attract more women at a senior level. Further information on the gender balance of those in senior management and their direct reports is set out in the Strategic report on page 55.

The Board recognises that diversity is not limited to gender, but includes skills, experience, ethnicity, disability and sexual orientation. The Board is committed to having a diverse and inclusive leadership team and will monitor ethnic diversity across the Group. During the year, the Company complied with the recommendations of the Parker Review. Actions include the provision of mentoring, as well as focused initiatives to better understand the challenges faced by under-represented groups employed within the Company. The Company's recruitment policy requires that for all senior management roles there must be a shortlist, which includes at least one candidate from an ethnic minority background. We will continue to appoint on merit, while aiming to broaden the diversity of the talent pipeline.

The Company has a Diversity and Inclusion Committee consisting of employees from across the Group together with the Group Chief Executive and the Chief People Officer. The committee met seven times during the financial year ended 31 August 2024 and made recommendations on recruitment and engaged with our customers and employees to mark cultural and diversity-related events during the year. The work of the Diversity and Inclusion Committee is reported to the ESG Committee.

Further information on diversity is set out in the Employees section of the Strategic report on pages 54 to 55.

The Committee will continue to focus on succession planning and talent management for key roles across the Group, to ensure the Company develops a pipeline of high-quality internal candidates for senior management roles. Work is being undertaken to ensure succession arrangements are in place for Board members and key management.

The latest Board evaluation report confirmed that the culture of the Board is excellent, being very open and collaborative with the appropriate level of challenge, discussion and debate. The Board continues to have a broad mix of skills, diversity, experience and talent, which enables the Board and the Committees to work effectively. Details of the Board evaluation, which took place in June and July 2024, are set out on pages 72 and 73.

Annette Court
Chair of the Nominations Committee

14 November 2024

Corporate governance report continued
ESG Committee report

"Our commitment to sustainability is a key part of our purpose and how we deliver for our shareholders, customers, landlord partners and employees."

Situl Jobanputra
Chair of the ESG Committee

Dear Shareholder

As previously announced, I was appointed as Chair of the ESG Committee on 1 March 2024 following Marion Sears stepping down from the Board. I am pleased to present the report on the activities of the ESG Committee for the financial year ended 31 August 2024.

Environmental and social sustainability is an integral part of the way in which the Group operates and is an important component of its longer-term success. The Committee oversees the governance of sustainability activities, reviewing and approving the Company's ESG strategy, policies and performance.

Committee's responsibilities

The Committee's responsibilities include:

- Ensuring the Company has an appropriate and effective ESG Strategy that is integrated with the core business strategy, and is aligned with the purpose, culture and values of the Company.
- Ensuring that appropriate governance is in place for successful execution across the three pillars of the sustainability strategy (planet, people and community).
- Ensuring the sustainability strategy is embedded across all parts of the WH Smith Group.
- Setting short, medium and long-term ESG targets and key performance indicators and monitoring performance and progress towards delivery of those targets on a regular basis.
- Providing support and guidance to management on sustainability matters, as appropriate.
- Monitoring the Company's engagement with stakeholders including customers, colleagues, suppliers, communities, investors and government on sustainability and corporate responsibility matters.
- Monitoring external developments on sustainability.
- Approving the Company's sustainability disclosures in the Annual Report and overseeing any other information for third parties including investors, proxy agencies and advisory bodies.
- Reviewing coverage in relation to external standards and ongoing compliance of the Company's policies, principles and standards in so far as they relate to ESG matters.

Membership and attendance

The Committee comprises a majority of independent non-executive directors. The members of the Committee are Colette Burke, Carl Cowling, Nicky Dulieu, Simon Emeny and Helen Rose. The Chair, Group Sustainability Director and Chief People Officer also attend, alongside others from across the Company when needed.

The Committee met three times during the year, receiving inputs from senior managers across the business and regular updates from the ESG Steering Committee, which is chaired by the Group Chief Executive. It works closely with the Audit and Remuneration Committees on relevant ESG matters.

Work of the Committee during 2024

The Committee discharged its responsibilities to ensure WHSmith has an appropriate and effective ESG strategy by assessing the priorities, risks, actions and measures in place to enable appropriate management and reporting. This work takes place annually and informs the Committee's review of the Company's sustainability strategy, including whether it addresses the most material issues and whether targets are appropriate for achieving the necessary outcomes. The Committee reviewed objectives and action plans against the three ESG pillars of Planet, People and Community and assessed progress for the financial year.

A standing item on the Committee agenda is a review and discussion of any stakeholder engagement in relation to ESG matters. This includes any meetings or correspondence that has taken place with investors, proxy agencies and rating schemes and key business partners such as landlord partners, franchisees and major suppliers. This year, the key topics raised were in relation to the Company's response to, and progress against, its targets in relation to net zero, workforce policies and programmes and management of labour rights in the supply chain.

The Committee received a presentation from the global sustainability head of one of its financial advisors on investor attitudes and perspectives towards ESG, the sustainable investment market and opportunities for WHSmith with ESG-focused funds.

The Company has a target to be net zero by 2050, reduce Scope 1 and 2 emissions by 80 per cent by 2030 from a 2020 baseline and ensure that 75 per cent of supplier emissions are covered by science-based targets by 2027. The Committee received an update on the Company's progress towards these targets and its plans for transitioning to a low-carbon economy. The Sustainability Director provided an update on carbon-related legislation and standards, including the International Sustainability Standards Board standards and their adoption by the UK's Financial Conduct Authority and the recommendations of the Carbon Transition Taskforce. The Committee reviewed the Company's risks and opportunities related to climate change, short-term and longer-term net zero targets and the associated action plans to reduce Scope 1, 2 and 3 emissions. The Committee were also updated and provided feedback on the Company's plans and progress in engaging with suppliers to encourage them to adopt science-based targets and develop carbon reduction plans. More details are provided on pages 43, 48 and 52.

The Committee continued to monitor the Company's progress on complying with the Listing Rules requirement to make disclosures consistent with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations and recommended disclosures, and the Companies Act 2006 requirements in relation to climate-related financial disclosures.

The Company has made good progress this year on strengthening its due diligence processes in relation to human rights and labour conditions in the supply chain. The Committee reviewed the work undertaken in collaboration with the UN Global Compact and the not-for-profit advisory organisation Shift to reassess and update WHSmith's salient human rights risks. WHSmith's Responsible Sourcing Requirements for its suppliers and business partners were updated and approved by the Committee and an update was provided of the work undertaken to introduce a more robust due diligence process at the supplier onboarding stage and for products which do not carry a Group brand name (see page 56).

The Committee received updates on the Group's Diversity, Equity and Inclusion programme, including the work of the DEI networks, executive sponsorship and work with external organisations such as Diversity in Retail and Stonewall. The Committee reviewed the Company's submission to the Parker Review request for information on the ethnic diversity of boards and senior management. An update on the Company's wellbeing and mental health programme was included as part of the same paper. The Committee reviewed the Company's approach to Modern Slavery due diligence and recommended to the Board approval of the Group **Modern Slavery statement**.

In January, the Committee reviewed and discussed the Company's approach to community engagement, both in the UK and internationally. It was updated on the work that is being undertaken in partnership with the National Literacy Trust in respect of the Young Readers Programme, and the financial support for proactive work on improving early years communication in communities close to our head office in Swindon. Committee members heard of the work of the Trust to empower children and young people to develop the literacy skills they need to succeed in life, and how WHSmith is supporting the work of the Trust with early years and primary school children.

The Committee were also updated on our charity work in North America where the US business has a longstanding partnership with Miracle Flights, a non-profit organisation providing commercial flights for children in need of life-saving medical care; and in Australia where a new charity committee has been established and a new charity partnership established with Beyond Blue, a mental health charity.

As in 2024, ESG performance metrics will form part of the Long-term Incentive Plan for awards in 2025. In reviewing the ESG strategy and ensuring that objectives and targets are appropriate for driving improvement, the ESG Committee provided support to the Remuneration Committee in choosing appropriate measures, which are set out on page 106.

Corporate governance report continued

All **ESG-related policies**, covering Company activity in relation to issues such as the environment, health and safety, human rights, anti-bribery and corruption, and employee and supplier codes of conduct are reviewed and updated annually. The ESG Committee reviewed all policies and approved changes to the Sustainable Forestry Policy to include wider issues in relation to Biodiversity; and changes to the Responsible Sourcing Standards to make our expectations clearer for suppliers of third-party products. A new Company policy on Diversity, Equity and Inclusion was also approved.

Priorities for 2025

Over the next year, I look forward to the Committee's continued oversight of, support for, and scrutiny of the Group's ESG agenda, including further presentations from senior executives and experts from across the Group. During 2025, in addition to regular reviews covering emerging issues and materiality, and sustainability strategy, action plans and targets, the Committee will receive updates and review the following:

- Progress on net zero, carbon transition plans and targets for Scope 1 and 2 emission reductions and supplier targets for Scope 3 emissions;
- A review of waste management and the Group's approach to single-use plastic;
- Further evolution of due diligence for worker rights in WHSmith's supply chain;
- The Group's strategy for community engagement and charitable support;
- Nature-related risk management and any developments in required disclosures; and
- Emerging requirements for ESG reporting particularly in relation to the UK, EU and North America, including implications of the EU's Corporate Sustainability Reporting Directive.

Situl Jobanputra
Chair of the ESG Committee

14 November 2024

Directors' remuneration report

"The Company believes that its approach to remuneration has served the Company well and is in keeping with the Company's culture that promotes value creation in a responsible and sustainable way."

Nicky Dulieu
Chair of the Remuneration Committee

Annual statement from the Remuneration Committee Chair

Dear Shareholder

On behalf of the Remuneration Committee (the "Committee"), I am pleased to present the Directors' remuneration report for the financial year ended 31 August 2024, which is in line with the Company's approved Directors' remuneration policy. This report covers three areas:

- the forward-looking Directors' remuneration policy ("Policy"), which is subject to a binding shareholder vote at our 2025 AGM as set out on pages 90 to 98;
- the annual Directors' remuneration report ("Report") setting out details of the implementation of our current Policy in the financial year ended 31 August 2024 as set out on pages 85 to 109. This report (excluding the Directors' remuneration policy) is subject to an advisory vote at our 2025 AGM; and
- an explanation of how the proposed Policy will be implemented in the financial year ending 31 August 2025 as set out on pages 100 and 101.

Directors' remuneration policy review

Our current Policy, which was supported by 88 per cent of our shareholders at the 2022 AGM, is approaching the end of its three-year term. During 2024, the Committee has reviewed the current Policy in the context of shareholder feedback in recent years, as well as broader governance and market developments in executive remuneration, including the ongoing debate as to how UK companies can successfully compete for leading global talent.

The Committee also considered during its review whether the current Policy was aligned to the Company's remuneration philosophy, which is to provide at, or below, median market levels of fixed pay, but with the opportunity to earn upper quartile levels of total remuneration if the executive directors deliver superior performance.

The comprehensive review of the current Policy included consultation with major shareholders representing c.65 per cent of our issued share capital and three proxy agencies.

The Committee's conclusion was that, overall, the Policy, which has served the Company well for many years continues to do so and continues to support our key strategic goals. Consequently, no significant changes are proposed to the Policy although the Committee will keep the appropriateness of our remuneration arrangements under close review as our strategy of global expansion continues to develop.

For the purposes of the new Policy, the proposed changes aim to provide greater flexibility over the life of the Policy and bring specific elements of the Policy more in line with standard market practice. Details of those changes are outlined on pages 88 and 89.

2024 salary review

Following the annual salary review in March 2024, the majority of the Group's employees (who are based in stores) received an 8 per cent pay increase, head office employees received either a 3 or 4 per cent pay increase and senior executives, including Robert Moorhead, received a 2.5 per cent pay increase with effect from 1 April 2024.

Directors' remuneration report continued

Review of CEO's remuneration

As part of the Policy review, the Committee reviewed the executive remuneration arrangements of the CEO, Carl Cowling, against a range of factors. A key factor for the Committee was the continuing strong performance of the Company as demonstrated by the consistent year-on-year growth in Headline Group profit before tax[1] and dividends. Further information regarding the Company's performance can be found in the Strategic report on pages 3 to 65.

Another key factor was relevant data comparators. While the Committee uses benchmarking with caution, an up-to-date benchmarking exercise was performed to check on the pay positioning of the CEO against two relevant peer groups; a group of FTSE companies within the retail and/or travel industries; and companies in the top half of the FTSE 250. This exercise indicated that the CEO's salary was positioned towards the lower quartile of the peer groups and total compensation for superior performance was positioned around median. This is inconsistent with our pay philosophy of providing an opportunity to earn upper quartile levels of total remuneration if the executive directors deliver superior performance.

Having considered these various factors and also the fact that Carl Cowling's performance continues to be excellent, the Committee agreed to increase Carl Cowling's base salary by 7.5 per cent to £670,800 with effect from 1 April 2024. Following the increase, Carl Cowling's revised salary is still well below the market median. The Committee also agreed to increase Carl Cowling's Long-term Incentive Plan ("LTIP") grant from 335 per cent to 350 per cent of salary (within the existing limit in the Policy) for the grant of awards in November 2024. This will mean that his total potential remuneration for superior performance sits between the median and upper quartile external data comparators, which brings his remuneration closer to, albeit still not fully in line with, our pay philosophy.

While we understand the sensitivity about making executive salary increases, we are mindful that Carl Cowling has one of the lowest salaries in the Retail sector and we feel it is important to ensure that our remuneration arrangements continue to support the long-term strategy to create shareholder value, enable us to recruit and retain high calibre executives and appropriately reward Carl Cowling for his experience and performance since his appointment.

Annual bonus for the financial year ended 31 August 2024

For the financial year ended 31 August 2024, the financial bonus target was Headline profit before tax and non-underlying items[1]. The Group's Headline profit before tax and non-underlying items[1] for the financial year ended 31 August 2024 was £166m compared to £143m for the financial year ended 31 August 2023.

This good performance resulted in approximately 2,393 employees across the Group receiving a bonus under the annual bonus plan for the financial year ended 31 August 2024.

The Company's long-standing approach to determining executive bonus out-turns is to consider the Headline profit before tax[1] against a pre-set range. No adjustments were made to the targets originally set. Once the financial element has been assessed, this essentially becomes the maximum bonus that may be awarded in normal circumstances with each executive's personal performance then considered using the standard grading system applied on a Company-wide basis.

The Group's Headline profit before tax and non-underlying items[1] of £166m represented strong year-on-year growth and delivered a bonus between target and maximum in the pre-set range. Each of the two executive directors were assessed as "Role Models", which led to the formulaic financial out-turn being applied without any reduction on the basis of their personal performance. As a result of this performance, each of the executive directors were awarded 82.5 per cent of their maximum bonus potential. This resulted in Carl Cowling receiving a bonus payment of £884,383 of which £367,867 will be deferred into shares and Robert Moorhead receiving a bonus payment of £636,934 of which £264,938 will be deferred into shares. The deferred shares are released over three years and then retained if the director has not met the Company's share ownership guidelines. Having considered overall Company performance and stakeholder alignment (discussed below), the Committee determined that the formulaic out-turn under the annual bonus plan was appropriate and should be applied without discretionary adjustment. More details on the financial targets and assessment of the executive directors' performance against personal objectives are set out on pages 103 and 104.

2021–2024 LTIP vesting outturn

The 2021 LTIP vesting percentage is determined by the growth in the Company's Headline earnings per share[1] ("EPS") and relative Total Shareholder Return ("TSR") over the three-year performance period, which ended on 31 August 2024. The Company substantially met the performance targets for the 2021 LTIP as the Company's Headline earnings per share[1] (before tax) was 112p and the Company's TSR ranked between median and upper quartile in the comparator group. Consequently, 71 per cent of the award will vest in November 2024. More details are set out on page 106.

The Committee determined that the formulaic out-turn under the LTIP was appropriate in the context of the Company's and executive directors' performance over the performance period and stakeholder alignment (discussed overleaf) and should be applied without discretionary adjustment. The Committee also considered whether the award should be adjusted for windfall gains and concluded that no adjustment was required.

1 Alternative performance measure defined and explained in the Glossary on page 173

Stakeholder alignment

After considering the experience of each of our stakeholder groups during the financial year ended 31 August 2024, the Committee believes that the remuneration of the executive directors is proportionate and appropriate. In making this determination, the Committee considered the following factors:

- The financial performance of the Group has been strong. The Group made a Headline profit before tax and non-underlying items[1] of £166m (2023: £143m).
- We have continued to make significant progress on the Group's strategic objectives and are well placed to generate growth in the global travel market.
- We supported our workforce. The majority of the Group's employees (who are based in stores) received an 8 per cent pay increase, head office employees received a 3 or 4 per cent pay increase and senior executives (other than the CEO as set out previously) received a 2.5 per cent pay increase with effect from 1 April 2024.
- Positive feedback was received following employee engagement on remuneration.
- Continued support was given to local communities and charitable activity. You can read more about the Company's work on page 38.
- The directors have proposed a final dividend of 22.6p per share, which together with the interim dividend of 11.0p per share paid in August 2024 makes a total dividend of 33.6p per share for the financial year ended 31 August 2024 (2023: 28.9p).

Shareholder engagement

We were delighted that the Company received 97 per cent support from shareholders for the Remuneration Report at the AGM in January 2024.

During the year, the Committee consulted with our largest shareholders and their representative bodies on the Company's approach to remuneration, including the proposed changes to the CEO's remuneration and changes to the new Policy. I am grateful to all those who took the time to provide feedback, which was, in most part, supportive of the approach adopted by the Committee. The feedback was informative for the Committee when finalising the Company's remuneration policy, which will be considered by shareholders at the forthcoming AGM. As a result, the Committee made changes to the proposal in respect of bonus deferral requirements where an executive has met their shareholding requirement as set out in the Policy.

Chief Financial Officer ("CFO") transition

As announced on 15 March 2024, Robert Moorhead will retire as CFO/COO on 30 November 2024 and will be replaced as CFO by Max Izzard. Robert Moorhead will remain as a WHSmith employee until 28 February 2025 in order to assist with the transition to Max Izzard as CFO.

Robert Moorhead will continue to receive his salary and contractual benefits up to 28 February 2025. There will be no payment in lieu of notice. Having considered Robert Moorhead's outstanding contribution to the Company and the retirement nature of his departure, the Committee determined that he should be treated as a good leaver, in line with the Policy, for the purpose of incentive awards as follows:

- Future incentives – As he will remain an important contributor to Company performance in the coming year, Robert Moorhead will be eligible for a time pro-rated bonus up to the end of his employment for the financial year ending 31 August 2025, which will be assessed and paid at the normal dates. He will not be eligible to receive an LTIP award in November 2024.
- Deferred Bonus Plans – Robert Moorhead will receive his outstanding awards under the DBP on the original vesting dates in accordance with the plan rules.
- LTIP shares – Robert Moorhead's outstanding awards will be time pro-rated up to the end of his employment and remain subject to performance testing on the original dates. Any vested shares will remain subject to a two-year holding period.

In line with the Policy, Robert Moorhead will be required to maintain a minimum shareholding requirement of 250 per cent of base salary for a period of two years after he leaves the Company.

Upon joining the Company on 1 September 2024, Max Izzard's base salary was £450,000 and his pension allowance was 3 per cent of base salary (aligned to the wider workforce rate). He also became eligible to receive a maximum annual bonus of up to 150 per cent of salary and an annual LTIP award of 300 per cent of salary in the financial year ending 31 August 2025.

Max Izzard has also been granted certain cash and share awards to compensate him for incentives from his previous employer, which were forfeited on joining the Company. These buy-out awards take into account all relevant factors, including the form, value and vesting time frame of the forfeited awards. Details of the buy-out awards are on page 100.

Other remuneration details for the financial year ending 31 August 2025

Salaries for the executive directors are, as with the rest of the UK workforce, reviewed with effect from April each year and no decision has been taken regarding any potential increase from April 2025.

Over the last few years, the performance measures for the LTIP have been 40 per cent linked to EPS, 40 per cent to relative TSR and 20 per cent to ESG. Given the importance of this forthcoming period to the Company's strategic development, the Committee has determined that LTIP metrics for the next award cycle should be more strongly linked to our longer-term financial targets and returns to shareholders. Accordingly, for the LTIP grant in November 2024, the performance measures will be:

- 45 per cent pre-tax EPS;
- 45 per cent relative TSR; and
- 10 per cent ESG – the ESG performance measures will be based on a reduction in the Company's Scope 1, 2 and 3 emissions.

1 Alternative performance measure defined and explained in the Glossary on page 173

Directors' remuneration report continued

Details on the targets for these measures are on page 106. Management remain incentivised to deliver the Group's ambitious ESG strategy through a combination of the ESG element of both the 2024 and previously granted in-flight LTIP awards.

Conclusion

The Group's strong financial performance has allowed us to continue to support our colleagues, local communities and charitable activities, and recommend the payment of a final dividend of 22.6p per share. Accordingly, and taking into account stakeholder experience, we consider the total remuneration earned by the CEO and CFO/COO to be appropriate and well deserved.

In the current year we will continue to support colleagues with competitive pay and listen carefully to feedback through continued engagement. We will work hard to ensure that we deliver continued business growth for the benefit of all stakeholders.

I look forward to receiving your support at our 2025 AGM for our remuneration resolutions where I will be available to respond to any questions that shareholders may have on this report.

Nicky Dulieu
Chair of the Remuneration Committee

14 November 2024

This Directors' remuneration report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended in 2013, 2018 and 2019 (the "Regulations"), LR 6.6 of the UKLA Listing Rules and the UK Corporate Governance Code 2018 (the "Code").

1. Information subject to audit

The following information has been audited by PwC:

- Section 4.5 – Summary of non-executive directors' remuneration 2024;
- Section 4.6 – Summary of executive directors' remuneration 2024;
- Section 4.7 – Payments made to former directors;
- Section 4.8 – Payments for loss of office;
- Section 4.10 – Annual bonus targets;
- Section 4.14 – Share plans; and
- Section 4.17 – Directors' interests in shares.

2. Background to Directors' remuneration policy

The Company's Directors' remuneration policy (the "Policy") can be summarised as typically providing at, or below, the median of market levels of fixed pay but with the opportunity to earn upper quartile levels of remuneration if the executive directors deliver superior returns for shareholders.

Executive remuneration packages are structured so that they:

- are aligned to the Company's strategy to deliver shareholder returns and promote its long-term success;
- are competitive and provide a very clear bias to variable pay with stretching and rigorous performance measures and conditions;
- do not promote unacceptable behaviours or encourage unacceptable risk taking;
- include robust malus/clawback provisions; and
- take into account Company-wide pay and employment conditions.

During 2024, the Committee undertook a thorough review of the current Policy to ensure that it continued to support delivery of the business strategy and remained compliant with all key remuneration requirements of the UK Corporate Governance Code and emerging practice.

Following that review, we propose to only make relatively minor changes which will provide greater flexibility over the life of the proposed Policy and bring specific elements of the Policy more in line with standard market practice. The most notable of these changes are as follows:

- **Annual bonus deferral** – Our key means for ensuring alignment of executive directors' interests with shareholder interests is the above market shareholding guideline requirement of 300 per cent of salary (CEO)/250 per cent of salary (other executive directors) that applies both in-employment and for two years post-employment. Accordingly, the Committee has concluded that, if a director is already compliant with these guidelines, the requirement to defer bonus into shares can be reduced to 25 per cent of bonus earned above target. Minimum deferral into shares will remain at 100 per cent of bonus earned above target if an individual is not compliant with their guideline. The Committee is satisfied that this arrangement aligns with corporate governance principles for UK plc companies around shareholder alignment in a manner that is appropriate for WHSmith. The Committee also considered the operation of malus and clawback following this change and noted that it would be able to cancel any in-flight LTIP awards and also prevent the exercise of awards that have vested but are subject to the two-year holding period. The new Policy will also include flexibility to defer bonus in cash rather than shares in exceptional circumstances – this might be applied, for example, where there are dealing restrictions, which prohibit the award of shares.
- **Salary cap** – The current Policy contains a monetary (£) cap for executive director base salaries, which automatically increases in line with RPI. The review noted that only a very small minority of FTSE companies have a salary cap of this nature in their Policy. In order to bring the Policy in line with standard market practice and to avoid building expectations of inflationary increases into future salary discussions, we propose to remove this cap in the new Policy. The Committee's general approach will remain to keep salaries at, or below, median.

- **Benefits cap** – The current Policy also contains a monetary (£) cap for executive director benefits which, similar to the previous points, is highly unusual and (at £80,000) is well above the actual level of benefits awarded. To bring the Policy in line with market norms, we therefore propose to remove this cap in the new Policy.
- **Recruitment Policy** – The new Policy will clarify that the Committee has flexibility to buy-out any element of compensation in relation to appointment (for example, where benefits are provided in a country that cannot be easily replicated in the UK). Also flexibility will be included to allow non-executive directors ("NEDs") to be paid as an executive director should they be required to temporarily take on an executive position.
- **Loss of office policy** – Minor amendments in the new Policy will permit the Committee flexibility to determine the form (cash/shares) and basis of calculation (in relation to the performance period and measures) of a departing executive director's annual bonus in a manner appropriate to the particular circumstances (albeit any such bonus will continue to be time pro-rated and subject to performance measures).
- **NED fees** – The new Policy will include flexibility to pay additional non-executive director fees if their role should require significant additional time commitment and flexibility for the provision of additional travel allowance payments to them for time spent travelling on Company business. There will also be additional flexibility to meet the costs of providing any tax advice and tax return assistance for international NEDs and provide any other appropriate benefits.

As part of its review of the Policy, the Committee has considered the factors set out in Provision 40 of the Code. The Committee believes that the proposed Policy addresses those factors as set out below:

Simplicity	The Policy and our approach to its implementation are simple, appropriately designed and well understood, reinforcing the Group's culture as well as strategy. The Committee reviews performance metrics and targets each year to ensure that they continue to be clear and aligned to delivery of the strategy.
Predictability	The Policy and remuneration structure have been broadly consistent over many years and the performance measures used in the incentive plans are well aligned to the Group's strategy and goals, with stretching targets, the maximum outcomes under any award are clearly stated and, therefore, predictable.
Proportionality	The balanced approach is proportionate and drives behaviours that promote high performance and sustainable growth to deliver the long-term success of the Company for the benefit of all stakeholders, without encouraging or rewarding excessive risk-taking. The Committee retains sufficient discretion to adjust formulaic incentive outcomes or require the repayment of previous awards to ensure that poor performance is not rewarded.
Risk	The Committee reviews and sets performance targets each year to ensure that they drive the right behaviours and are appropriately stretching without encouraging unnecessary risks. Risk management is operated through annual bonus deferral, LTIP holding periods and required shareholding and post-employment shareholding. Malus and clawback provisions apply to the annual bonus, DBP and LTIP.
Clarity	The Committee maintains a continual dialogue with shareholders and proxy agencies to understand their views. We consulted with shareholders on remuneration arrangements, listening to, and taking into account, the feedback we received when developing the Policy. Our approach to disclosure is transparent with clear rationale provided on its maintenance and any changes to policy. When considering remuneration for executive directors and senior management, the Committee takes into account the pay and conditions of employees across the Group and, where appropriate, exercises oversight of remuneration throughout the Company.
Alignment to culture	The Committee assesses performance under the annual bonus plan against a range of objectives, including those related to our values and strategy. The inclusion of ESG targets in the LTIP further helps to ensure incentive schemes drive behaviours consistent with Company purpose, values and strategy.

Directors' remuneration report continued

3. The Directors' remuneration policy

The Committee presents the Policy, which will be put to a binding vote at the forthcoming Annual General Meeting and, subject to shareholder approval, will take immediate effect.

3.1 Executive directors Policy table

The following table explains the different elements of remuneration we pay to our executive directors:

Element and purpose	Operation and opportunity	Performance measures
Base salary		
This is the basic element of pay and reflects the individual's role and position within the Group, with some adjustment to reflect their capability and contribution. Base salary is used to attract and retain executive directors who can deliver our strategic objectives and create shareholder value.	Base salaries, paid monthly in cash, are typically reviewed annually with any changes normally taking effect from 1 April. The Company's policy is not to automatically award an inflationary increase. When reviewing salaries, the Committee takes into account a range of factors including the Group's performance, market conditions, the prevailing market rates for similar positions in comparable companies, the responsibilities, individual performance and experience of each executive director and the level of salary increases awarded to employees throughout the Group. Base salaries are benchmarked against relevant comparators, which may include FTSE 250 companies and other leading retailers. While the Committee applies judgement rather than setting salaries by reference to a fixed percentile position, its general approach is to constrain base salaries to a median or lower level. No absolute maximum has been set for executive director base salaries. While in the normal course, their salaries would not be expected to increase at a rate greater than the average salary increase for other head office staff, larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role, or in the size and complexity of the Group). Larger increases may also be considered appropriate if an executive director has been initially appointed to the Board at a lower than typical salary.	Any salary review will take into account Group performance and individual performance, contribution and increasing experience.
Benefits		
To provide other benefits valued by the recipient which assist them in carrying out their duties effectively. Competitive benefits assist in attracting and retaining executive directors.	Benefits received by executive directors currently comprise a car allowance, staff discount, private medical insurance and life assurance. The Committee may agree to provide other benefits as it considers appropriate. There is no formal maximum as benefit costs can fluctuate depending on changes in provider, cost and individual circumstances. The Company may periodically amend the benefits available to staff. The executive directors would normally be eligible to receive such amended benefits on similar terms to all senior staff. The Committee reserves the right to pay relocation costs in any year or any ongoing costs incurred as a result of such relocation to an executive director if considered appropriate to secure the better performance by an executive director of their duties. In the normal course, such benefits would be limited to two years following a relocation. The Committee has the ability to reimburse reasonable business-related expenses (including corporate hospitality) and any tax thereon.	None.

Element and purpose	Operation and opportunity	Performance measures
Pension		
To aid retention and remain competitive within the marketplace by providing an appropriate level of retirement benefit.	All executive directors are eligible to participate in the Company's defined contribution pension plan and/or receive a salary supplement in lieu (which is not taken into account as salary for calculation of bonus, LTIP or other benefits). Pension contributions (or cash in lieu) for executive directors are aligned with the average rate available to UK-based colleagues more generally – currently 3 per cent of salary but subject to periodic review.	None.
Annual bonus		
To motivate employees and incentivise delivery of annual performance targets.	During the Policy period, the maximum bonus potential is 160 per cent of base salary with target levels at 48 per cent of maximum and threshold bonus levels at 16 per cent of maximum. The 2025 maximum bonus potential is 160 per cent for the CEO and the outgoing CFO/COO (time pro-rated for his period of employment) and 150 per cent for the new CFO. Malus and clawback provisions apply to the annual bonus plan (Section 3.3). Bonuses are paid in cash and/or shares. The default approach is that any bonus payable over target is deferred into shares for a period of up to three years under the Company's Deferred Bonus Plan ("DBP") with shares being released one-third on each anniversary of grant. The Committee has the discretion to amend the required level of deferral, as appropriate. This level of deferral can be reduced to 25 per cent of bonus earned above target in the event that an executive director is already compliant with their in and post-employment shareholding guidelines. The Committee also has discretion to defer the bonus in cash where dealing restrictions prevent share awards being granted. The DBP will credit participants with the benefit of accrual for dividends paid over the deferral period.	The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate. As set out on page 103, currently, under the annual bonus plan, participants can earn a bonus based on the achievement of a financial target and a personal rating measured against one or more specific (financial and/or non-financial) objectives. The maximum level of bonus paid to a participant in the plan is dependent on the achievement of both the maximum for the financial target and the highest personal performance rating. In exceptional circumstances, up to 20 per cent of the maximum bonus opportunity may be payable independent of the financial out-turn. The appropriateness of performance measures is reviewed annually to ensure they continue to support the Company's strategy. Once set, performance measures and targets will generally remain unaltered unless events occur which, in the Committee's opinion, make it appropriate to make adjustments to ensure they operate as originally intended and to take account of events which were not foreseen when the performance targets were originally set.

Directors' remuneration report continued

Element and purpose	Operation and opportunity	Performance measures
Long-term incentives		
To motivate and incentivise delivery of sustained performance over the long-term, the Group will operate the Long-Term Incentive Plan ("LTIP"). Awards delivered in shares to provide further alignment with shareholders.	Executive directors may be granted shares with an initial face value of up to 350 per cent of base salary in respect of a financial year under the LTIP. 2025 award levels will be 350 per cent for the CEO and 300 per cent for the new CFO. The outgoing CFO/COO will not receive an LTIP award in November 2024. The LTIP will credit participants with the benefit of accrual for dividends paid over the performance and any holding period. Malus and clawback provisions (in respect of both unvested and vested paid awards) apply to the LTIP (Section 3.3). Awards are usually subject to a combined vesting and holding period of at least five years preventing the delivery and sale of shares until the end of the holding period.	Vesting of LTIP awards granted to executive directors will be subject to satisfaction of one or more performance measures. The Committee may set such performance measures, currently EPS (45%), TSR (45%) and ESG (10%), as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual) usually assessed over a period of at least three financial years. Once set, performance measures and targets will generally remain unaltered unless events occur which, in the Committee's opinion, make it appropriate to make adjustments to the performance measures and targets, provided that any adjusted performance measure or target is, in its opinion, neither materially more nor less difficult to satisfy than the original measure or target. Executive directors can earn up to 25 per cent of the award for threshold performance.
All-employee share plans		
To encourage share ownership by employees, thereby allowing them to share in the long-term success of the Group and align their interests with those of the shareholders.	Executive directors are able to participate in all-employee share plans on the same terms as other Group employees. In respect of the Sharesave plan, individuals may save up to such limit as permitted by the relevant legislation (currently £500 each month) for a fixed period of three years. At the end of the savings period, individuals may use their savings to buy ordinary shares in the Company at a discount (currently of up to 20 per cent of the market price set at the launch of each scheme).	In line with the governing legislation, no performance conditions are attached to options granted under the Sharesave Scheme.

Notes to the Policy table

1 The Committee retains discretion to make adjustments resulting from the application of the performance measures if it considers that an adjustment is appropriate (for example, if the outcomes are not deemed by the Committee to be a fair and accurate reflection of business performance). In the event that the Committee were to make an adjustment of this sort, a full explanation would be provided in the next Remuneration Report

2 The Committee may amend the terms of awards granted under the share plans referred to above in accordance with the rules of the relevant plans

3 The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted

4 The Committee may make minor amendments to the Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, where it would, in the opinion of the Committee, be inappropriate to seek or await shareholder approval

5 A summary of the key changes to this Policy compared to the previous policy are set out in Section 2 (Background to Directors' remuneration policy) on pages 88 and 89

3.2 Performance measure selection and approach to target setting

Annual bonus plan

The performance measures used under the annual bonus plan are set annually to support the Company's strategic priorities and reinforce financial performance. The performance targets are typically set by the Committee based on a range of factors, principally the Company's budget as approved by the Board.

Long-term incentives

The Committee regularly reviews the performance measures applicable to the LTIP to ensure that they align with the Company's strategy and reinforce financial performance. The performance targets are typically set by the Committee based on a range of factors, including the Company's three-year plan, sustainability strategy and the market sectors in which it operates. The Committee may change the measures and/or targets in respect of subsequent awards. The Committee currently believes

that a combination of financial, market-based conditions and corporate responsibility goals as the basis for the performance measures for the LTIP is best suited to the needs of the Company and its shareholders in order to reward sustained long-term performance and the creation of shareholder value.

3.3 Malus and clawback

The annual bonus plan, DBP and LTIP rules include a provision for malus/clawback (before or within a period of three years) following the payment/determination of a bonus and/or the end of the performance period under the LTIP if (a) the Company materially misstated its financial results and as a result the bonus or award was made, paid or vested to a greater extent than it should have been; (b) the extent to which any performance target or other condition was met was based on an error or inaccurate or misleading information or assumptions and as a result the bonus or award was made, paid or vested to a greater extent than it should have been; (c) the Committee concludes that circumstances arose during the bonus year, the vesting period for DBP awards or the performance and/or holding periods for LTIP awards, which would have warranted summary dismissal of the individual concerned; or (d) there is an event of insolvency having regard to the involvement of the individual executive in any events which occurred during such bonus year, vesting period or performance period, which led to such insolvency.

3.4 Shareholding guidelines

While employed, the CEO is expected to build up a shareholding valued at 300 per cent of salary and other executive directors are expected to build up a shareholding valued at 250 per cent of salary. The Committee will review progress towards the guidelines on an annual basis and has the discretion to adjust the guidelines in what it feels are appropriate circumstances. Executive directors are expected to achieve compliance with the applicable shareholding requirement within six years of joining the Board.

Executive directors will also be expected to retain shares in compliance with the above guideline (or their actual holding if lower) for a period of two years post-employment. This post-employment guideline applies to shares from incentive awards vested subsequent to the 2022 AGM. The Committee retains discretion to amend or waive this guideline if it is not considered appropriate in the specific circumstances of an executive's departure.

3.5 Engaging with our employees on pay

Employee engagement is supported through clear communication of the Group's performance and objectives. This information is cascaded via team briefings, employee events, intranet sites and e-newsletters and there is always provision for questions, and to hear feedback.

The Committee receives regular reports from the Chief People Officer and senior managers on Group remuneration. The reports cover changes to pay, benefits, pensions and share schemes. Additionally, Simon Emeny, non-executive director with responsibility for workforce engagement, Nicky Dulieu, Chair of the Committee, and Marion Sears, previous Chair of the Committee, attended employee forums to discuss, amongst other topics, the Company's approach to remuneration and, more specifically, executive remuneration and how this aligns to the wider Company pay policy. The Committee considers the feedback from these sessions when making decisions on executive remuneration and any questions about pay and working environment are discussed by the Committee and the Board. The Committee did not consult with employees when drafting the new Directors' Remuneration policy.

The Company is proud of its long history of being regarded as a responsible and respected employer and regularly reviews the overall structure of pay practices across the Group and the wider retail sector to ensure it remains competitive and is able to retain and attract employees.

3.6 Statement of consideration of employment conditions elsewhere in the Company and differences to executive director policy

Our employees are a key component of the Company's performance and our overall reward strategy aims to support this. When considering remuneration arrangements for executive directors and senior management, the Committee takes into account the pay and conditions of employees across the Group. The Committee receives in-depth data from the Chief People Officer on wider workforce pay and conditions and, where appropriate, exercises oversight of remuneration throughout the Group.

Our approach to reward for our employees is based on the following principles:

- competitive: setting pay with reference to internal relativity and external market practices;
- simple: helping all employees to understand how they are rewarded;
- fair: achieving consistent outcomes through flexible and transparent policies; and
- sustainable: aligning reward to business strategy and performance.

All employees are entitled to base salary and benefits, including pension and staff discount. The Company operates an HMRC Save-As-You-Earn share option scheme ("Sharesave Scheme"), which provides employees with the opportunity to acquire shares in the Company. Approximately 640 employees participate in the Sharesave Scheme. Our Employee Assistance Programme offers all employees access to free, 24/7 confidential telephone, online and face-to-face advice for problems they may be experiencing at home or work. Employees also have access to the Company's Benevolent Fund charity, which can provide financial assistance in cases of significant hardship and provide recuperative holidays and care breaks. The Company's senior executives also participate in the Company's long term incentive plan designed to support the Company's long-term strategy to create shareholder value.

Participation in a pension plan is offered to all employees on a contributory basis and we have approximately 6,557 employees in our pension plans.

Directors' remuneration report continued

3.7 Managing conflicts of interest

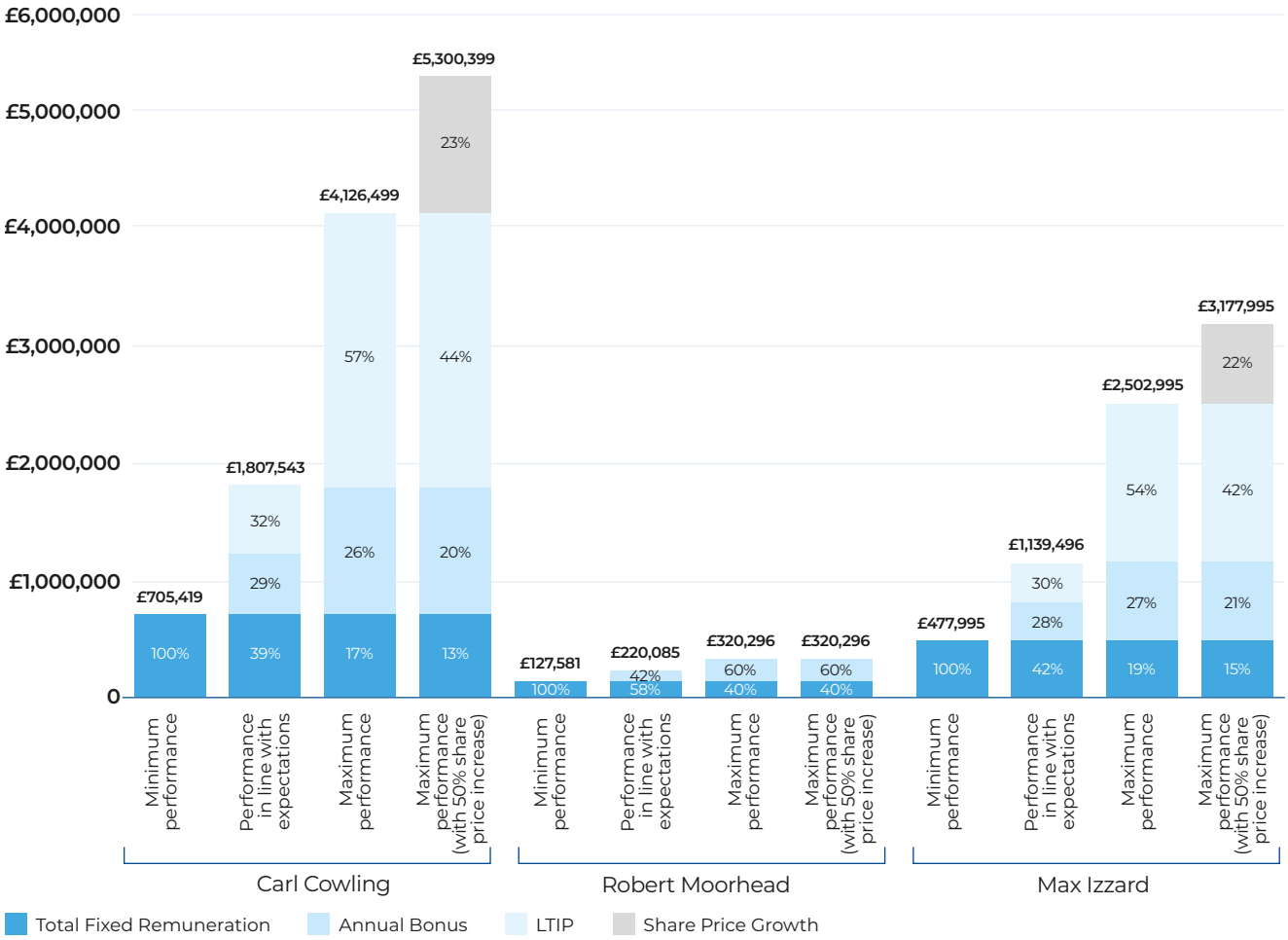
In order to avoid any conflict of interest, remuneration is managed through well-defined processes ensuring no individual is involved in the decision-making process related to their own remuneration. In particular, the remuneration of all executive directors is set and approved by the Committee; none of the executive directors are involved in the determination of their own remuneration arrangements. The Committee also receives support from external advisors and evaluates the support provided by those advisors annually to ensure that advice is independent, appropriate and cost-effective.

3.8 Statement of consideration of shareholder views

The Committee maintains a continual dialogue with our major shareholders and proxy agencies to understand their views. Any major changes to the policy or its operation would be subject to prior consultation as necessary.

As part of the current policy review process, the Committee consulted with approximately 65 per cent of the shareholder register. The Chair of the Remuneration Committee wrote to the Company's largest investors and shareholder representatives setting out the proposed changes to the existing remuneration policy and made herself available for meetings as requested by investors. The views expressed by investors were supportive of the proposed changes to the policy. The views of shareholders were considered by the Committee and formed part of the final policy as set out in this section on page 87.

Total remuneration opportunity – valuation assumptions



Robert Moorhead's remuneration has been pro-rated to 30 November 2024

The minimum scenario reflects base salary, pension and benefits, being the only elements of the remuneration package not linked to performance. No salary increase has been assumed in respect of the April 2025 salary review

The on-target scenario reflects fixed remuneration as above, plus the target level of performance for the annual bonus plan, which is 48 per cent of maximum annual bonus (based on a maximum of 160 per cent of base salary for the CEO and outgoing CFO/COO and 150 per cent of base salary for the new CFO); and for the LTIP awards, threshold vesting levels have been assumed, based on awards of 350 per cent of base salary for the CEO and 300 per cent of base salary for the new CFO

The maximum scenario reflects fixed remuneration as above, plus the maximum level of performance for the annual bonus plan of 160 per cent of base salary for the CEO and outgoing CFO /COO and 150 per cent of base salary for the new CFO; and for the LTIP awards, maximum vesting levels have been assumed, based on awards of 350 per cent of base salary for the CEO and 300 per cent of base salary for the new CFO

Additional LTIP 50 per cent increase in share price – as for the maximum scenario above, plus an increase in the value of the LTIP of 50 per cent across the relevant performance period to reflect possible share price appreciation. Consistent with the reporting regulations, this does not separately include the impact of dividend accrual

3.9 Total Remuneration opportunity

The graphs on the previous page indicate the level of remuneration that could be received by each executive director in accordance with the Policy in the first financial year to which the new Policy applies (i.e. financial year ending 31 August 2025) at different levels of performance. Robert Moorhead's remuneration in this analysis is pro-rated for his tenure as an executive director, which ends on 30 November 2024. Robert Moorhead will not receive an LTIP award in November 2024. Max Izzard's remuneration in this analysis is in respect of a full financial year and excludes buy-out awards relating to his recruitment.

3.10 Recruitment remuneration policy

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executive directors to strengthen the management team and secure the skill sets to deliver the Company's strategic objectives.

The starting point for the Committee will be to look at the general policy for executive directors as set out above, and structure a package in accordance with that policy. In addition, ignoring any special buy-out arrangements that may prove to be necessary, the annual bonus and long-term incentive compensation arrangements will operate (including the maximum award levels) within the limits as set out in the Future Policy table in Section 3.1 for executive directors on pages 90 to 92.

When an internal appointment is made, any pre-existing obligations will be honoured and payment will be permitted under the policy. However, the Committee may adjust any pre-existing obligations to reflect the new appointment where it is considered appropriate to do so. Where a candidate is a non-executive director, the recruitment remuneration policy allows a non-executive director to be paid as an executive director should they be required to temporarily take on an executive position.

For external and internal appointments, the Committee may agree that the Company will meet such relocation expenses and legal fees as it considers to be appropriate.

Where it is necessary to make a recruitment-related pay award to an external candidate to buy out any element of compensation that an external candidate received from a previous employer, the Company will not pay more than the Committee considers necessary and will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing incentive pay structure. It may, however, be necessary in some cases to pay such compensation on terms that are more bespoke than the existing pay structures at the Company in order to secure a candidate. This may include the granting of awards under the Listing Rules exemption LR 9.3.2R.

Any compensation of this nature paid to external appointments, whether under the bonus plan, LTIP or otherwise, will be capped at the commercial value of the amount forfeited and will take account of the nature, time-horizons and any performance requirements of forfeited awards. In particular, the Committee will seek to ensure that any awards being forfeited, which were subject to outstanding performance requirements (other than where substantially complete) are bought out with replacement performance requirements and any awards with service requirements are, again, bought out with similar terms. However, exceptionally the Committee may relax those obligations where it considers it to be in the interests of shareholders and those factors are, in the view of the Committee, equally reflected in some other way, for example, through a significant discount to the face value of the awards forfeited.

3.11 Contracts of service and policy on payment for loss of office

Executive directors are on rolling service contracts with no fixed expiry date. The contract dates and notice periods for each executive director in post as at the date of this Report are as follows:

	Date of contract	Notice period by Company	Notice period by director
Carl Cowling	26 February 2019	12 months	12 months
Robert Moorhead	8 October 2008	12 months	9 months

Carl Cowling's service contract provides for notice of 12 months from either party, permits summary dismissal with no compensation in specified cases, has no special provisions in the event of a change of control and limits the maximum sum due on termination to base salary only for the notice period. Robert Moorhead's service contract provides for notice of 12 months from the Company and nine months from Robert Moorhead, and has no special provisions in the event of a change of control and limits the maximum sum due on termination to base salary only for the notice period. Max Izzard's service contract is dated 14 March 2024 and provides for notice of 12 months from either party.

Copies of the service contracts may be inspected at the registered office of the Company.

It is envisaged that any new executive director would join with a contract, which is no more favourable than that summarised in respect of Carl Cowling. In practice, the facts surrounding a termination may be complex and do not always fit neatly into defined categories for "good" or "bad" leavers. Therefore, it is appropriate for the Committee to consider the suitable treatment on a termination having regard to all of the relevant facts and circumstances available at that time. This Policy applies both to any negotiations linked to notice periods on a termination and any treatment that the Committee may choose to apply under the discretions available to it under the terms of the annual bonus plan, DBP and LTIP. The potential treatments on termination under these plans (which are governed by the relevant plan rules) are summarised in the table overleaf.

Directors' remuneration report continued

Reason for leaving	Timing of vesting/payment	Calculation of vesting/payment
Annual bonus		
"Bad leaver" (all cases other than those specified below)	Not applicable	No bonus to be paid for the financial year.
Redundancy, retirement or otherwise at the Committee's discretion	Following the end of the financial year	Bonuses will only be paid to the extent that the performance measures have been met. In determining the level of bonus to be paid, the Committee may, at its discretion, take into account performance up to the date of cessation or over the financial year as a whole based on appropriate performance measures as determined by the Remuneration Committee. Any bonus will usually be paid on a time pro-rata basis and may be paid entirely in cash with no deferral.
Change of control	Continuation of plan or acceleration due to change of control	The Committee may decide that the end of any bonus year should be accelerated to the date of the event with appropriate pro-rating of any payment unless the Committee decides otherwise. Any bonus may be paid entirely in cash with no deferral.
Deferred Bonus Plan		
Dismissal for misconduct	Not applicable	Vested and unvested awards lapse.
All other cases	Vesting: at the end of the relevant vesting period (save in the case of death where vesting occurs immediately) unless the Committee decides otherwise in exceptional circumstances	Awards vest over the original number of shares.
Change of control	On change of control	Awards will vest over the original number of shares. Awards may be exchanged for awards over shares in the acquiring company in the event of an internal reorganisation.
LTIP		
"Bad leaver" (all cases other than those specified below)	Not applicable	Vested and unvested awards lapse.
Ill health, injury, permanent disability, retirement with the agreement of the Company, redundancy, sale of a division or subsidiary, or if the circumstances, in the opinion of the Committee, are exceptional	Vesting: at the end of the relevant performance period Exercise: at the end of any relevant holding period	For prescribed "good leavers" awards vest over the original timescales, subject to the original performance conditions. Awards are pro-rated for time unless the circumstances, in the opinion of the Committee, are exceptional. Where the Committee determines that the circumstances are exceptional such that a participant is not a "bad leaver", awards vest over the original timescales, subject to performance measurement and time pro-rating.
Death	Vesting: at the discretion of the Committee	The Committee has discretion to disapply performance conditions and may allow immediate vesting. Awards may be pro-rated for time (as noted above).
Change of control	On change of control	Awards will vest to the extent that any performance conditions have been satisfied and will be reduced pro-rata to take account of the performance period not completed (as noted above), unless the Committee decides otherwise. Awards may be exchanged for awards over shares in the acquiring company in the event of an internal reorganisation.

In respect of all-employee plans, including Sharesave, the executive directors are subject to the same leaver provisions as all other participants.

If additional compensation is required to be considered, such as on a settlement agreement, the Committee will consider all relevant commercial factors affecting the specific case. If the Committee deems it necessary, the Company may enter into agreements with an executive director, which may include the settlement of liabilities in return for payment(s), including reimbursement of legal fees and outplacement services. In some cases, a departing director may receive a modest leaving gift.

3.12 Chair and non-executive director fees

All payments made to the Chair are determined by the Committee. The Chair does not participate in any bonus or share plans. The fees paid to non-executive directors are determined by the Chair and the executive directors (being the Board excluding the non-executive directors themselves) and are paid in cash. The levels are set to take into account the required time commitment and the fee payments for non-executive directors of similar organisations. Non-executive directors do not participate in any bonus or share plans. The current fees payable to the Chair and the non-executive directors are set out on page 101.

Non-executive directors' letters of appointment
The Chair, who has a letter of appointment, is appointed for an initial term of three years. The appointment may be terminated at any time by either the Company or the Chair on three months' notice. The non-executive directors, who have letters of appointment, are also appointed for an initial term of three years. The Chair and non-executive directors may be invited to serve for up to a further two terms (nine years in total). Any term renewal is subject to Board review and re-election at the Company's AGM. There is no right to re-nomination by the Board, either annually or after any three-year period. These appointments can be terminated at any time by either the Company or the non-executive director without notice. Copies of the letters of appointment may be inspected at the registered office of the Company.

Chair and non-executive directors	Original appointment date	Term end date
Annette Court	1 September 2022	31 August 2025
Colette Burke	1 July 2023	30 June 2026
Nicky Dulieu	9 September 2020	8 September 2026
Simon Emeny	26 February 2019	25 February 2025
Situl Jobanputra	1 March 2024	28 February 2027
Helen Rose	1 July 2024	30 June 2027

Under the Company's Articles of Association, all directors are required to annually retire and submit themselves for re-election.

The following table explains the different elements of the remuneration that is paid to the Chair and non-executive directors.

Element and purpose	Operation and opportunity	Performance measures
Annual fees		
Paid to attract high calibre individuals to be Board members.	Fee levels for the Chair and the non-executive directors are usually reviewed annually with any changes normally taking effect from 1 April. The fees paid to the Chair and the fees of the other non-executive directors aim to be competitive with other fully listed companies of equivalent size and complexity. The Company does not adopt a quantitative approach to pay positioning and exercises judgement as to what it considers to be reasonable in all the circumstances as regards quantum. In addition to a basic fee, additional fees are paid to non-executive directors who chair a Board Committee (excluding the Nominations Committee) and to the Senior Independent Director ("SID") and additional fees may be introduced from time to time for other responsibilities or for a significantly increased time commitment. Additional payments may be made for time spent travelling on Company business. Fees are paid monthly in cash although the Company reserves the right to pay a proportion of the fees in shares within this limit if it is considered appropriate to do so. All fees are subject to the aggregate fee cap for directors in the Articles of Association as amended from time to time (currently £900,000 per annum).	Neither the Chair nor any non-executive directors participate in any variable pay arrangements.

Directors' remuneration report continued

Element and purpose	Operation and opportunity	Performance measures
Benefits		
Paid to attract high calibre individuals to be Board members.	In line with other employees, the Chair and the non-executive directors receive an employee staff discount. The Company may meet the costs (including tax thereon) of providing tax advice and tax return assistance for international Chair or NEDs. The Chair and NEDs may be reimbursed for reasonable business-related expenses (including corporate hospitality) and any tax thereon. Other benefits relevant to the role, such as private medical insurance, may be provided at the discretion of the Committee or Board as appropriate. Benefits would count towards the overall fee cap.	None.

4. Annual Directors' remuneration report

The Committee presents the annual report on remuneration which, together with the introductory letter by the Chair of the Committee on pages 85 to 88, will be put to shareholders as an advisory vote at the forthcoming Annual General Meeting.

4.1 Remuneration Committee

Nicky Dulieu is Chair of the Committee. The other members of the Committee are Colette Burke, Simon Emeny, Situl Jobanputra and Helen Rose. Kal Atwal stepped down as a non-executive director and member of the Committee on 12 September 2023 and Marion Sears stepped down as a non-executive director and Chair of the Committee on 7 February 2024. At the invitation of the Committee, the Chair, Group Chief Executive, Chief People Officer and the Company Secretary may attend but exclude themselves in relation to discussions in respect of their own remuneration.

The Committee met six times during the year. All Committee members are expected to attend meetings. The table on page 70 in the Corporate governance report shows the number of meetings held during the year ended 31 August 2024 and the attendance record of individual directors. In order to avoid any conflict of interest, remuneration is managed through well-defined processes ensuring no individual is involved in the decision-making process related to their own remuneration. In particular, the remuneration of all executive directors is set and approved by the Committee; none of the executive directors are involved in the determination of their own remuneration arrangements. The Committee also receives support from external advisers and evaluates the support provided by those advisers annually to ensure that advice is independent, appropriate and cost-effective.

This year the Remuneration Committee undertook a review of its advisors and, after considering proposals from a number of relevant firms, agreed to appoint Deloitte LLP, an independent firm of remuneration consultants. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its code in relation to executive remuneration consulting in the UK. Other parts of Deloitte have provided tax advice, specific corporate finance support in the context of merger and acquisition activity and unrelated corporate advisory services. During the year, Deloitte's executive compensation advisory practice advised the Committee on developments in market practice, corporate governance, institutional investor views, the development of the Company's incentive arrangements and the review of the Policy. Deloitte representatives also regularly attend Committee meetings. Deloitte's fees for advice provided to the Committee during the year were £44,450 (excluding VAT), charged on a time and materials basis. The Remuneration Committee is satisfied that the advice it has received has been both objective and independent. Prior to Deloitte's appointment, the Committee received advice from FIT Remuneration Consultants LLP ("FIT"), which is also a member of the Remuneration Consultants Group and adheres to its code of conduct. FIT has no other relationship with the Company or any individual director. The Committee was satisfied that FIT provided objective and independent advice. FIT's fees in respect of the year under review were £38,095 (excluding VAT), charged on a time and materials basis.

Key Committee activities during the year

Alignment to strategy and wider workforce	Assessed the ongoing alignment of remuneration structures, measures and targets to strategy in the context of the review of the Policy. Reviewed wider workforce remuneration. Reviewed the gender pay gap report and recommended to the Board that the gender pay gap report be published. Engaged with the workforce about executive remuneration. The Committee Chair attended employee forums to discuss, amongst other topics, the Company's approach to remuneration and, more specifically, executive remuneration and how this aligns to the wider Company pay policy.
Shareholder engagement	The Committee Chair and Company Secretary met with major shareholders and discussed the proposed new Directors' remuneration Policy. Considered investor feedback on remuneration.
Pay for performance	Assessed performance against bonus targets set for the financial year ended 31 August 2023 and LTIP awards granted in the financial year ended 31 August 2021 and considered whether any discretion should be used to adjust formulaic outcomes. Reviewed the performance of the executive directors and senior leadership team against personal objectives. Reviewed and approved targets for annual bonus and LTIP awards made in November 2023.
Management changes	Reviewed and approved Max Izzard's remuneration as the new CFO of the Company, including compensation for the loss of incentives from his previous employer. Agreed that Robert Moorhead would be treated as a good leaver under the Company's LTIP.
Governance	Reviewed progress of the executive directors against shareholding requirements. Approved the 2023 Directors' remuneration report. Reviewed proxy agent commentary.
Pay/fees	Approved pay rises for the Chair, Carl Cowling, Robert Moorhead and the senior leadership team.
Remuneration consultants	Appointed new Remuneration Committee advisor, Deloitte LLP.

4.2 How our Policy is linked to our strategy

Our Policy focuses on an approach to pay, which we believe is in our shareholders' best interests and promotes the long-term success of the Company. While it provides executive remuneration packages, which are competitive, there is a very clear bias to variable pay with stretching and rigorous performance measures and targets designed to deliver superior returns for shareholders. Our Policy has worked well supporting the Company's long-term strategy to create shareholder value and recruit high calibre executives. The table below shows how the performance measures that we use in our variable pay align to our strategy.

	Alignment to strategy	Alignment to our stakeholders' interests
Annual bonus		
Headline PBT and non-underlying items[1]	Headline PBT and non-underlying items[1] is one of our main KPIs assessing the profitability of the Group and provides stakeholders with information on the performance of the Group before the effect of non-underlying items. The indicative financial out-turn is subject to both potential reduction under the assessment of personal performance, which includes behaviour and ESG-based factors and through the broad power to apply malus.	Shareholders and Investors
LTIP		
EPS	EPS indicates how we are creating long-term value for our shareholders.	Shareholders and Investors
Relative TSR	Aligns management with the wider shareholder experience and reinforces our focus on creating superior returns for shareholders.	Shareholders and Investors
ESG	The Company has an ambitious ESG strategy. Our outstanding LTIP awards contain stretching targets in respect of our impact on the environment, senior executive team diversity and supplier engagement.	Customers and communities, Workforce, Suppliers, Shareholders and Investors

1 Alternative performance measure defined and explained in the Glossary on page 173

Directors' remuneration report continued

4.3 Gender pay disclosures

The Committee reviewed the gender pay gap report and recommended to the Board that the gender pay gap report be published. You can find more information on the Company's gender pay gap and the actions that are being implemented to reduce it on pages 54 and 55.

4.4 Implementation of Policy in the financial year ending 31 August 2025

Subject to shareholder approval of the new Policy, it will be applied in respect of the executive directors as follows during the financial year ending 31 August 2025:

Element of pay	Implementation of Policy
Executive directors	
Base salary	Current salaries are as follows: Carl Cowling £670,800; Robert Moorhead, £483,111; Max Izzard £450,000. Carl Cowling and Max Izzard will be eligible, in line with other head office staff, for any increase in salary from 1 April following the March 2025 annual review.
Benefits	Benefits will continue to comprise the provision of a car allowance, private medical insurance and life assurance.
Pension	The pension contributions are three per cent, in line with the wider workforce.
Annual bonus	The bonus opportunity for Carl Cowling and Robert Moorhead will remain at 160 per cent of annual salary (pro-rated in the latter case for his period of employment) and for Max Izzard it will be 150 per cent of annual salary. It is envisaged that the bonus metrics will be based on a matrix of financial and personal performance with the financial performance measure being Headline profit before tax and non-underlying items[1]. The financial bonus metrics will apply across the Group's bonus plans, so that the whole organisation is focused on delivering financial performance via the metrics that are applicable to each business. The Committee will publish the Group targets for that financial year in next year's report and, consistent with market practice, has elected not to pre-disclose them (or give numerical personal objectives) on the basis of commercial sensitivity. Any bonus in excess of the on-target level will be deferred into shares if the executive director has not met their shareholding requirements. If an executive director is already compliant with their shareholding requirement, the requirement to defer any bonus into shares in excess of the on-target level will be reduced to 25 per cent.
Long-term incentives	Annual LTIP awards will be 350 per cent of salary for Carl Cowling and 300 per cent for Max Izzard. Robert Moorhead will not receive an LTIP in the financial year ending 31 August 2025. Vesting of LTIP awards will be determined based on the following measures: 45 per cent based on EPS growth, 45 per cent based on relative TSR and 10 per cent on ESG measures. The EPS performance targets will be based on the growth in Headline pre-tax earnings per share. The TSR performance measure remains a median to upper quartile scale relative to the FTSE All Share Retailers Index constituents. The ESG measures are a reduction in Scope 1 and 2 carbon emissions and engagement with suppliers in respect of reducing Scope 3 carbon emissions. More details on the targets are set out in Section 4.14 of this report. The Committee approved these performance measures as they are directly linked to the objectives set out in the Group's strategy; there is a direct link with shareholder value and there is a clear line of sight for participants between performance and reward. The Committee retains a broad discretion to reduce vesting levels, including if it considers that there would otherwise be a windfall gain or if management fail to deliver on the Company's overall ESG expectations.
One-off recruitment buy-out awards to new CFO	As part of his recruitment, Max Izzard received the following compensation in respect of annual bonus and restricted share awards forfeited from his previous employer when he joined WHSmith. Compensation is of comparable commercial value and structured in a broadly comparable manner to his forfeited awards. • A cash sum of £59,063 being the amount he forfeited under the Burberry 2023/24 annual bonus plan. • Share awards were granted in September 2024 using the three-day average of Burberry and WHSmith shares immediately prior to his start date of 1 September 2024: – A share award over 3,625 shares, in compensation for his forfeited 2022 Burberry RSU, which will vest in November 2025 subject to continued employment. – A share award over 5,378 shares, in compensation for his forfeited 2023 Burberry RSU, which will vest in November 2026 subject to continued employment and satisfaction of the performance conditions applying to LTIP awards granted in the financial year ended 31 August 2024 (as set out in Section 4.14). As this replacement award is subject to performance and the forfeited award was only subject to continued employment, the forfeited awards were converted into WH Smith LTIP awards at a rate of 1:2 in line with standard practice to remain of an equivalent commercial value.

1 Alternative performance measure defined and explained in the Glossary on page 173

The Directors' remuneration policy in respect of the Chair and non-executive directors will be applied as follows in the financial year ending 31 August 2025:

- Benefits are expected to include private medical insurance for the Chair and reimbursement of travel and subsistence costs incurred in the normal course of business by the Chair and non-executive directors; and
- Fees will be subject to an annual review in March 2025.

4.5 Summary of non-executive directors' remuneration 2024 (audited)

The Chair received a pay increase of 2.5 per cent with effect from 1 April 2024. The current fee of the Chair of the Board is £328,000.

The fees of the non-executive directors were increased by 2.5 per cent with effect from 1 April 2024. The current fees are £63,960 for the role of non-executive director with additional fees of:

(i) £15,990 payable for the role of Senior Independent Director ("SID"); and

(ii) £15,990 payable for being the Chair of the Audit, ESG or Remuneration Committee.

The table below summarises the total remuneration for non-executive directors as a single figure for the financial year ended 31 August 2024. Non-executive directors are not paid a pension and do not participate in any of the Company's variable incentive schemes:

	Base fee £'000		Committee/SID fee £'000		Benefits[a] £'000		Total £'000	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Annette Court[b]	**318**	255	**–**	–	**–**	–	**318**	255
Colette Burke	**63**	10	**–**	–	**1**	–	**64**	10
Nicky Dulieu[c]	**63**	61	**25**	15	**–**	1	**88**	77
Simon Emeny	**63**	61	**16**	15	**1**	–	**80**	76
Situl Jobanputra[d]	**32**	–	**8**	–	**–**	–	**40**	–
Helen Rose[e]	**11**	–	**–**	–	**–**	–	**11**	–
Directors who resigned during the year								
Kal Atwal[f]	**2**	61	**–**	15	**–**	1	**2**	77
Marion Sears[g]	**27**	61	**13**	15	**–**	–	**40**	76
Total £'000s	**579**	509	**62**	60	**2**	2	**643**	570

a) Benefits primarily consist of travel and subsistence costs incurred in the normal course of business, in relation to meetings on Board and Committee matters and other Company events which are considered taxable
b) Annette Court was appointed as Chair with effect from 1 December 2022
c) Nicky Dulieu was appointed Chair of the Remuneration Committee on 7 February 2024
d) Situl Jobanputra was appointed as a non-executive director on 1 March 2024
e) Helen Rose was appointed as a non-executive director on 1 July 2024
f) Kal Atwal stepped down as a non-executive director of the Company on 12 September 2023
g) Marion Sears stepped down as a non-executive director of the Company on 7 February 2024

4.6 Summary of executive directors' remuneration 2024 (audited)

The table below summarises the total remuneration for executive directors as a single figure for the financial year ended 31 August 2024:

	Salary[a] £'000		Benefits[b] £'000		Pension[c] £'000		Total fixed remuneration £'000		Annual bonus[d] £'000		LTI[e] £'000		Total variable remuneration £'000		Total remuneration £'000	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Carl Cowling	**644**	610	**14**	15	**19**	37	**677**	662	**884**	998	**1,098**	1,095	**1,982**	2,093	**2,659**	2,755
Robert Moorhead	**476**	461	**14**	14	**14**	46	**504**	521	**637**	754	**777**	811	**1,414**	1,565	**1,918**	2,086
Total £'000s	**1,120**	1,071	**28**	29	**33**	83	**1,181**	1,183	**1,521**	1,752	**1,875**	1,906	**3,396**	3,658	**4,577**	4,841

a) As explained in the Committee Chair's annual statement, with effect from 1 April 2024, Carl Cowling received a salary increase of 7.5 per cent to £670,800 and Robert Moorhead, in line with other senior executives, received a pay increase of 2.5 per cent to £483,111
b) Benefits relate to the provision of a car allowance, private medical insurance and life assurance
c) The pension figures in the table above are the salary supplement received in lieu of any pension contribution into the Company's defined contribution pension scheme
d) The performance measures for the annual bonus, and achievement against them, together with details of the level of deferral are set out on pages 103 and 104
e) The performance measures for the LTIP, and achievement against them, are set out on page 106. The performance measures for the awards granted in November 2021 were substantially met and 71 per cent of the award vested and the remaining 29 per cent lapsed. See note f on page 107 for more information on the 2021 LTIP vesting. The share price used to calculate the 2024 LTI figure in the table is 1214p, being the average share price for the Company over the last quarter of the financial year ended 31 August 2024. There was no share price appreciation between grant and 31 August 2024. Values for 2023 have been updated for the actual share price on the date of vesting (1,320p)

The total aggregate emoluments (excluding LTI) paid to the Board in the financial year ended 31 August 2024 was £3,345,000 and in the financial year ended 31 August 2023 was £3,592,000.

Directors' remuneration report continued

4.7 Payments made to former directors (audited)

No payments were made in the financial year ended 31 August 2024 to former directors of the Company.

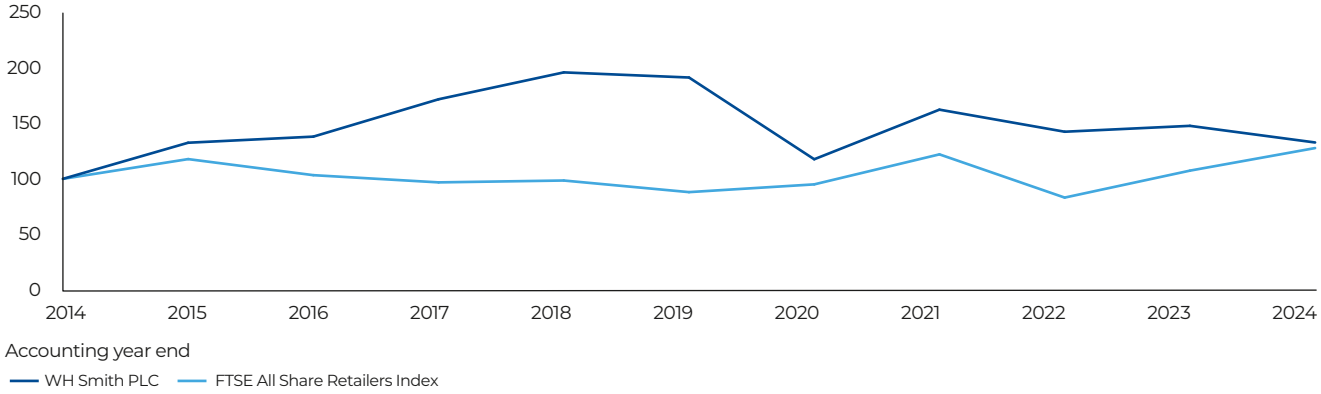
4.8 Payments for loss of office (audited)

No payments were made in respect of any director's loss of office in the financial year ended 31 August 2024.

4.9 Assessing pay and performance

You can see how the Company has generated shareholder value since 2014 in the TSR graph below. As can be seen from the graph, the Company generated a return of 33 per cent over the financial year ended 31 August 2024 compared to the FTSE All Share Retailers Index, which generated a return of 28 per cent over the same period.

Total shareholder return performance since 31 August 2014



a) The graph illustrates the TSR performance on a cumulative basis (with dividends reinvested) as at the end of each of the last ten financial years compared with the FTSE All Share Retailers Index (the "Index") over the same period

b) The Company is a member of the Index and, as such, this sector was considered to be the most appropriate comparator group upon which a broad equity market index is calculated

The table below summarises the Group Chief Executive's remuneration and how the Company's variable pay plans have paid out over the past ten years.

Financial year ended 31 August	CEO	Single figure of total remuneration £'000	Annual bonus (vesting versus maximum opportunity) %	Long-term incentive (vesting versus maximum opportunity) %
2024	Carl Cowling	2,659	82.5	71
2023	Carl Cowling	2,755	100	65
2022	Carl Cowling	1,632	100	–
2021	Carl Cowling	1,183	63	–
2020 – from 1 November 2019	Carl Cowling	531	–	13
2020 – until 31 October 2019	Stephen Clarke	221	–	13
2019	Stephen Clarke	3,416	100	69
2018	Stephen Clarke	2,879	93	58
2017	Stephen Clarke	4,112	98	81
2016	Stephen Clarke	5,179	100	98
2015	Stephen Clarke	4,148	100	100

4.10 Annual bonus for the financial year ended 31 August 2024 (audited)

The performance targets used under the annual bonus plan are set to support the Company's strategic priorities and reinforce financial performance. The financial performance targets are set by the Committee based on a range of factors, principally the Company's budget as approved by the Board. The Committee agreed that the financial performance targets for the annual bonus plan for the financial year ended 31 August 2024 should be based on Headline profit before tax and non-underlying items[1].

Under the annual bonus plan, participants can earn a bonus based on the achievement of a financial target and a personal rating measured against one or more specific (financial and/or non-financial) objectives. The maximum level of bonus paid to a participant in the plan is dependent on the achievement of both the maximum financial target and the highest personal performance rating. The Committee sets a threshold pay-out target and a maximum pay-out target with straight-line vesting between the targets.

For the financial year ended 31 August 2024, save in exceptional circumstances, no bonus was payable unless both the threshold financial target and at least an acceptable personal rating (i.e. "Developing") were achieved. For on-target achievement of the profit target and a good personal rating (i.e. "Strong"), an executive would earn 48 per cent of the maximum bonus available under the plan. Maximum bonus opportunity was 160 per cent of salary for both of the executive directors for the financial year ended 31 August 2024 with any bonus above 48 per cent of maximum (target performance) paid in deferred shares.

Bonuses for the financial year ended 31 August 2024 could be earned according to the following scale (as a percentage of each executive's respective maximum), which is consistent with prior years:

Financial performance against Headline Group profit before tax and non-underlying items[1] target	Role model	Outstanding	Strong	Developing	Underachiever
Max: £173m	100%	80%	60%	40%	0%
Target: £165m	80%	64%	48%	32%	0%
Threshold: £157m	40%	32%	24%	16%	0%

Interpolation between points in the matrix is permitted

The executive directors' personal ratings are based on a range of objectives. Carl Cowling's personal objectives included:

Objective	Achievement
Deliver strategy review	Undertook and presented the strategy review and set out clear actions for approval by the Board. Successfully delivered against those objectives over the remainder of the year, including the completion of agreed projects and implementation of strategy.
Supply Chain and Systems transformation	Successful delivery of the Supply Chain transformation road map, including outsourcing the UK supply chain to GXO and the opening of the East Coast DC by the US business. Development of the Systems transformation road map.
Develop the talent and succession pipeline of the senior leadership team	Developed and presented the succession plan for the senior team, which was approved by the Board. Taken steps to ensure a successful transition from Robert Moorhead to Max Izzard as CFO.
Food and Beverage strategy	Successfully oversaw the creation and launch of the Company's new food range, *Smith's Family Kitchen*, which has been well received by customers and landlords and has delivered a double digit increase in sales.
North American operating model	Launched various initiatives following a review of the North American operating model, including a full transformation of the supply chain and implementation of a new merchandising operating model for the business. Material progress on the maturity of cyber-security defences and processes across the North American business.
Employee engagement	Introduced a new robust engagement survey to improve participation and help us understand how our colleagues feel about working at WHSmith. Participation rates increased to 78 per cent following the introduction of the new survey.

1 Alternative performance measure defined and explained in the Glossary on page 173

Directors' remuneration report continued

Robert Moorhead's personal objectives included:

Objective	Achievement
Deliver strategy review	Undertook and presented the strategy review and set out clear actions for approval by the Board. Successfully delivered against those objectives over the remainder of the year, including the completion of agreed projects and implementation of strategy.
Supply Chain and Systems transformation	Successful delivery of the Supply Chain transformation road map, including outsourcing the UK supply chain to GXO and the opening of the East Coast DC by the US business. Development of the Systems transformation road map.
Food and Beverage strategy	Successfully oversaw the creation and launch of the Company's new food range, *Smith's Family Kitchen*, which has been well received by customers and landlords and has delivered a double digit increase in sales.
Succession planning	Successfully assisted in the recruitment of Max Izzard. and has taken steps to ensure that there is a successful transition to Max Izzard as CFO. Continued to develop a highly experienced finance team. The Board approved the succession plan for the finance team.
Work with the Trustees of the DB pension scheme	Successfully worked with the Trustees of the Group's Defined Benefit Pension Scheme in respect of the Buy-out of the Scheme. The Company received the pension surplus of £87m (net of tax) on 10 September 2024.
Cyber security and Data Management	Successfully oversaw the implementation of the ongoing improvements to the Company's approach to cyber-security and data management.

The Group's Headline profit before tax and non-underlying items[1] for the financial year ended 31 August 2024 was £166m. This performance resulted in approximately 2,393 employees across the Group also receiving a bonus under the annual bonus plan for the financial year ended 31 August 2024.

Both Carl Cowling and Robert Moorhead were awarded a personal rating of Role Model and following the successful achievement of all of their key personal objectives, Carl Cowling and Robert Moorhead will receive a bonus payment of £884,383 and £636,934 respectively, which represents 82.5 per cent of maximum in both cases. Out of these amounts, £367,867 (Carl Cowling) and £264,938 (Robert Moorhead), which represents 42 per cent of the total bonus, will be deferred into shares and released over a period of three years. Vested and unvested awards under the DBP will lapse if a participant is dismissed for cause.

4.11 Annual change in remuneration of each director compared to employees

The table below shows the percentage changes in the remuneration of each director (salary/fees, annual bonus and taxable benefits) from financial year to subsequent financial year over the five financial years to 31 August 2024 compared with the percentage changes in the average of those components of pay for UK employees employed by WH Smith Retail Holdings Limited over that period. The Company has chosen to voluntarily disclose this information, given that WH Smith PLC is not an employing company.

	Salary/fee increase/(decrease) %					Annual bonus increase/(decrease) %					Taxable benefits increase/(decrease) %				
Financial year ended 31 August	**2024**	2023	2022	2021	2020	**2024**	2023	2022	2021	2020	**2024**	2023	2022	2021	2020
Carl Cowling	**6**	4	6	14	140	**(11)**	4	75	100	(100)	**(7)**	7	10	–	100
Robert Moorhead	**3**	4	1	5	5	**(16)**	4	103	100	(100)	**–**	–	–	–	–
Annette Court[a]	**25**	–	–	–	–	**n/a**	n/a	n/a	n/a	n/a	**–**	–	–	–	–
Kal Atwal[b]	**(97)**	9	119	–	–	**n/a**	n/a	n/a	n/a	n/a	**(100)**	100	–	–	–
Colette Burke[c]	**530**	–	–	–	–	**n/a**	n/a	n/a	n/a	n/a	**100**	–	–	–	–
Nicky Dulieu	**14**	9	15	–	–	**n/a**	n/a	n/a	n/a	n/a	**(100)**	(100)	100	–	–
Simon Emeny	**5**	9	4	14	111	**n/a**	n/a	n/a	n/a	n/a	**100**	–	–	–	–
Situl Jobanputra[d]	**–**	–	–	–	–	**n/a**	n/a	n/a	n/a	n/a	**–**	–	–	–	–
Helen Rose[e]	**–**	–	–	–	–	**n/a**	n/a	n/a	n/a	n/a	**–**	–	–	–	–
Marion Sears[f]	**(47)**	81	–	–	–	**n/a**	n/a	n/a	n/a	n/a	**–**	–	–	–	–
UK employees	**9**	11	8	5	7	**(2)**	(4)	47	100	(100)	**3**	15	(16)	3	18

a) Annette Court was appointed as Chair with effect from 1 December 2022
b) Kal Atwal stepped down as a non-executive director of the Company on 12 September 2023
c) Colette Burke was appointed as a non-executive director on 1 July 2023
d) Situl Jobanputra was appointed as a non-executive director on 1 March 2024 so analysis is not applicable
e) Helen Rose was appointed as a non-executive director on 1 July 2024 so analysis is not applicable
f) Marion Sears stepped down as a non-executive director of the Company on 7 February 2024

1 Alternative performance measure defined and explained in the Glossary on page 173

4.12 Group Chief Executive pay compared to pay of UK employees

The ratios comparing the total remuneration of the Group Chief Executive (as included in the single total figure of remuneration table on page 101) to the remuneration of the 25th, 50th and 75th percentile of our UK employees are set out below. The disclosure will build up over time to cover a rolling ten-year period.

We expect the pay ratio to vary from year to year, driven largely by the variable pay outcome for the Group Chief Executive, which will significantly outweigh any other changes in pay at WHSmith.

Group Chief Executive pay ratios

Financial year ended 31 August	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024	**Option A**	113:1	105:1	82:1
2023	**Option A**	128:1	128:1	101:1
2022	**Option A**	87:1	86:1	65:1
2021	**Option A**	70:1	70:1	52:1
2020	**Option A**	43:1	41:1	33:1
2019	**Option A**	239:1	207:1	201:1

WHSmith has chosen to use Option A to calculate its Group Chief Executive pay ratio as it believes that it is the most robust way for it to calculate the three ratios from the options available in the Regulations.

Total remuneration for all UK full-time equivalent employees of the Company on 31 August 2024 has been calculated in line with the single figure methodology and reflects their actual earnings received in the financial year ended 31 August 2024 (excluding business expenses). Set out in the table below is the base salary and total pay and benefits for each of the percentiles.

£	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Salary	23,417	24,956	30,872
Total pay and benefits	23,539	25,348	32,539

The Company believes the median pay ratio for the year ended 31 August 2024 is consistent with the pay, reward and progression policies for the Company's UK full-time equivalent employees. This group is the most appropriate comparator for the Group Chief Executive as he is a full-time employee based in the UK and approximately 70 per cent of all WHSmith employees are based in the UK.

A substantial proportion of the Group Chief Executive's total remuneration is performance related. The ratios will, therefore, depend significantly on his annual bonus and LTIP outcome and may fluctuate significantly year to year. The decrease in the pay ratios in 2024 as compared to 2023 is attributable to the reduction in variable remuneration received by the Group Chief Executive.

4.13 Relative importance of spend on pay

The table below shows the total cost of remuneration paid to or receivable by all employees in the Group as well as dividends paid during the financial year ended 31 August 2024. There were no share buybacks during the financial year.

Total cost of remuneration			Distributions to shareholders		
2024 £m	2023 £m	% change	**2024 £m**	2023 £m	% change
386	367	5	**41**	22	86

4.14 Share plans (audited)

In the financial year ended 31 August 2024, LTIP awards were set at 335 per cent of salary for Carl Cowling and 310 per cent of salary for Robert Moorhead. As outlined in the Committee Chair's annual statement, LTIP awards in the financial year ended 31 August 2025 will be 350 per cent of salary for Carl Cowling and 300 per cent of salary for Max Izzard.

The Committee regularly reviews the performance measures applicable to the LTIP to ensure that they align with the Company's strategy and reinforce financial performance. The Committee may change the measures and/or targets in respect of subsequent awards. The Committee retains a broad discretion to reduce vesting levels, including if it considers that there would otherwise be a windfall gain or if management fail to deliver on the Company's ESG expectations.

Directors' remuneration report continued

The performance measures for awards granted under the LTIP in the financial year ending 31 August 2024 were based on the following conditions each measured at the end of the three financial years to 31 August 2026:

- 40 per cent based on Headline pre-tax earnings per share (calculated on a pre-IFRS 16 basis) of 121p to 146p with 25 per cent of this component vesting at threshold increasing on a straight-line basis to 100 per cent at maximum. EPS is defined as fully diluted (including an assumption that the convertible bonds issued in 2020 fully convert into shares) before exceptional items and excluding IAS 19 pension charges[1];
- 40 per cent based on relative TSR over three financial years compared with the FTSE All Share Retailers Index. Threshold vesting will occur for TSR in line with median and maximum vesting will occur for TSR in line with the upper quartile of the comparator group consistent with prior awards. Deloitte independently carries out the relevant TSR growth calculation for the Company; and
- 20 per cent based on the Company's ESG strategy as set out in the table below, with 5 per cent attributed to each target:

Target	Reduction in Scope 1 and 2 emissions target (tonnes CO_2e)	Scope 3 emissions: Target engagement of suppliers by emissions who will have approved science-based targets by 2026	Gender Diversity: % of women in Senior Leadership team	Ethnic Diversity: % of employees of ethnic background in Senior Leadership team
Minimum – 25% vesting	8,960	45%	40%	6%
Maximum – 100% vesting	8,491	60%	42%	10%

The Committee is proposing that the performance measures for any awards made in the financial year ending 31 August 2025 will be more strongly linked to the Company's longer-term financial targets and returns to shareholders given the importance of this period in the Company's strategic development. Accordingly, it is proposed that the performance measures will be based on the following targets each measured over the three financial years ending 31 August 2027:

- 45 per cent based on Headline pre-tax earnings per share (calculated on a pre-IFRS 16 basis) of 132p to 157p with 25 per cent of this component vesting at threshold increasing on a straight-line basis to 100 per cent at maximum. As in previous years, EPS has been defined as fully diluted and before non-underlying items and excluding IAS 19 pension charges. This target range is consistent with the successful delivery of the three-year business plan and the Committee is satisfied that it is significantly stretching in the current environment;
- 45 per cent based on relative TSR over three financial years compared with the FTSE All Share Retailers Index. Threshold vesting (25 per cent) will occur for TSR in line with median and maximum vesting will occur for TSR in line with the upper quartile of the comparator group consistent with prior awards. Deloitte independently carries out the relevant TSR growth calculation for the Company; and
- 10 per cent based on the Company's ESG strategy as set out in the table below, with 5 per cent attributed to each target:

Target	Reduction in Scope 1 and 2 emissions target (tonnes CO_2e)	Scope 3 emissions: Target engagement of suppliers by emissions who will have approved science-based targets by 2027
Minimum – 25% vesting	8,491	55%
Maximum – 100% vesting	8,021	75%

Outstanding awards

The performance conditions for the awards granted in November 2021 were substantially met and 71 per cent of the award vested and the remaining 29 per cent lapsed.

Measure	Basis of calculation	Weighting (%)	Threshold (25% vests)	Maximum (100% vests)	Actual	% vesting of maximum award
Earnings per share ("EPS")	Headline pre-tax earnings per share (calculated on a pre-IFRS 16 basis) subject to specific adjustments	50%	75p	110p	112p	50%
Relative TSR	Position of the Company's TSR against TSR of members of the FTSE All Share Retailers Index	50%	Median	Upper quartile and above	Ranked 8.9 out of 19 companies	21%

Total Vesting – 71%

1 The Committee has also reserved the flexibility to exclude specific non-recurring investment expenditure that was not included in the Group's plans at the time the targets were set. The purpose of this flexibility is to ensure a fair measurement of performance and to avoid the EPS targets acting as a disincentive to any investments or major projects which the Board may approve to underpin the long-term growth strategy. A full explanation of any excluded costs would be provided at the time of vesting together with other adjustments as considered appropriate by the Committee (although practice has been to make limited adjustments)

The Committee determined that the formulaic out-turn under the LTIP was appropriate and should be applied without discretionary adjustment as it was satisfied that the Company's TSR was reflective of the Company's underlying financial performance and that nothing occurred to negatively impact the performance achieved during the performance period.

Details of the conditional awards (in the form of nil-cost options) to acquire ordinary shares of the Company granted to executive directors are as follows:

	Number of shares subject to awards at 31 August 2023[a]	Number of shares subject to awards granted during the year	Number of dividend accrual shares awarded during the year	Number of shares subject to awards exercised during the year	Number of shares subject to awards lapsed during the year	Number of shares subject to awards at 31 August 2024[b]	Share price at date of grant (pence)[c]	Face value of award at date of grant £'000	Exercise period
Carl Cowling									
LTIP 2020[e]	126,257	–	–	–	44,190	**82,067**	1459.33	1,843	19.11.25 – 19.11.30
LTIP 2021[f]	122,769	–	–	–	–	**122,769**	1569.00	1,926	19.11.26 – 19.11.31
DBP 2021[d]	5,422	–	60	2,741	–	**2,741**	1569.00	128	19.11.22 – 19.11.31
LTIP 2022[g]	146,430	–	–	–	–	**146,430**	1372.67	2,010	21.11.27 – 21.11.32
DBP 2022[d]	36,367	–	407	12,258	–	**24,516**	1372.67	499	21.11.23 – 21.11.32
LTIP 2023[h]	–	160,061	–	–	–	**160,061**	1306.00	2,090	16.11.28 – 16.11.33
DBP 2023[d]	–	39,753	–	–	–	**39,753**	1306.00	519	16.11.24 –16.11.33
Total	**437,245**	**199,814**	**467**	**14,999**	**44,190**	**578,337**			
Robert Moorhead									
LTIP 2020[e]	93,468	–	–	–	32,714	**60,754**	1459.33	1,364	19.11.25 – 19.11.30
LTIP 2021[f]	86,934	–	–	–	–	**86,934**	1569.00	1,364	19.11.26 – 19.11.31
DBP 2021[d]	3,524	–	39	1,782	–	**1,781**	1569.00	83	19.11.22 – 19.11.31
LTIP 2022[g]	102,349	–	–	–	–	**102,349**	1372.67	1,405	21.11.27 – 21.11.32
DBP 2022[d]	27,736	–	310	9,348	–	**18,698**	1372.67	381	21.11.23 – 21.11.32
LTIP 2023[h]	–	111,877	–	–	–	**111,877**	1306.00	1,461	16.11.28 – 16.11.33
DBP 2023[d]	–	30,026	–	–	–	**30,026**	1306.00	392	16.11.24 –16.11.33
Total	**314,011**	**141,903**	**349**	**11,130**	**32,714**	**412,419**			

a) The number of shares subject to awards is the maximum (100 per cent) number of shares that could be received by the executive if the performance targets are fully met except that, consistent with market practice, any part of the awards which vest will benefit from the accrual of dividend roll-up

b) No awards have been granted to directors between 1 September 2024 and 14 November 2024

c) The share price used for calculating the awards at the date of grant is the average of the middle market quotations for the Company's Ordinary Shares as derived from the London Stock Exchange Daily Official List for the three business days prior to the date of grant

d) The awards granted under the DBP will be released one third on each anniversary of the date of grant. Details of the awards are set out above. The awards accrue the benefit of any dividends paid by the Company and are not subject to performance conditions. In respect of the award granted on 19 November 2021 held by Carl Cowling, 2,741 shares vested with a total exercise value of £37,073.41 (1,352.55p per ordinary share). In respect of the award granted on 19 November 2021 held by Robert Moorhead, 1,782 shares vested with a total exercise value of £24,102.45 (1,352.55p per ordinary share). In respect of the award granted on 21 November 2022 held by Carl Cowling, 12,258 shares vested with a total exercise value of £165,795.64 (1,352.55p per ordinary share). In respect of the award granted on 19 November 2022 held by Robert Moorhead, 9,348 shares vested with a total exercise value of £126,436.42 (1,352.55p per ordinary share)

e) The performance condition for awards granted in the financial year ended 31 August 2021 under the LTIP was based on the Company's TSR performance against the FTSE All Share General Retailers Index constituents. The performance conditions were substantially met with 65 per cent of the shares subject to the awards vesting. As a result, the total number of shares vesting for Carl Cowling was 82,985 shares including 918 dividend accrual shares and for Robert Moorhead 61,434 shares including 680 dividend accrual shares. The award is subject to a two year holding period

f) The performance condition for awards granted in the financial year ended 31 August 2022 under the LTIP were:

(i) 50 per cent based on the Company's TSR performance against the FTSE All Share Retailers Index constituents. Vesting will occur on the following basis: below median – Nil; median – 25 per cent; upper quartile – 100 per cent; and on a straight-line basis between 25 per cent and 100 per cent; and

(ii) 50 per cent based on growth in the adjusted diluted EPS of the Company. Vesting will occur on the following basis: below 75p – Nil; 75p – 25 per cent; 110p or more – 100 per cent; and on a straight-line basis between 25 per cent and 100 per cent. For these purposes, EPS will be determined by reference to fully diluted EPS before exceptional items and will exclude IAS 19 pension charges from the calculation, adjusted as considered appropriate by the Committee to ensure consistency. The awards are subject to a two-year holding period and will become exercisable on the fifth anniversary of the date of grant

The performance conditions were substantially met with 71 per cent of the shares subject to the awards vesting. As a result, the total number of shares vesting for Carl Cowling will be 90,418 shares including 3,252 dividend accrual shares and for Robert Moorhead 64,026 shares including 2,303 dividend accrual shares. The award is subject to a two year holding period

g) The performance condition for awards granted in the financial year ended 31 August 2023 under the LTIP were:

(i) 40 per cent based on Headline pre-tax earnings per share (calculated on a pre-IFRS 16 basis) of 100p to 125p with 25 per cent of this component vesting at threshold increasing on a straight-line basis to 100 per cent at maximum. EPS is defined as fully diluted (including an assumption that the convertible bonds issued in 2020 fully convert into shares) before exceptional items and excluding IAS 19 pension charges together with other adjustments as considered appropriate by the Committee (although practice has been to make limited adjustments);

(ii) 40 per cent based on relative TSR over three financial years compared with the FTSE All Share Retailers Index. Threshold vesting will occur for TSR in line with median and maximum vesting will occur for TSR in line with the upper quartile of the comparator group consistent with prior awards; and

(iii) 20 per cent based on the Company's ESG strategy

h) The awards granted in the financial year ended 31 August 2024 under the LTIP will only vest to the extent that the performance targets as set out on page 106 are satisfied

None of the Board participate or hold shares in the Company's Sharesave Scheme.

Directors' remuneration report continued

4.15 WH Smith Employee Benefit Trust

The WH Smith Employee Benefit Trust (the "Trust") is used to facilitate the acquisition of ordinary shares in the Company to satisfy awards granted under the Company's share plans. The Trust is a discretionary trust, the sole beneficiaries being employees (including executive directors) and former employees of the Group and their close relations. The Trustee is Computershare Trustees (C.I.) Limited, an independent professional trustee company based in Jersey. The Company intends that the ordinary shares in the Trust will be used to satisfy all outstanding awards and options made under the Company's share plans. The Trustee may exercise all rights attached to the shares held in the Trust in accordance with their fiduciary duties and the relevant plan rules or other governing documents. The Trustee has agreed to waive its rights to all dividends payable on the ordinary shares held in the Trust.

Following purchases of 933,097 shares in the financial year ended 31 August 2024, the number of WH Smith PLC shares held in the Trust at 31 August 2024 was 1,892,970. The Group's accounting policy with respect to the Trust is detailed within Note 1 to the financial statements (see page 126) and movements are detailed in the Group statement of changes in equity on page 125.

4.16 Dilution limits

Awards under the LTIP are currently satisfied using market purchase shares, which may be acquired by the Trust as described in the paragraph above. WHSmith's share plans comply with recommended guidelines on dilution limits, and the Company has always operated within these limits.

4.17 Directors' interests in shares (audited)

The beneficial interests of the directors and their immediate families in the ordinary shares of the Company are set out below:

			Number of shares subject to vesting/holding periods[a]				Number of shares subject to performance conditions	
	Number of ordinary shares		DBP		LTIP		LTIP[b]	
	31 August 2024 (or date of leaving)	31 August 2023 (or date of appointment	**31 August 2024**	31 August 2023	**31 August 2024**	31 August 2023	**31 August 2024**	31 August 2023
Colette Burke	**–**	–	**–**	–	**–**	–	**–**	–
Annette Court	**6,900**	6,000	**–**	–	**–**	–	**–**	–
Carl Cowling	**45,913**	37,965	**67,010**	41,789	**82,067**	–	**429,260**	395,456
Nicky Dulieu	**2,500**	2,500	**–**	–	**–**	–	**–**	–
Simon Emeny	**4,427**	4,427	**–**	–	**–**	–	**–**	–
Situl Jobanputra[c]	**–**	–	**–**	–	**–**	–	**–**	–
Robert Moorhead	**209,745**	203,847	**50,506**	31,260	**60,754**	–	**301,160**	282,751
Helen Rose[d]	**–**	–	**–**	–	**–**	–	**–**	–
Directors who resigned during the year								
Kal Atwal[e]	**3,608**	3,608	**–**	–	**–**	–	**–**	–
Marion Sears[f]	**7,600**	7,600	**–**	–	**–**	–	**–**	–

a) The awards set out under this heading for the DBP are unvested nil-cost options and for the LTIP are vested but unexercised nil-cost options
b) The LTIP number shown above is the maximum potential award that may vest subject to the performance conditions described on pages 105 and 107
c) Situl Jobanputra was appointed as a non-executive director on 1 March 2024
d) Helen Rose was appointed as a non-executive director on 1 July 2024
e) Kal Atwal stepped down as a non-executive director of the Company on 12 September 2023
f) Marion Sears stepped down as a non-executive director of the Company on 7 February 2024

There has been no further change in the directors' interests shown above between 1 September 2024 and 14 November 2024.

Carl Cowling is required to hold 300 per cent of salary in shares. Robert Moorhead is required to hold 250 per cent of salary in shares. In accordance with the Policy, Carl Cowling is expected to achieve compliance with the shareholding requirement within six years of him joining the Board on 26 February 2019.

As at 31 August 2024 Carl Cowling held 124,923 shares, including shares subject to a holding period (net of tax), with a value of £1,602,762 (approximately 239 per cent of salary) and Robert Moorhead held 268,712 shares, including shares subject to a holding period (net of tax), with a value of £3,447,574 (approximately 714 per cent of salary) as detailed below.

The table below sets out the beneficial interests of the executive directors (or any connected persons) in the ordinary shares of the Company and a summary of the outstanding share awards as at 31 August 2024. Calculations are based on a share price of 1283p (being the closing share price of a WHSmith share on 31 August 2024).

	Shares held	Awards over nil-cost options			
Name	**Number of shares held outright at 31 Aug 24**	Vested but not exercised at 31 Aug 24[1]	Unvested and subject to performance measures and continued employment[2]	Shareholding requirement (% of base salary)[3]	Shareholding as at 31 Aug 24 (% of base salary)[4]
Carl Cowling	**45,913**	149,077	429,260	300%	239%
Robert Moorhead	**209,745**	111,260	301,160	250%	714%

1 Nil-cost options and awards that have vested but have yet to be exercised are considered to count towards the shareholding requirement, other than any such shares that correspond to the estimated income tax and national insurance contributions that would arise on their exercise (estimated at 47 per cent of the award). For Carl Cowling and Robert Moorhead, these awards include the 2020 LTIP which vested in 2023 and is subject to a two-year holding period and the 2021, 2022 and 2023 DBP awards which are subject to a holding period as set out on page 107

2 These awards include nil-cost options granted to Carl Cowling and Robert Moorhead under the 2021, 2022 and 2023 LTIP

3 Shareholding requirement as at 31 August 2024

4 Between 1 September 2024 and the date of this report, there were no changes in the beneficial interests of the executive directors' shareholdings

4.18 Voting at the Annual General Meeting

Statement of voting at 2022 AGM

The table below shows the voting outcome at the Annual General Meeting on 19 January 2022 for approval of the Policy:

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of Policy	99,470,149	88.36%	13,100,796	11.64%	112,570,945	169,032

Statement of voting at 2024 AGM

The table below shows the voting outcome at the Annual General Meeting on 26 January 2024 for approval of the annual Directors' remuneration report:

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of Directors' remuneration report	104,580,661	97.08%	3,150,484	2.92%	107,731,145	145,039

A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes "for" and "against" a resolution.

On behalf of the Board

Nicky Dulieu
Chair of the Remuneration Committee

14 November 2024

Directors' report

The directors present their report and the audited consolidated financial statements for the financial year ended 31 August 2024. The Company is the ultimate parent company of the WHSmith group of companies (the "Group"). WH Smith PLC is registered in England and Wales (Number 5202036) and domiciled in the United Kingdom.

The Company has chosen, in accordance with Section 414C(11) of the Companies Act 2006, to include certain information in the Strategic report that would otherwise be required to be disclosed in this Directors' report, as follows:

Information	Page number
Likely future developments in the business	3 to 31
Branches outside the UK	22 and 24
Disclosures concerning greenhouse gas emissions and energy consumption	40 to 52
Employment of disabled persons	55
Employee engagement	53 to 55
Engagement with external stakeholders	33 to 39

Other information, which forms part of this Directors' report, can be found in the following sections of the Annual report:

Section	Page number
Corporate governance report	68 to 84
Directors' biographies	66 and 67
Statement of directors' responsibilities	113
Information on use of financial instruments	154 to 156

This Directors' report (including information specified above as forming part of this report) fulfils the requirements of the Corporate governance statement for the purposes of DTR 7.2.

The information required by UK Listing Rule 6.6.1R is disclosed on the following pages of this Annual report:

Subject matter	Page number
Allotment of shares for cash pursuant to the WH Smith employee share incentive plans	92 Directors' remuneration report/Note 22 on page 157 of the financial statements
Arrangement under which the WH Smith Employee Benefit Trust has waived or agreed to waive dividends/ future dividends	108 Directors' remuneration report

Dividends

The Headline Group profit before tax and non-underlying items[1] for the financial year ended 31 August 2024 was £166m (2023: £143m). The directors recommend the payment of a final dividend for the financial year ended 31 August 2024 of 22.6p per ordinary share on 6 February 2025 to members on the Register at the close of business on 17 January 2025. The final dividend and the interim dividend of 11.0p per ordinary share paid on 1 August 2024 make a total dividend of 33.6p per ordinary share for the financial year ended 31 August 2024 (2023: 28.9p).

Share capital

WH Smith PLC is a public company limited by shares. The issued share capital of the Company, together with details of shares issued during the year, is shown in Note 22 to the financial statements on page 157.

The issued share capital of the Company as at 31 August 2024 was 130,912,453 ordinary shares of 22$\frac{6}{67}$p each. These shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and voting rights.

There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions imposed by laws and regulations (such as insider trading laws and market requirements relating to closed periods), including the requirements of the UK Market Abuse Regulation and the UK Listing Rules, and also the Company's Share Dealing Code whereby directors and certain employees of the Company require Board approval to deal in the Company's securities.

The rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association, a copy of which can be obtained from the Company's website **whsmithplc.co.uk**. The holders of ordinary shares are entitled to receive the Company's Annual Report and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights, and to receive a dividend, if declared, subject to the deduction of any sums due from the holder of ordinary shares to the Company on account of calls or otherwise. Changes to the Company's Articles of Association must be approved by special resolution of the Company.

The Trustee of the WH Smith Employee Benefit Trust holds ordinary shares in the Company on behalf of the beneficiaries of the Trust, who are the employees and former employees of the Group. If any offer is made to the holders of ordinary shares to acquire their shares, the Trustee will not be obliged to accept or reject the offer in respect of any shares, which are at that time subject to subsisting options, but will have regard to the interests of the option holders and can consult them to obtain their views on the offer, and subject to the foregoing, the Trustee will take the action with respect to the offer it thinks fair.

1 Alternative performance measure defined and explained in the Glossary on page 173

Purchase of own shares

At the 2024 AGM, authority was given for the Company to purchase, in the market, up to 13,091,245 ordinary shares of 22 67/67p each, renewing the authority granted at the 2023 AGM. The Company did not purchase any of its own shares during the financial year. The Company intends to renew the authority to purchase its own shares at the forthcoming AGM as the directors believe that having the flexibility to buy back shares is in the best interests of the Company. The directors will only exercise the authority when satisfied that it is in the best interests of shareholders generally and that it would result in an increase in earnings per share. On 11 September 2024, the Company announced a £50m share buyback programme. During the period 23 September 2024 to 13 November 2024, the Company purchased and subsequently cancelled 416,955 of its own shares of 22 67/67p, representing 0.32 per cent of the issued share capital, at an average price of £13.91. All shares purchased by the Company were cancelled.

Issue of new ordinary shares

The Company did not issue any ordinary shares during the financial year ended 31 August 2024. The Articles of Association of the Company provide that the Board may, subject to the prior approval of the members of the Company, be granted authority to exercise all the powers of the Company to allot shares or grant rights to subscribe for, or convert any security into, into shares, including new ordinary shares.

Significant agreements/financing agreements – change of control

A change of control of the Company following a takeover bid may cause a number of agreements to which the Company or its trading subsidiaries is party, such as commercial trading contracts, banking arrangements, property leases, licence and concession agreements, to take effect, alter or terminate. In addition, the service agreements of some senior executives and employee share plans would be similarly affected on a change of control, including, in the case of some employees, in relation to compensation for loss of office.

The Company has an unsecured £400m revolving credit facility ("RCF") with Barclays Bank PLC, BNP Paribas, Citibank N.A. London Branch, Fifth Third Bank National Association, HSBC UK Bank PLC, JP Morgan Securities PLC, PNC Capital Markets LLC, Banco Santander SA London Branch and Skandinaviska Enskilda Banken AB (PUBL) for general corporate and working capital purposes. The RCF has a maturity date of 13 June 2029 with one further uncommitted extension option of one year, which would, subject to lender approval, extend the tenor of the RCF to 13 June 2030, if exercised. If there is a change of control of the Company, and agreeable terms cannot be negotiated between the parties, any lender may cancel the commitment under the facility and all outstanding utilisations for that lender, together with accrued interest, shall be immediately payable.

The Company has a £327m convertible bond. The Bond holders have the right to early redemption in the event of a change of control of the Company.

Directors' service contracts

Carl Cowling and Max Izzard's service contracts provide for notice of 12 months from either party and Robert Moorhead's service contract provides for notice of 12 months from the Company and nine months from Robert Moorhead. The Chair, who has a letter of appointment, is appointed for an initial term of three years. Her appointment may be terminated at any time by either the Company or the Chair on three months' notice. The non-executive directors, who have letters of appointment, are appointed for an initial term of three years. These appointments can be terminated at any time by either the Company or the non-executive director without notice.

Directors' conflicts

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("Situational Conflicts"). The Board has a formal system in place for directors to declare Situational Conflicts to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a Situational Conflict, the non-conflicted directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company, and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any Situational Conflicts considered by the Board, and any authorisations given, are recorded in the Board minutes and in a register of conflicts, which is reviewed regularly by the Board.

Directors' indemnities

The Company maintained directors' and officers' liability insurance in the financial year ended 31 August 2024 and up to the date of this report, which gives appropriate cover for any legal action brought against its directors. The Company has provided and continues to provide an indemnity for its directors, which is a qualifying third-party indemnity provision for the purposes of Section 234 of the Companies Act 2006.

Directors' report continued

Company's shareholders

Information provided to the Company pursuant to the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules ("DTRs") is published on a Regulatory Information Service and on the Company's website. As at 31 August 2024, the following information had been received, in accordance with DTR5, from holders of notifiable interests in the Company's issued share capital. It should be noted that these holdings may have changed since notified to the Company.

Holder	Number	% as at date of notification	Nature of holding
Causeway Capital Management LLC	10,674,946	8.15	Direct
Boston Partners FKA Robeco Investment Management Inc.	7,914,517	6.05	Direct
BlackRock Inc.	10,699,969	8.16	Indirect
FMR LLC	6,982,997	5.33	Indirect
The Capital Group Companies Inc.	6,394,126	4.88	Indirect
M&G PLC	6,575,480	5.022	Indirect
Marathon Asset Management LLP	6,539,399	4.99	Indirect
Royal London Asset Management Ltd	6,539,691	4.99	Direct

On 5 September 2024, Causeway Capital Management LLC notified the Company of a holding of 11,844,559 shares (9.05 per cent Direct holding).

On 7 October 2024, FMR LLC notified the Company of a holding of 6,428,750 shares (4.91 per cent Indirect holding).

On 15 October 2024, Boston Partners FKA Robeco Investment Management Inc. notified the Company of a holding of 7,765,841 shares (5.93 per cent Direct holding).

On 25 October 2024, Boston Partners FKA Robeco Investment Management Inc. notified the Company of a holding of 6,511,894 shares (4.98 per cent Direct holding).

The Company received no other notifications in the period between 31 August 2024 and the date of this report.

Political donations

It is the Company's policy not to make political donations and no political donations, contributions or political expenditure were made in the year (2023: £nil).

Going concern and Viability

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 Strategic report on pages 3 to 65. The Financial review on pages 26 to 31 of the Strategic report also describes the Group's financial position, cash flows and borrowing facilities, further information on which is detailed in Notes 18 to 21 of the financial statements on pages 152 to 156.

As at 31 August 2024, the Group is in a net current liability position. In addition, Note 21 of the financial statements on pages 154 to 156 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 Strategic report on pages 59 to 65 also highlights the principal risks and uncertainties facing the Group.

The directors are required to assess whether the Group can continue to operate for a minimum of 12 months from the date of approval of these financial statements, and to prepare the financial statements on a going concern basis. The directors consider that the Group has adequate resources to remain in operation for the foreseeable future and have, therefore, continued to adopt the going concern basis in preparing the financial statements. The basis of preparation of the financial statements and a more detailed explanation of the work undertaken in respect of going concern are set out in Note 1 of the financial statements on page 126.

The longer-term viability statement is in the Strategic report on pages 64 to 65.

Independent auditors

PwC has expressed its willingness to continue in office as auditors of the Company. A resolution to re-appoint PwC as auditors to the Company and a resolution to authorise the Audit Committee to determine its remuneration will be proposed at the AGM.

Disclosure of information to the auditors

Having made the requisite enquiries, as far as each of the directors is aware, there is no relevant audit information (as defined in Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each of the directors has taken all steps he or she should have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The AGM of the Company will be held at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG on 29 January 2025 at 9.30am. The Notice of Annual General Meeting is given, together with explanatory notes, in the booklet which accompanies this report.

This report was approved by the Board on 14 November 2024.

By order of the Board

Ian Houghton
Company Secretary

14 November 2024

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the Annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Directors' biographies confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards comprising FRS 101, give a true and fair view of the assets, liabilities, and financial position of the Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Carl Cowling
Group Chief Executive

Robert Moorhead
Chief Financial Officer and Chief Operating Officer

14 November 2024

Independent auditors' report to the members of WH Smith PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- WH Smith PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 August 2024 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2024 (the "Annual Report"), which comprise: the Group and Company balance sheets as at 31 August 2024; the Group income statement and Group statement of comprehensive income; the Group cash flow statement, and the Group and Company statements of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 3, we have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope

- For the purposes of scoping the Group audit, we have identified three financially significant components which required a full scope audit; High Street, Travel UK, and North America.
- We also performed a full scope audit on **funkypigeon.com** and Hospitals and audited specific financial statement line items within Travel Rest of the World, WH Smith Retail Holdings Limited, WH Smith Group Limited and the Company based on their value relative to the rest of the Group.
- The audit of the North America component was performed by PwC Las Vegas.
- Our audit scoping gave us coverage of approximately 85 per cent of Group revenue.
- We performed a full statutory audit of the Company (WH Smith PLC).

Key audit matters

- Impairment of store property, plant & equipment, software assets and right-of-use assets (Group) and impairment of investments in subsidiaries (Company) (Group and Company)
- Inventory valuation (Group)
- Classification and disclosure of non-underlying items (Group)

Materiality

- Overall Group materiality: £8,400,000 (2023: £8,000,000) based on 5 per cent of Headline profit before tax and non-underlying items (2023: professional judgement considering a number of potential benchmarks (specifically revenue and profit based benchmarks), given that some aspects of the business were still in recovery following the pandemic).
- Overall Company materiality: £8,790,000 (2023: £9,200,000) based on 1 per cent of total assets.
- Performance materiality: £6,300,000 (2023: £6,000,000) (Group) and £6,592,000 (2023: £6,900,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Classification and disclosure of non-underlying items is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of store property, plant & equipment, software assets and right-of-use assets (Group) and impairment of investments in subsidiaries (Company) (Group and Company) Refer to Note 1(a), Basis of preparation, Non-underlying items and 1(p) Critical accounting judgements and key sources of estimation uncertainty and Notes 10, 11 and 12 (Intangible assets, Property, plant & equipment and Right-of-use assets) and Note 3 in the Company Financial statements (Investments). The Group has a material operational retail asset base which may be vulnerable to impairment in the event of trading performance being below expectations. In the majority of cases, for the purposes of impairment testing, each retail store is considered to be a separate Cash Generating Unit (CGU). Management performed an impairment trigger assessment. No triggers were identified at the Group and operating segment level, however, specific impairment indicators were identified for certain CGUs. The subsequent value-in-use-models resulted in the recognition of a material impairment charge related to multiple CGUs. We focused on this area because of the inherent judgement and estimation uncertainty involved in determining key assumptions such as the future sales profile and discount rates, and the magnitude of the assets under consideration. The Company had £835m of investments in subsidiary undertakings. There is a risk that the performance of the subsidiary undertakings is not sufficient to support their carrying value and the assets may be impaired.	We obtained management's impairment trigger assessment and assessed its methodology for reasonableness. We considered the underlying data points and found these to be consistent with other audit work performed. We challenged the definition of CGUs and verified that this is appropriate based on evidence available. We obtained an understanding of how management had developed its forecast for the future trading for those CGUs where an impairment trigger had been identified, including obtaining a detailed understanding of the key assumptions made in developing these forecasts. We satisfied ourselves that the forecasts were reasonable and had been prepared with appropriate Board involvement. In forming this conclusion, we benchmarked projections to credible third party evidence where available. With the assistance of our valuation experts we tested the impairment models including challenging management forecasts at the store level, as well as considering other assumptions such as the sales profile and discount rate, and found that these assumptions were reasonable. We assessed the mathematical accuracy and integrity of the models and determined that the impairment charge had been appropriately calculated. Given the estimation uncertainty inherent in the impairment process, we performed sensitivity analyses. We satisfied ourselves that any reasonable possible change that results in a material adjustment to the impairment charge has been disclosed. We considered the disclosure of the impairment charge as a non-underlying item and satisfied ourselves that this is in line with management's policy. For the Company investments in subsidiary undertakings, we evaluated whether there were any indicators of an impairment, with specific consideration given to the following: • the market capitalisation of the Group, which is significantly in excess of the investments balance; and • the trading results of the Group, which are in line with expectations. We consider management's conclusion that there are no indicators of impairment to be appropriate.

Independent auditors' report to the members of WH Smith PLC continued

Key audit matter	How our audit addressed the key audit matter
Inventory valuation (Group) Refer to Note 1 (h) Inventories and Note 1 (p) Critical accounting judgements and key sources of estimation uncertainty. Inventory consists of a number of product categories including books, news and magazines, impulse, stationery, travel essentials and tech accessories. A large proportion of inventory is supplied through sale or return arrangements, including the majority of books, newspapers and magazines and therefore the valuation of these items are considered to be lower risk. However, a number of inventory lines are perishable, and items such as 'firm sale' books, fashion, and stationery are at a greater risk of obsolescence. The Group's inventory provision is primarily based on ageing profile, obsolescence risk and forecast sales performance. The assumptions inherent in the provision calculation are consistent with the prior year. Judgement is required to estimate future sales to clear this inventory and with respect to alternative exit routes for inventory which attract different provisioning rates. We focused on the valuation of the inventory provisions in High Street due to the size of the balance and the estimates involved in determining the future sales forecasts and the complexity of the calculation.	We gained an understanding of each provision category and analysed the movement between current year and prior year. By using a combination of ageing analysis and historical inventory data, including stock turnover and write-offs, we developed an independent expectation of the required provisions. We conducted detailed testing on the ageing data to ensure its accuracy and reliability. Our findings indicate that the provisions are consistent with the Group's accounting policy and appropriately reflect changes in the ageing profile. We have confirmed that the inventory provisions are materially accurate.
Classification and disclosure of non-underlying items (Group) Refer to Note 1(a), Basis of preparation, Non-underlying items and 1(p) Critical accounting judgements and key sources of estimation uncertainty, Non-underlying items and Note 4 Non-underlying items. The Group has presented an alternative performance measure of "Headline Group profit before tax and non-underlying items" of £166m (2023: £143m) which is derived from statutory Group profit before tax of £106m (2023: £110m) adjusted to remove the impact of IFRS 16 of £3m (2023: £18m) and non-underlying items of £57m (2023: £15m). Management considers that these items meet their definition of a 'non-underlying item'. We focused on this area due to the quantum and number of categories of non-underlying items in the year driven primarily by the commencement of business wide transformation and restructuring programmes. Our work focussed on consistency of treatment and the classification of items in accordance with management's policy.	We assessed management's policy with reference to guidance published by the European Securities and Markets Authority (ESMA) and the Financial Reporting Council (FRC) and satisfied ourselves that categories identified as non-underlying items are consistent with management's policy. To verify the consistency, we conducted tests on a sample of items, tracing them back to supporting evidence. Additionally, we assessed the impact of non-underlying items on bonus targets to identify any potential increased fraud risk factors based on the actual results for the period. We assessed the nature and completeness of management's disclosures within the financial statements to ensure that they accurately reflected the types of costs included in each category as well as providing guidance over the expected quantum and time period over which future costs would be incurred. Based on our work, we satisfied ourselves that the treatment of non-underlying items is consistent with the Group's policy, and the presentation and disclosure are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

For the purposes of scoping the Group audit we have performed a full scope audit on three financially significant components (High Street, Travel UK, and North America) and two other components (**funkypigeon.com** and Hospitals). All full scope audits were performed by the UK Group team with the exception of North America, which was audited by PwC Las Vegas as component auditors operating under our instruction. PwC Las Vegas also performed specified procedures over tax in the North America component. Audit work was performed over the consolidation process, tax (considering the results of the specified procedures), impairment, leases and going concern at a Group level. Where the work was performed by the component auditor, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. We held detailed discussions with the North America component audit team, including performing a pre-year end site visit, remote review of the work performed, update calls on the progress of their fieldwork and by attending the clearance meetings with management via video call. The components where we performed audit work accounted for approximately 85 per cent of revenue. We performed audit procedures over specific financial statement line items within Travel Rest of the World, WH Smith Retail Holdings Limited, WH Smith Group

Limited and the Company components based on their value relative to the rest of the Group using an allocation of Group materiality. We have also performed a statutory audit over the Company financial statements using a stand alone materiality.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support the disclosures made within the Strategic Report.

We challenged the completeness of management's climate risk assessment by reviewing the consistency of management's climate impact assessment with internal climate plans and board minutes, including whether the time horizons management has used take account of all relevant aspects of climate change.

Management considers that the impact of climate change does not give rise to a material financial statement impact. We considered the impairment of store assets and going concern to potentially be materially impacted by climate change and consequently we focused our audit work in these areas. In particular, we challenged management on how the impact of their climate commitments would impact the assumptions within the cash flows used for the impairment analysis. In addition we ensured that the going concern and viability assessments were also consistent with management's view of the impact of climate change.

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report and our knowledge obtained from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£8,400,000 (2023: £8,000,000).	£8,790,000 (2023: £9,200,000).
How we determined it	5 per cent of headline profit before tax and non-underlying items (2023: professional judgement considering a number of potential benchmarks (specifically revenue and profit based benchmarks), given that some aspects of the business were still in recovery following the pandemic).	1 per cent of total assets
Rationale for benchmark applied	For overall Group materiality, we chose Headline profit before tax and non-underlying items as the benchmark. This measure removes the impact of non-underlying items which do not recur year on year and do not otherwise significantly affect the underlying trend of performance from continuing operations. This is the metric against which the performance of the Group is most commonly assessed by management. We chose 5 per cent as this is consistent with the quantitative materiality threshold typically used for other profit-oriented companies.	WH Smith PLC is a holding company for the Group and therefore the materiality benchmark has been determined based on total assets, which is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £990,000 and £7,560,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75 per cent (2023: 75 per cent) of overall materiality, amounting to £6,300,000 (2023: £6,000,000) for the Group financial statements and £6,592,000 (2023: £6,900,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

Independent auditors' report to the members of WH Smith PLC continued

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £420,000 (Group audit) (2023: £400,000) and £439,000 (Company audit) (2023: £460,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- critically assessed the assumptions within the models including: assessing the historical accuracy of management's forecasts and performing a sensitivity on the revenue growth assumption to erode the covenant headroom;
- obtained and reviewed the Group's financing agreements;
- considered the assumptions made regarding the extent of an economic downturn in the severe but plausible downside case to historical actuals and external sources;
- performed independent sensitivity analyses to the severe but plausible case to assess the impact on liquidity and covenant headroom; and
- confirmed that consistent approaches to going concern, viability, impairment and other key areas of estimation assumptions have been used

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 August 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to GDPR, employment law and the UK Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of revenue and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

Independent auditors' report to the members of WH Smith PLC continued

- Reviewing the financial statement disclosures and agreement to underlying supporting documentation;
- Enquiring of management, those charged with governance, internal audit, and internal legal counsel regarding instances of non-compliance with laws and regulations and fraud;
- Reviewing internal audit reports and minutes of meetings of those charged with governance;
- Identifying and testing unusual journals posted to revenue; and
- Challenging assumptions made by management in determining their significant judgements and accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 21 January 2015 to audit the financial statements for the year ended 31 August 2015 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 31 August 2015 to 31 August 2024.

Other matter

The Company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Jonathan Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

14 November 2024

Group income statement

For the year ended 31 August 2024

£m	Note	2024 Before non-underlying items[1]	2024 Non-underlying items[2]	2024 Total	2023 Before non-underlying items[1]	2023 Non-underlying items[2]	2023 Total
Revenue	2	**1,918**	**–**	**1,918**	1,793	–	1,793
Group operating profit/(loss)	2, 3	**213**	**(55)**	**158**	182	(26)	156
Finance costs	6	**(52)**	**–**	**(52)**	(45)	(1)	(46)
Profit/(loss) before tax		**161**	**(55)**	**106**	137	(27)	110
Income tax (expense)/credit	7	**(38)**	**9**	**(29)**	(27)	5	(22)
Profit/(loss) for the year		**123**	**(46)**	**77**	110	(22)	88
Attributable to equity holders of the parent		**113**	**(46)**	**67**	101	(22)	79
Attributable to non-controlling interests		**10**	**–**	**10**	9	–	9
		123	**(46)**	**77**	110	(22)	88
Earnings per share							
Basic	9			**51.9p**			60.8p
Diluted	9			**51.1p**			59.8p

All results relate to continuing operations of the Group

1 Alternative performance measure. The Group has defined and explained the purpose of its alternative performance measures in the Glossary on page 173

2 See Note 4 for an analysis of non-underlying items. See Glossary on page 173 for a definition of Alternative performance measures

Group statement of comprehensive income

For the year ended 31 August 2024

£m	Note	2024	2023
Profit for the year		**77**	88
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to the income statement:			
Remeasurement of the recoverability of retirement benefit surplus	26	**87**	–
Actuarial gains on defined benefit pension schemes	26	**2**	1
		89	1
Items that may be reclassified subsequently to the income statement:			
Losses on cash flow hedges			
– Net fair value losses	21	**–**	(3)
Exchange differences on translation of foreign operations		**(15)**	(40)
		(15)	(43)
Other comprehensive income/(loss) for the year, net of tax		**74**	(42)
Total comprehensive income for the year		**151**	46
Attributable to equity holders of the parent		**142**	39
Attributable to non-controlling interests		**9**	7
		151	46

Group balance sheet

As at 31 August 2024

£m	Note	2024	2023
Non-current assets			
Goodwill	10	**426**	436
Other intangible assets	10	**64**	69
Property, plant and equipment	11	**316**	270
Right-of-use assets	12	**505**	444
Investments in joint ventures		**2**	2
Deferred tax assets	17	**33**	43
Trade and other receivables	13	**12**	9
		1,358	1,273
Current assets			
Inventories		**217**	205
Trade and other receivables	13	**150**	112
Retirement benefit surplus	26	**87**	–
Derivative financial assets	21	**–**	1
Current tax receivable		**1**	3
Cash and cash equivalents	18	**56**	56
		511	377
Total assets		**1,869**	1,650
Current liabilities			
Trade and other payables	14	**(352)**	(340)
Bank overdrafts and other borrowings	18	**(117)**	(84)
Lease liabilities	15	**(125)**	(116)
Derivative financial liabilities	21	**–**	(1)
Current tax liability		**(1)**	(1)
Short-term provisions	16	**(4)**	(1)
		(599)	(543)
Non-current liabilities			
Bank loans and other borrowings	18	**(310)**	(301)
Long-term provisions	16	**(13)**	(16)
Lease liabilities	15	**(501)**	(450)
		(824)	(767)
Total liabilities		**(1,423)**	(1,310)
Total net assets		**446**	340
Shareholders' equity			
Called up share capital	22	**29**	29
Share premium		**316**	316
Capital redemption reserve	25	**13**	13
Translation reserve		**(9)**	5
Other reserves	25	**(268)**	(255)
Retained earnings		**335**	209
Total equity attributable to the equity holders of the parent		**416**	317
Non-controlling interests		**30**	23
Total equity		**446**	340

The consolidated financial statements of WH Smith PLC, registered number 5202036, on pages 121 to 167 were approved by the Board of Directors and authorised for issue on 14 November 2024 and were signed on its behalf by:

Carl Cowling
Group Chief Executive

Robert Moorhead
Chief Financial Officer and Chief Operating Officer

Group cash flow statement

For the year ended 31 August 2024

£m	Note	2024	2023
Operating activities			
Cash generated from operating activities	20	**335**	302
Interest paid[1]		**(42)**	(35)
Financing arrangement fees		**–**	(3)
Income taxes paid		**(18)**	(15)
Income taxes refunded		**–**	2
Net cash inflow from operating activities		**275**	251
Investing activities			
Purchase of property, plant and equipment		**(115)**	(106)
Purchase of intangible assets		**(16)**	(16)
Acquisition of subsidiaries, net of cash acquired	27	**(6)**	–
Net cash outflow from investing activities		**(137)**	(122)
Financing activities			
Dividends paid	8	**(41)**	(22)
Purchase of own shares for employee share schemes		**(12)**	(8)
Distributions to non-controlling interests		**(6)**	(6)
Repayments of term loans	18	**–**	(133)
Net drawdown on short-term borrowings	18	**33**	84
Capital repayments of obligations under leases	18	**(112)**	(118)
Net cash outflow from financing activities		**(138)**	(203)
Net decrease in cash and cash equivalents in the year		**–**	(74)
Opening cash and cash equivalents		**56**	132
Effect of movements in foreign exchange rates		**–**	(2)
Closing cash and cash equivalents	18	**56**	56

1 Includes interest payments of £24m on lease liabilities (2023: £19m)

Group statement of changes in equity

For the year ended 31 August 2024

£m	Called up share capital and share premium	Capital redemption reserve[1]	Translation reserve	Other reserves[1]	Retained earnings	Total equity attributable to the equity holders of the parent	Non-controlling interests	Total equity
Balance at 1 September 2023	**345**	**13**	**5**	**(255)**	**209**	**317**	**23**	**340**
Profit for the year	**–**	**–**	**–**	**–**	**67**	**67**	**10**	**77**
Other comprehensive (loss)/income:								
Remeasurement of the recoverability of retirement benefit surplus (Note 26)	**–**	**–**	**–**	**–**	**87**	**87**	**–**	**87**
Actuarial gains on defined benefit pension schemes (Note 26)	**–**	**–**	**–**	**–**	**2**	**2**	**–**	**2**
Exchange differences on translation of foreign operations	**–**	**–**	**(14)**	**–**	**–**	**(14)**	**(1)**	**(15)**
Total comprehensive (loss)/income for the year	**–**	**–**	**(14)**	**–**	**156**	**142**	**9**	**151**
Employee share schemes	**–**	**–**	**–**	**(13)**	**12**	**(1)**	**–**	**(1)**
Dividends paid (Note 8)	**–**	**–**	**–**	**–**	**(41)**	**(41)**	**–**	**(41)**
Deferred tax on share-based payments	**–**	**–**	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Distributions to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Non-cash movement on non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**4**	**4**
Balance at 31 August 2024	**345**	**13**	**(9)**	**(268)**	**335**	**416**	**30**	**446**

£m	Called up share capital and share premium	Capital redemption reserve[1]	Translation reserve	Other reserves[1]	Retained earnings	Total equity attributable to the equity holders of the parent	Non-controlling interests	Total equity
Balance at 1 September 2022	345	13	43	(244)	138	295	16	311
Profit for the year	–	–	–	–	79	79	9	88
Other comprehensive (loss)/income:								
Cash flow hedges	–	–	–	(3)	–	(3)	–	(3)
Actuarial gains on defined benefit pension schemes (Note 26)	–	–	–	–	1	1	–	1
Exchange differences on translation of foreign operations	–	–	(38)	–	–	(38)	(2)	(40)
Total comprehensive (loss)/income for the year	–	–	(38)	(3)	80	39	7	46
Employee share schemes	–	–	–	(8)	12	4	–	4
Dividends paid (Note 8)	–	–	–	–	(22)	(22)	–	(22)
Deferred tax on share-based payments	–	–	–	–	1	1	–	1
Distributions to non-controlling interest	–	–	–	–	–	–	(6)	(6)
Non-cash movement on non-controlling interests	–	–	–	–	–	–	6	6
Balance at 31 August 2023	345	13	5	(255)	209	317	23	340

1 For further explanation and analysis of Capital redemption reserve and Other reserves, see Note 25

Notes to the financial statements

1. Accounting policies

a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Going concern
The consolidated financial statements have been prepared on a going concern basis.

The directors are required to assess whether the Group can continue to operate for at least 12 months from the date of approval of these financial statements.

The Strategic report describes the Group's financial position, cash flows and borrowing facilities and also highlights the principal risks and uncertainties facing the Group. The Strategic report also sets out the Group's business activities together with the factors that are likely to affect its future developments, performance and position. Note 21 outlines 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.

In making the going concern assessment, the directors have undertaken a rigorous assessment of current performance and forecasts for the 12-month period to November 2025, including expenditure commitments, capital expenditure and available borrowing facilities. The Group's borrowing facilities are described in the Strategic report on page 30. The covenants on these facilities are tested half-yearly and are based on fixed charges cover and net borrowings. The directors have also considered the existence of factors beyond the going concern period that could indicate that the going concern basis is not appropriate.

The directors have modelled a base case scenario consistent with the latest Board approved forecasts, which include management's best estimates of market conditions and include a number of assumptions including passenger numbers, revenue growth and cost inflation. Under this scenario the Group has significant liquidity and complies with all covenant tests throughout the assessment period.

As a result of uncertainty and challenges in the macroeconomic environment, this base case scenario has been stress-tested by applying severe, but plausible, downside assumptions of a magnitude and profile in line with previous experience of economic downturns. These assumptions include reductions to revenue assumptions of between five and ten per cent versus the base case as appropriate by division, additional inflation and margin pressures. Except for an equal reduction in turnover-based rents in our Travel businesses, this scenario does not assume a decrease in other variable costs, and is therefore considered severe. Under this downside scenario the Group would continue to have significant liquidity headroom on its existing facilities and complies with all covenant tests throughout the assessment period.

Based on the above analysis, the directors have concluded that the Group is able to adequately manage its financing and principal risks, and that the Group will be able to continue to meet its obligations as they fall due and operate within the level of its facilities for at least 12 months from the date of approval of these financial statements.

New standards adopted by the Group
The Group has adopted the following standards and interpretations which became mandatory for the year ended 31 August 2024:

IFRS 17	Insurance contracts
Amendments to IAS 12	Taxation and International tax reform – pillar two model rules
Amendment to IAS 8	Accounting policies, Changes in Accounting Estimates and Errors
Amendment to IAS 7 and IFRS 7	Supplier finance arrangements
Narrow scope amendments to IAS 1, IAS 8 and IFRS Practice statement 2	

The Group has considered the above new standards and amendments and has concluded that they are either not relevant to the Group or they do not have a significant impact on the Group's consolidated financial statements.

1. Accounting policies (continued)

a) Basis of preparation (continued)

New standards in issue but not yet effective
At the date of authorisation of these consolidated Group financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

Amendments to IAS 1	Presentation of financial statements on classification of liabilities and non-current liabilities with covenants
Amendment to IFRS 16	Leases – Lease Liability in a Sale and Leaseback
Amendment to IAS 7 and IFRS 7	Supplier finance arrangements
IFRS 18	Presentation and Disclosure in Financial Statements

With the exception of IFRS 18, the adoption of the above standards and interpretations is not expected to have any material impact on the Group's financial statements.

IFRS 18 was issued in April 2024 and is effective for periods beginning on or after 1 January 2027. Early application is permitted and comparatives will require restatement. The standard will replace IAS 1 Presentation of Financial Statements. IFRS 18 will not change how items are recognised and measured, rather it will require changes to the reporting of financial performance. Specifically classifying income and expenses into three new defined categories – operating, investing and financing – and two new subtotals "operating profit and loss" and "profit or loss before financing and income tax", as well as introducing disclosures of management-defined performance measures ("MPMs") and enhancing general requirements on aggregation and disaggregation. The impact of the standard on the Group is currently being assessed and it is not yet practicable to quantify the effect of IFRS 18 on these consolidated financial statements. IFRS 18 will be applicable for the Group's Annual report and accounts for the year ending 31 August 2028.

Alternative Performance Measures ("APMs")
The Group has identified certain measures that it believes will assist the understanding of the performance of the business. These APMs 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 APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs.

The key APMs that the Group uses include: measures before non-underlying items, Headline profit before tax, Headline earnings per share, trading profit, Headline trading profit, Headline Group profit from trading operations, like-for-like revenue, gross margin, fixed charges cover, Headline EBITDA, effective tax rate, net debt and Headline net debt, free cash flow, operating cash flow, return on capital employed and leverage. These APMs are set out in the Glossary on page 173 including explanations of how they are calculated and how they are reconciled to a statutory measure where relevant.

Non-underlying items
The Group has chosen to present a measure of profit and earnings per share which excludes certain items, that are considered non-underlying and are not considered to be part of the normal operations of the Group. The Group believes that 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.

The Group exercises judgement in determining whether income or expenses are reported as non-underlying. This assessment includes consideration of the size, nature or cause of occurrence of the item, as well as consistency with prior periods. Non-underlying items can include, but are not limited to, restructuring and transformation costs linked to Board agreed programmes, costs relating to M&A activity, impairment charges and other property costs, significant items relating to pension schemes, amortisation of intangible assets acquired in business combinations, and the related tax effect of these items. Reversals associated with items previously reported as non-underlying, such as reversals of impairments and releases of provisions or liabilities are also reported in non-underlying items.

Further details of non-underlying items recognised in the Income statement in the current and prior year are provided in Note 4.

Items recognised in Other comprehensive income/loss may also be identified as non-underlying for the purposes of narrative explanation of the Group's performance, where the Group has determined that they are associated with the above categories and are judged to have met the Group's definition of non-underlying.

Accounting convention
The financial statements are drawn up on the historical cost basis of accounting, except for certain financial instruments and share-based payments that have been measured at fair value. The financial information is rounded to the nearest million, except where otherwise indicated. The principal accounting policies, which have been applied consistently throughout both years except as noted above, are set out on the following pages.

Notes to the financial statements continued

1. Accounting policies (continued)

a) Basis of preparation (continued)

Basis of consolidation
The consolidated Group financial statements incorporate the financial statements of WH Smith PLC and all its subsidiaries.

Subsidiary undertakings are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Subsidiary undertakings acquired during the year are recorded using the acquisition method of accounting and their results are included from the date of acquisition. The separable net assets, both tangible and intangible, of the newly acquired subsidiary undertakings are incorporated into the financial statements on the basis of the fair value as at the effective date of control. Non-controlling interests are stated at the non-controlling interests' proportion of the fair values of the assets and liabilities recognised. Results of subsidiary undertakings disposed of during the financial year are included in the financial statements up to the effective date of disposal.

A joint venture is an entity in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more other venturers under a contractual agreement. Management has assessed whether it has joint control of the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. In assessing this joint control no significant judgements have been necessary.

The Group's share of results of joint ventures is included in the Group consolidated income statement using the equity method of accounting. The results of joint ventures in the current and prior year are not material to disclose. Investments in joint ventures are carried in the Group consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the entity less any impairment in value. If the Group's share of losses in the joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so, or made payments on behalf of the joint venture.

All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

b) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the sale of goods and services to customers (which is the most significant revenue stream), sale of wholesale goods to franchisees, and commission and fee income on concession and franchise arrangements. Revenue excludes discounts, estimated returns, VAT and other sales-related taxes.

Revenue is recognised when performance obligations have been met and control of the goods has transferred to the customer. The majority of the Group's sales are for standalone products made direct to customers at standard prices either in-store, online or through franchisees, where there is a single performance obligation. Revenue generated from different store formats are considered to be a single revenue stream and are subject to the same underlying economic risks.

Revenue on in-store transactions is recognised at the point of sale when control of the goods is deemed to have transferred to the customer. Revenue in respect of online and wholesale (including sales directly to franchisees) transactions is recognised on the transfer of control, which is on delivery of the goods to the customers. Revenue in respect of gift cards sold by the Group is recognised on the redemption of the gift card either in-store at the point of sale or on delivery for online redemptions. Franchise and concession fees and commission are recognised on the accruals basis in accordance with the substance of the contracts in place, which is typically on the basis of fixed fees spread evenly over the contract period, and/or variable amounts earned based on revenue.

c) Supplier arrangements

The Group receives income from its suppliers in the form of supplier incentives and discounts (collectively "Supplier arrangements"). These incomes are recognised as a deduction from cost of sales on an accruals basis as they are earned for each supplier contract. The level of complexity and judgement is low in relation to establishing the accounting entries and estimates, and the timing of recognition.

Supplier incomes that have been invoiced but not received at the year end are recognised in Trade receivables, or in Trade payables where the Group has the right of offset. Incomes that have been earned but not yet invoiced are accrued and are recorded in Accrued income.

1. Accounting policies (continued)

c) Supplier arrangements (continued)

The types of supplier arrangements recognised by the Group, and the recognition policies are detailed below.

Retrospective discounts
Income earned based on sales or purchase volume triggers set by the supplier for specific products over specific periods.

Income is calculated and invoiced based upon actual sales or purchases over the period set out in the supplier agreement, and is recognised in the income statement as it is earned. Where the period of an agreement spans accounting periods, income is recognised based on forecasts for expected sales or purchase volumes, informed by current performance, trends, and the terms of the supplier agreement. Income is invoiced throughout the year in accordance with the specific supplier terms. The carrying value of inventories is adjusted to reflect unearned elements of supplier income as the product has not yet been sold. This income is subsequently recognised in cost of sales when the product has been sold.

Promotional and marketing activity
Supplier income from promotional and marketing activity includes income in respect of in-store marketing and point of sale, supplying dedicated promotional space or receiving margin support for products on promotion.

Income for promotional and marketing activity is agreed with suppliers for specific periods and products. Income is recognised over the period of the agreement. Income is invoiced when the performance conditions in the supplier agreement have been achieved.

d) Retirement benefit costs

Defined contribution pension schemes
Payments to the WH Smith Group defined contribution pension schemes are recognised as an expense in the income statement as they fall due.

Defined benefit pension schemes
The cost of providing benefits for the United News Shops Retirement Benefits Scheme is determined by the Projected Unit Credit Method, with actuarial calculations being carried out at the balance sheet date. Actuarial gains and losses are recognised in full in the year in which they occur. They are recognised outside the income statement in the Group statement of comprehensive income.

The retirement benefit surplus or obligation recognised in the balance sheet represents the difference between the fair value of scheme assets and the present value of the defined benefit obligation. Any surplus resulting from the calculation is limited to the present value of available refunds and reductions in future contributions to the plan. Where the Group is considered to have a contractual obligation to fund the pension scheme above the accounting value of the liabilities, an onerous obligation is recognised.

Following the finalisation of the buy-out of the defined benefit liabilities in the Retail Section of the WHSmith Pension Trust, and confirmation of the Trustee's intention to return surplus assets to the sponsor, the Group has determined that it has an unconditional right to the surplus assets, and therefore a retirement benefit surplus has been recognised as a current asset as at 31 August 2024. Further information is provided in Note 26.

e) Intangible assets

Business combinations
The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control, of the acquiree. Costs directly attributable to the business combination are recognised in the income statement in the year they are incurred. The cost of a business combination is allocated at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at that date.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. Intangible assets are recognised if they meet the definition of an intangible asset contained in IAS 38 and their fair value can be measured reliably. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recognised as goodwill.

Where less than the entire equity interest of a subsidiary is acquired, the non-controlling interest is recognised at the non-controlling interest's share of the net assets of the subsidiary. Changes in the Group's ownership percentage of subsidiaries are accounted for within equity.

Notes to the financial statements continued

1. Accounting policies (continued)

e) Intangible assets (continued)

Goodwill
Goodwill represents the excess of the fair value of purchase consideration over the net fair value of identifiable assets and liabilities acquired.

Goodwill is recognised as an asset at cost and subsequently measured at cost less accumulated impairment. For the purposes of impairment testing, goodwill is allocated to the cash-generating units ("CGUs") that have benefited from the acquisition. Each store is considered to be a CGU, or in some cases a group of stores is considered to be a CGU where the stores do not generate largely independent cash inflows. Goodwill is allocated to the group of CGUs making up the Group's operating segments, as this is the lowest level at which management monitor goodwill.

The carrying value of goodwill is reviewed for impairment at least annually or where there is an indication that goodwill may be impaired. If the recoverable amount of the group of cash-generating units is less than its carrying amount, then the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the units and then to the other assets of the units on a pro-rata basis. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

Other intangible assets
The costs of acquiring and developing software that is not integral to the related hardware is capitalised separately as an intangible asset. These intangibles are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged so as to write off the costs of assets over their estimated useful lives, using the straight-line method, and is recorded in Distribution costs. The amortisation period for capitalised software costs is over a maximum period of five years.

Cloud-based software arrangements are treated as service contracts and expensed in the Group income statement as the service is received, except where the arrangement meets the requirements for recognition as an intangible asset of the Group under IAS 38. These criteria are met when the Group has both a contractual right to take possession of the software without significant penalty, and the ability to run the software independently of the software host. Configuration and customisation costs in relation to a cloud-based software arrangements are expensed alongside the related service contract in the consolidated income statement, unless they create a separately identifiable resource controlled by the Group, in which case they are capitalised.

Other intangible assets are valued at cost and amortised over their useful life, and the amortisation is recorded in administrative expenses, unless the asset can be demonstrated to have an indefinite life. Other intangible assets, such as brands, arising on business combinations are amortised on a straight line basis over their useful lives. Amortisation of other intangible assets arising on business combinations is included in non-underlying costs. The useful life and residual value of all intangible assets are determined at the time of acquisition and reviewed annually for appropriateness.

The useful economic lives of other intangible assets are as follows:

Software	– up to five years
Brands	– ten to twenty years

All intangible assets are reviewed for impairment in accordance with IAS 36 Impairment of Assets, when there are indications that the carrying value may not be recoverable. Assets with indefinite useful lives are tested for impairment annually.

f) Property, plant and equipment

Property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value. Depreciation is charged so as to write off the costs of assets, other than land, over their estimated useful lives, using the straight-line method, with the annual rates applicable to the principal categories being:

Freehold properties	– over 20 years
Leasehold improvements	– either the lease period or the estimated remaining economic life of up to ten years
Fixtures and fittings	– up to ten years
Equipment and vehicles	– up to ten years

The residual values of property, plant and equipment are reassessed on an annual basis. Where the Group has protected tenancy rights and there is an intention to renew the lease, the useful life of leasehold improvements is assumed to be up to ten years, irrespective of the remaining contractual lease term.

1. Accounting policies (continued)

f) Property, plant and equipment (continued)

At each balance sheet date, property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows of the relevant cash-generating unit, or fair value less costs to sell, if higher. Any impairment in value is charged to the income statement in the year in which it occurs.

g) Leasing

The Group recognises a right-of-use asset and a corresponding lease liability for all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments in distribution costs on a straight-line basis over the term of the lease.

Lease liabilities are measured at the present value of the future lease payments, which comprise:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable under residual value guarantees; and
- payments to exercise options, to the extent that the Group is reasonably certain to exercise the options.

The payments are discounted using the rate implicit in the lease, or where that cannot be readily determined, at an incremental borrowing rate.

Right-of-use assets are measured initially at cost, being the value of the corresponding lease liability, adjusted for lease payments made at or before the commencement date, initial direct costs and an estimate of the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are presented as a separate line in the consolidated balance sheet.

Subsequent to initial recognition, the lease liability is reduced for payments made and increased to reflect interest on the lease liability (using the effective interest method). Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

The Group includes remeasurements and modifications to the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease payments change due to changes in an index, rent review or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the accounting policies in Note 1(f) Property, plant and equipment.

Lease contracts that include variable rents based on revenue, which is the case with many of our retail concession contracts, are not included in the measurement of the lease liability and the right-of-use asset. The related rents payable are recognised as an expense in the year in which the event or condition that triggers those payables occurs and are included in profit or loss (see Note 3).

Where a lease term ends and the Group continues to occupy the location on holdover terms, rent is recognised as an expense in the income statement as incurred.

For leases acquired as part of a business combination, the lease liability is measured at the present value of the remaining lease payments. The right-of-use asset is measured at the same amount as the lease liability adjusted to reflect favourable or unfavourable terms of the lease when compared to market terms.

h) Inventories

Inventories comprise goods held for resale and are stated at the lower of cost or net realisable value. Consignment stocks are not included within stocks held by the Group. Inventories are valued using a weighted average cost method.

Cost is calculated to include, where applicable, duties, handling, transport and directly attributable costs (including a deduction for applicable supplier income) in bringing the inventories to their present location and condition. Net realisable value is based on estimated normal selling prices less further costs expected to be incurred in selling and distribution. Cost of inventories includes the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases.

Provisions are made for obsolescence, markdown below cost and shrinkage.

Notes to the financial statements continued

1. Accounting policies (continued)

i) Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

j) Foreign currencies

The consolidated financial statements are presented in pounds sterling (GBP), which is WH Smith PLC's functional and presentation currency. Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

On consolidation, the assets and liabilities of the Group's overseas operations are translated into sterling at exchange rates prevailing on the balance sheet date. Income and expense items are translated into sterling at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve.

Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the year.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

k) Taxation

The tax expense included in the income statement comprises current and deferred tax.

Current tax is the expected tax payable or receivable based on the taxable profit or loss for the year, using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised.

Current and deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity. Deferred tax assets and liabilities are offset where there is considered to be a legally enforceable right to do so.

l) Financial instruments

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

i) Initial recognition and subsequent measurement

a) Financial assets

Trade and other receivables

Trade receivables are measured at fair value at initial recognition, do not carry any interest and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement.

Allowances for doubtful debts are recognised based on management's expectation of losses, without regard to whether an impairment trigger has occurred or not (an "expected credit loss" model under IFRS 9).

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Credit card receivables are included in cash and cash equivalents.

1. Accounting policies (continued)

l) Financial instruments (continued)

i) Initial recognition and subsequent measurement (continued)

b) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Borrowings

Borrowings comprise interest-bearing bank loans and overdrafts and compound financial instruments (convertible bonds).

Bank loans are initially measured at fair value (being proceeds received, net of direct issue costs), and are subsequently measured at amortised cost, using the effective interest rate method. Transaction fees such as arrangement fees associated with the securing of financing are capitalised and amortised through the income statement over the term of the relevant facility. Finance charges, including premiums payable on settlement or redemptions and direct issue costs are accounted for on an accruals basis and taken to the income statement using the effective interest rate method and are added to the carrying value of the instrument to the extent that they are not settled in the year in which they arise.

Compound financial instruments issued by the Group comprise convertible bonds. The convertible bonds are bifurcated into a liability component and an equity component on initial recognition. The carrying value of the liability at initial recognition is measured using a market interest rate for an equivalent non-convertible bond at the issue date. The remainder of the proceeds is allocated to the conversion option and recognised in equity (Other reserves), and not subsequently remeasured. Any directly attributable transaction costs are allocated to each component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. Any transaction costs apportioned to the liability is included in the carrying amount and recognised over the contractual life of the liability using the effective interest rate method.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

ii) Derecognition of financial assets and liabilities

a) Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

b) Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when a qualitative review of its contractual terms shows that the terms have been significantly changed or where the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iii) Offsetting

Financial assets and financial liabilities are offset and the net position presented in the balance sheet when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

iv) Impairment

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. These are always measured at an amount equal to lifetime ECL. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both qualitative and quantitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information.

Notes to the financial statements continued

1. Accounting policies (continued)

l) Financial instruments (continued)

iv) Impairment (continued)
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

v) Derivative financial instruments and hedge accounting
The Group uses certain derivative financial instruments to reduce its exposure to foreign exchange movements in accordance with its risk management policies. The Group primarily uses forward foreign currency contracts to manage its exposure to changes in foreign exchange rates. The Group does not hold or use derivative financial instruments for speculative purposes. Further details of the Group's risk management policies are provided in Note 21.

These instruments are initially recognised at fair value on the trade date and are subsequently measured at their fair value at the end of the financial year. The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument and the nature of the items being hedged.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement.

If the cash flow hedge of a highly probable forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period as the hedged item.

For an effective hedge of an exposure to changes in the fair value of a recognised asset or liability, changes in fair value of the hedging instrument are recognised in profit or loss at the same time that the recognised asset or liability that is being hedged is adjusted for movements in the hedged risk and that adjustment is also recognised in profit or loss in the same period.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

m) Share schemes

WH Smith Employee Benefit Trust
The shares held by the WH Smith Employee Benefit Trust are valued at the historical cost of the shares acquired. They are deducted in arriving at shareholders' funds and are presented as an Other reserve.

Share-based payments
Employees of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

Equity settled share-based payments are measured at fair value at the date of grant. The fair value is calculated using an appropriate option pricing model. The fair value is expensed to the income statement on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

For cash-settled share-based payments, a liability is recognised at the current fair value determined at each balance sheet date, taking into account performance conditions and the extent to which employees have rendered service to date, with any changes in fair value recognised in the profit or loss for the year.

n) Dividends

Final dividends are recorded in the financial statements in the year in which they are approved by the Company's shareholders. Interim dividends are recorded in the year in which they are approved and paid.

1. Accounting policies (continued)

o) Share capital, Share premium and Other reserves

Ordinary shares are classified as equity. Share premium arises on the excess between the fair value of the shares issued and the par value of the shares issued. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, against share premium. The par value of shares repurchased and cancelled under the Group's share buyback programme is reclassified from Share capital to the Capital redemption reserve.

For a description of Other reserves, see Note 25.

p) Critical accounting judgements and key sources of estimation uncertainty

The preparation of 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, impairment reviews of non-current assets and inventory valuation.

Consideration of climate-related matters
In preparing the Financial statements, management has considered the potential impacts of climate change, in the context of the Principal risks and TCFD disclosures included in the Strategic report on pages 44 to 52 in the following areas:

- going concern assessment and viability of the Group over the next three years;
- cash flow forecasts used in the impairment assessments of non-current assets including goodwill;
- carrying value and useful economic lives of property, plant and equipment, right-of-use assets and intangible assets; and
- carrying value of inventories and valuation of other current assets.

Current assets, including inventories, are expected to be utilised within a short timeframe, and therefore no risks relating to climate change have been identified.

The costs expected to be incurred in connection with our net zero commitments (as described on pages 44 to 52) are included within the Group's budget and three-year plan, which have been used to support the impairment reviews of non-current assets, including goodwill, and the going concern and viability assessments. Further disclosures in relation to the impact of climate change on the impairment assessment of right-of-use assets and property, plant and equipment are included in Note 11, and on goodwill in Note 10.

The Group's initial quantitative scenario analysis (as described on pages 44 to 52) has determined that operational impacts are not expected to be significant within the short-term forecast period. Beyond the forecast periods, the results of the quantitative scenario analysis have been incorporated into the sensitivity analyses of viability and goodwill impairment where appropriate, however climate change is not considered to be a key driver in determining the outcomes of these exercises and is therefore not currently classified as a key source of estimation uncertainty within our financial statements. This assessment will be kept under review going forward.

Critical accounting judgements
Non-underlying items
The Group has chosen to present a 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 operations of the Group. The Group's definition of non-underlying items is outlined in Note 1(a).

The classification of items as non-underlying requires management judgement. The definition of non-underlying items has been applied consistently year on year. Further details of non-underlying items are provided in Note 4.

Lease accounting
Substantive substitution rights
Judgement is required in determining whether a contract meets the definition of a lease under IFRS 16. Management has determined that certain retail concession contracts give the landlord substantive substitution rights because the contract gives the landlord rights to relocate the retail space occupied by the Group. In such cases, management has concluded that there is not an identified asset and therefore such contracts are outside the scope of IFRS 16. For these contracts, the Group recognises the payments as an operating expense on a straight-line basis over the term of the contract unless another systematic basis is more representative of the time pattern in which economic benefits from the underlying contract are consumed.

Notes to the financial statements continued

1. Accounting policies (continued)

p) Critical accounting judgements and key sources of estimation uncertainty (continued)

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

Sources of estimation uncertainty
Intangible assets, property, plant and equipment and right-of-use asset impairment reviews
Property, plant and equipment, right-of-use assets and intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. For impairment testing purposes, the Group has determined that each store is a separate CGU or in some cases a group of stores is considered to be a CGU where the stores do not generate largely independent cash inflows.

The key assumptions in the value-in-use calculations include growth rates of revenue and the pre-tax discount rate. Value-in-use calculations will assume a lease is extended where management consider it likely that an extension will be granted. Further information in respect of the Group's intangible assets, property, plant and equipment and right-of-use assets is included in Notes 10, 11 and 12 respectively.

Inventory valuation
Inventory is carried at the lower of cost and net realisable value, which requires the estimation of sell through rates, and the eventual sales price of goods to customers in the future. Any difference between the expected and the actual sales price achieved will be accounted for in the year in which the sale is made. A description of the Group's accounting policy in respect of inventories is included in Note 1(h). A sensitivity analysis has been carried out on the calculation of inventory provisions. The key assumption driving the stock provision calculation is forecast revenue.

2. Segmental analysis of results

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

For management and financial reporting purposes, the Group is organised into two operating divisions which comprise four reportable segments – Travel UK, North America, Rest of the World within the Travel division, and High Street.

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 173 (Note A2).

a) Revenue

£m	2024	2023
Travel UK	**795**	709
North America	**401**	380
Rest of the World	**270**	235
Total Travel	**1,466**	1,324
High Street	**452**	469
Revenue	**1,918**	1,793

Rest of the World revenue includes revenue from Australia of £83m (2023: £82m), Ireland £53m (2023: £47m) and Spain £55m (2023: £46m). No other country has individually material revenue in the context of total Group revenue.

2. Segmental analysis of results (continued)

b) Group results

£m	2024 Headline before non-underlying items[1] (pre-IFRS 16)	2024 Headline non-underlying items[1] (pre-IFRS 16)	2024 IFRS 16	2024 Total	2023 Headline before non-underlying items[1] (pre-IFRS 16)	2023 Headline non-underlying items[1] (pre-IFRS 16)	2023 IFRS 16	2023 Total
Travel UK trading profit/(loss)	**122**	**–**	**4**	**126**	102	–	(1)	101
North America trading profit	**54**	**–**	**4**	**58**	49	–	3	52
Rest of the World trading profit	**13**	**–**	**5**	**18**	13	–	–	13
Total Travel trading profit	**189**	**–**	**13**	**202**	164	–	2	166
High Street trading profit	**32**	**–**	**7**	**39**	32	–	11	43
Group profit from trading operations	**221**	**–**	**20**	**241**	196	–	13	209
Unallocated central costs	**(28)**	**–**	**–**	**(28)**	(27)	–	–	(27)
Group operating profit before non-underlying items	**193**	**–**	**20**	**213**	169	–	13	182
Non-underlying items (Note 4)	**–**	**(56)**	**1**	**(55)**	–	(13)	(13)	(26)
Group operating profit/(loss)	**193**	**(56)**	**21**	**158**	169	(13)	–	156
Finance costs	**(27)**	**–**	**(25)**	**(52)**	(26)	–	(19)	(45)
Non-underlying finance (costs)/income (Note 4)	**–**	**(1)**	**1**	**–**	–	(2)	1	(1)
Profit/(loss) before tax	**166**	**(57)**	**(3)**	**106**	143	(15)	(18)	110
Income tax (expense)/credit	**(39)**	**9**	**1**	**(29)**	(28)	2	4	(22)
Profit/(loss) for the year	**127**	**(48)**	**(2)**	**77**	115	(13)	(14)	88

1 Presented on a pre-IFRS 16 basis. Alternative performance measures are defined and explained in the Glossary on page 173

c) Other segmental items

£m	2024 Non-current assets[2] Capital additions	2024 Non-current assets[2] Depreciation and amortisation	2024 Non-current assets[2] Impairment	2024 Right-of-use assets Depreciation	2024 Right-of-use assets Impairment
Travel UK	**35**	**(20)**	**–**	**–**	**–**
North America	**60**	**(16)**	**–**	**–**	**–**
Rest of the World	**14**	**(8)**	**–**	**–**	**–**
Total Travel	**109**	**(44)**	**–**	**–**	**–**
High Street	**22**	**(15)**	**–**	**–**	**–**
Unallocated	**–**	**(1)**	**–**	**–**	**–**
Headline, before non-underlying items (pre-IFRS 16)	**131**	**(60)**	**–**	**–**	**–**
Headline non-underlying items (pre-IFRS 16)	**–**	**(3)**	**(23)**	**–**	**–**
Headline, after non-underlying items (pre-IFRS 16)	**131**	**(63)**	**(23)**	**–**	**–**
Impact of IFRS 16	**–**	**(1)**	**3**	**(112)**	**–**
Non-underlying items (IFRS 16)	**–**	**–**	**–**	**–**	**(10)**
Group	**131**	**(64)**	**(20)**	**(112)**	**(10)**

2 Non-current assets including property, plant and equipment and intangible assets (excluding goodwill), but excluding right-of-use assets

Notes to the financial statements continued

2. Segmental analysis of results (continued)

c) Other segmental items (continued)

	2023				
	Non-current assets[1]			Right-of-use assets	
£m	Capital additions	Depreciation and amortisation	Impairment	Depreciation	Impairment
Travel UK	30	(17)	–	–	–
North America	47	(13)	–	–	–
Rest of the World	17	(6)	–	–	–
Total Travel	94	(36)	–	–	–
High Street	28	(15)	–	–	–
Unallocated	–	(2)	–	–	–
Headline, before non-underlying items (pre-IFRS 16)	122	(53)	–	–	–
Headline non-underlying items (pre-IFRS 16)	–	(3)	(4)	–	–
Headline, after non-underlying items (pre-IFRS 16)	122	(56)	(4)	–	–
Impact of IFRS 16	–	–	–	(104)	–
Non-underlying items (IFRS 16)	–	–	–	–	(15)
Group	122	(56)	(4)	(104)	(15)

1 Non-current assets including property, plant and equipment and intangible assets (excluding goodwill), but excluding right-of-use assets

d) Non-current assets by geographical location

Non-current assets include property, plant and equipment, intangible assets and right-of-use assets.

£m	**2024**	2023
UK	**435**	396
USA	**735**	704
Spain	**89**	84
Australia	**18**	18
Other international	**34**	17
Total	**1,311**	1,219

3. Group operating profit

	2024			2023		
£m	**Before non-underlying items**	**Non-underlying items**	**Total**	Before non-underlying items	Non-underlying items	Total
Revenue	**1,918**	**–**	**1,918**	1,793	–	1,793
Cost of sales	**(706)**	**–**	**(706)**	(682)	–	(682)
Gross profit	**1,212**	**–**	**1,212**	1,111	–	1,111
Distribution costs	**(808)**	**–**	**(808)**	(746)	–	(746)
Administrative expenses	**(198)**	**–**	**(198)**	(197)	–	(197)
Other income[2]	**7**	**–**	**7**	14	–	14
Non-underlying items (Note 4)	**–**	**(55)**	**(55)**	–	(26)	(26)
Group operating profit	**213**	**(55)**	**158**	182	(26)	156

2 Other income includes remeasurement of right-of-use assets and other property-related income. Other income in the prior year also includes insurance recoveries

3. Group operating profit (continued)

£m	2024	2023
Cost of inventories recognised as an expense	**706**	682
Write-down of inventories in the year[1]	**1**	3
Depreciation of property, plant and equipment	**49**	42
Depreciation of right-of-use assets		
– land and buildings	**110**	101
– other	**2**	3
Amortisation of intangible assets	**15**	14
Impairment of property, plant and equipment	**15**	4
Impairment of right-of-use assets	**10**	15
Impairment of intangibles	**5**	–
Expenses relating to leasing:		
– expense relating to short-term leases	**20**	22
– expense relating to variable lease payments not included in the measurement of the lease liability	**38**	29
Other occupancy costs	**44**	49
Staff costs (Note 5)	**386**	367
Auditors' remuneration (see below)		
Audit services		
Fees payable to the Group's auditors, included in the income statement, relate to:		
Fees payable to the Group's auditors for the audit of the Group's financial statements	**1.2**	1.1
Fees payable to the Group's auditors for other services to the Group including the audit of the Company's subsidiaries	**0.4**	0.3
Total audit and audit-related services	**1.6**	1.4
Non-audit services		
Fees payable to the Group's auditors for other services:		
All other non-audit services	**0.1**	0.1
Non-audit fees including taxation and other services	**0.1**	0.1
Total auditors' remuneration	**1.7**	1.5

Included in Administrative expenses is the auditors' remuneration, including expenses, for audit and non-audit services, payable to the Group's auditors PricewaterhouseCoopers LLP and its associates as set out above. A description of the work performed by the Audit Committee is set out in the Corporate governance section of the Directors' report and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by auditors.

1 Write-down of inventories in the year are included within the amounts disclosed as Cost of inventories recognised as an expense, and recognised in Cost of sales

Notes to the financial statements continued

4. Non-underlying items

Items which are not considered part of the normal operations of the business, are non-recurring or are considered exceptional because of their size, nature or incidence, are treated as non-underlying items and disclosed separately. Further details of non-underlying items are included in Note 1, Accounting policies and in the Strategic report on page 28. The charge is mainly non-cash.

£m	2024	2023
Amortisation of acquired intangible assets	**3**	3
Impairment of non-current assets		
– property, plant and equipment	**15**	4
– intangible assets	**5**	–
– right-of-use assets	**10**	15
Provisions for onerous contracts	**6**	3
Transformation programmes – supply chain and IT	**9**	–
Costs associated with pensions	**2**	1
IFRS 16 remeasurement gains	**(3)**	–
Costs relating to M&A activity and Group legal entity structure	**4**	–
Re-platform of whsmith.co.uk and other costs	**4**	–
Non-underlying items, included in operating profit	**55**	26
Finance costs associated with refinancing	**–**	1
Non-underlying items, before tax	**55**	27
Tax credit on non-underlying items	**(9)**	(5)
Non-underlying items, after tax	**46**	22

Amortisation of acquired intangible assets

Amortisation of acquired intangible assets primarily relates to the MRG and InMotion brands (see Note 10).

Impairment of non-current assets

The Group has carried out an assessment for indicators of impairment of non-current assets across the store and online portfolio. Where an indicator of impairment has been identified, an impairment review has been performed to compare the value-in-use of cash-generating units, based on management's assumptions regarding likely future trading performance, anchored in the latest Board-approved budget and three-year plan, to the carrying value of the cash-generating unit as at 31 August 2024.

As a result of this exercise, a non-cash charge of £30m (2023: £19m) was recorded within non-underlying items for impairment of non-current assets, of which £15m (2023: £4m) relates to property, plant and equipment, £5m (2023: £nil) relates to intangible assets and £10m (2023: £15m) relates to right-of-use assets.

Refer to Notes 10, 11 and 12 for details of impairment of intangible assets, property, plant and equipment and right-of-use assets, respectively.

The impairment recognised on a pre-IFRS 16 basis is provided in the Glossary on page 173.

Provisions for onerous contracts

A charge of £6m (2023: £3m) has been recognised in the income statement to provide for the unavoidable costs of continuing to service a number of non-cancellable supplier and lease contracts where the space is vacant, a contract is loss-making or currently not planned to be used for ongoing operations. This provision will be utilised over the next two to four financial years. The unwinding of the discount on provisions for onerous contracts is treated as an imputed interest charge, and has been recorded in non-underlying finance costs.

Transformation programmes

Costs of £9m (Aug 2023: £nil) have been classified as non-underlying in relation to a number of Board-approved programmes relating to supply chain (£4m) and IT transformation (£5m).

The supply chain transformation programme includes costs related to outsourcing the Group's distribution centres and core distribution network to a third party (GXO) and costs of reconfiguration of the Group's UK distribution centres, in order to generate a more efficient and productive supply chain to support the performance and growth of the Group's UK businesses. This project is expected to conclude in 2025, incurring similar costs as in 2024.

4. Non-underlying items (continued)

The IT transformation programme includes costs relating to upgrading core IT infrastructure, data migration and investment in data security, store systems modernisation and other significant IT projects. These strategic projects will provide additional stability, longevity and operational benefits. The implementation will cover several years and we anticipate costs in 2025 to be similar to 2024.

These multi-year programmes are reported as non-underlying items on the basis that they are significant in quantum, relate to a Board-approved programme and to aid comparability from one period to the next.

Costs associated with pensions
Costs of £2m (2023: £1m) have been incurred relating to professional fees associated with the buy out of the WHSmith Pension Trust.

This resulted in the recognition of an £87m gain being remeasurement of the recoverability of the retirement benefit surplus, which is included in the Group's Statement of other comprehensive income, in accordance with IAS 19.

Subsequent to the completion of the buyout, on 10 September the remaining surplus in the scheme of £87m was transferred to the Group, comprising cash of £75m and investments of £12m.

See Note 26 for further details.

IFRS 16 remeasurement gains
Gains of £3m have been classified as non-underlying in relation to IFRS 16 remeasurement gains that have resulted from the derecognition of lease liabilities on exit from certain locations, in which right-of-use assets were previously impaired.

Cost relating to M&A activity and Group legal entity structure
Costs incurred during the year include c.£2m of professional and legal fees in relation to a reorganisation of the Group's legal entity structure, and c.£1m relating to acquisition and integration costs of two small acquisitions in Ireland and Australia, and c.£1m relating to final integration costs of the North American businesses.

Re-platform of whsmith.co.uk and other costs
Other non-underlying items recognised during the year of £4m include restructuring costs, stock write-offs and IT costs in relation to the reconfiguration of the Group's online operations, and costs associated with the resolution of a long-running dispute.

A tax credit of £9m (2023: £5m) has been recognised in relation to non-underlying items.

Other prior year non-underlying items
Costs associated with refinancing
A charge of £1m was included in non-underlying items in the year ended 31 August 2023 to derecognise the carrying value of unamortised fees in respect of the extinguished term loan and revolving credit facility. See Note 18.

5. Staff costs and employees

a) Staff costs

The aggregate remuneration of employees was:

£m	2024	2023
Wages and salaries	**340**	322
Social security costs	**28**	27
Other pension costs	**7**	6
Share-based payments	**11**	12
Total Group	**386**	367

b) Employee numbers

The monthly average total number of employees (including executive directors) was:

No. of employees	2024	2023
Total retailing	**13,867**	14,124
Support functions	**54**	53
Total Group	**13,921**	14,177

Notes to the financial statements continued

6. Finance costs

£m	2024	2023
Interest payable on bank loans and overdrafts	**13**	12
Interest on convertible bonds	**14**	14
Interest on lease liabilities	**25**	19
Costs associated with refinancing	**–**	1
	52	46

Interest on convertible bonds includes £5m (2023: £5m) coupon interest, £8m (2023: £8m) non-cash debt accretion charges and £1m (2023: £1m) fee amortisation. Prior year costs associated with refinancing were included in non-underlying items (see Note 4).

7. Income tax expense

£m	2024	2023
Tax on profit	**21**	13
Standard rate of UK corporation tax 25% (2023: blended rate 21.5%)		
Adjustment in respect of prior years	**–**	(2)
Total current tax expense	**21**	11
Deferred tax – current year (Note 17)	**22**	19
Deferred tax – prior year (Note 17)	**(5)**	(3)
Tax on profit before non-underlying items	**38**	27
Tax on non-underlying items – current tax	**(1)**	–
Tax on non-underlying items – deferred tax (Note 17)	**(8)**	(5)
Total tax on profit	**29**	22

Reconciliation of the taxation charge

£m	2024	2023
Tax on profit at standard rate of UK corporation tax 25% (2023: blended rate 21.5%)	**26**	24
Tax effect of items that are not deductible or not taxable in determining taxable profit	**5**	(3)
Derecognition of deferred tax balances	**1**	7
Differences in overseas tax rates	**2**	(1)
Adjustment in respect of prior years – current tax	**–**	(2)
Adjustment in respect of prior years – deferred tax	**(5)**	(3)
Total income tax charge	**29**	22

The effective tax rate, before non-underlying items, is 23 per cent (2023: 19 per cent).

The UK corporation tax rate is 25 per cent effective from 1 April 2023.

The legislation implementing the Organisation for Economic Co-Operation and Development's ("OECD") proposals for a global minimum corporation tax rate (Pillar Two) was substantively enacted in the UK on 20 June 2023 and applies to reporting periods beginning on or after 1 January 2024.

Under the legislation the Group is liable to pay a top-up tax for the difference between their Global Anti-Base Erosion Rules ("GloBE") effective tax rate per jurisdiction and the 15 per cent minimum rate.

The rules will be applicable to the Group for the year ended 31 August 2025. The Group has performed an assessment of the Group's potential exposure to Pillar Two top-up taxes based on the most recent filings, country-by-country reporting, and the most recent financial information available for the constituent entities in the Group. Based on this assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15 per cent or will meet the financial thresholds required to meet the Transitional Safe Harbour Rules. However, there are a limited number of jurisdictions where the Transitional Safe Harbour relief does not apply, and the Pillar Two effective rate is close to 15 per cent. The Group does not expect a material exposure to Pillar Two taxes in those jurisdictions.

The Group applies the temporary exception from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred taxes in relation to Pillar Two.

8. Dividends

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

£m	2024	2023
Final dividend for the year ended 31 August 2023 of 20.8p per ordinary share	**27**	–
Interim dividend for the year ended 31 August 2024 of 11.0p per ordinary share	**14**	–
Final dividend for the year ended 31 August 2022 of 9.1p per ordinary share	**–**	12
Interim dividend for the year ended 31 August 2023 of 8.1p per ordinary share	**–**	10
	41	22

The Board has proposed a final dividend of 22.6p per share, amounting to a final dividend of c.£30m, which is not included as a liability in these financial statements and, subject to shareholder approval, will be paid on 6 February 2025 to shareholders registered at the close of business on 17 January 2025.

9. Earnings per share

a) Earnings

£m	2024	2023
Profit for the year, attributable to equity holders of the parent	**67**	79
Non-underlying items, after tax (Note 4)	**46**	22
Profit for the year before non-underlying items, attributable to equity holders of the parent	**113**	101

b) Weighted average share capital

Millions	2024	2023
Weighted average ordinary shares in issue	**131**	130
Less weighted average ordinary shares held in ESOP Trust	**(2)**	–
Weighted average shares in issue for earnings per share	**129**	130
Add weighted average number of ordinary shares under option	**2**	2
Weighted average ordinary shares for diluted earnings per share	**131**	132

c) Basic and diluted earnings per share

Pence	2024	2023
Basic earnings per share	**51.9**	60.8
Adjustment for non-underlying items	**35.7**	16.9
Basic earnings per share before non-underlying items	**87.6**	77.7

Pence	2024	2023
Diluted earnings per share	**51.1**	59.8
Adjustment for non-underlying items	**35.2**	16.7
Diluted earnings per share before non-underlying items	**86.3**	76.5

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.

As at 31 August 2024 the convertible bond has no dilutive effect as the inclusion of these potentially dilutive shares would improve earnings per share (2023: no dilutive effect).

The calculation of earnings per share on a pre-IFRS 16 basis is provided in the Glossary on page 173.

Notes to the financial statements continued

10. Intangible assets

£m	Goodwill	Brands and franchise contracts	Tenancy rights	Software	Total
Cost					
At 1 September 2023	**436**	**46**	**13**	**128**	**623**
Additions	**6**	**–**	**–**	**16**	**22**
Foreign exchange	**(16)**	**(2)**	**(1)**	**–**	**(19)**
At 31 August 2024	**426**	**44**	**12**	**144**	**626**
Accumulated amortisation					
At 1 September 2023	**–**	**14**	**8**	**96**	**118**
Amortisation charge	**–**	**3**	**–**	**12**	**15**
Impairment charge	**–**	**–**	**–**	**5**	**5**
Foreign exchange	**–**	**(1)**	**–**	**(1)**	**(2)**
At 31 August 2024	**–**	**16**	**8**	**112**	**136**
Net book value at 31 August 2024	**426**	**28**	**4**	**32**	**490**
Cost					
At 1 September 2022	471	50	13	114	648
Additions	–	–	–	16	16
Foreign exchange	(35)	(4)	–	(2)	(41)
At 31 August 2023	436	46	13	128	623
Accumulated amortisation					
At 1 September 2022	–	12	8	85	105
Amortisation charge	–	3	–	11	14
Foreign exchange	–	(1)	–	–	(1)
At 31 August 2023	–	14	8	96	118
Net book value at 31 August 2023	436	32	5	32	505

Goodwill of US$58m (£44m) (2023: US$64m / £50m) relating to the acquisition of the InMotion Entertainment Group of companies in 2018 is expected to be deductible for tax purposes in the future. Additions to Goodwill in the year relate to small acquisitions in Ireland and Australia (Note 27).

The carrying value of goodwill is allocated to the segmental businesses as follows:

£m	2024	2023
Travel UK	**262**	272
North America	**117**	122
Rest of the World	**32**	27
Total Travel	**411**	421
High Street	**15**	15
Group	**426**	436

Included within Tenancy rights are certain assets that are considered to have an indefinite life of £4m (2023: £4m), representing certain rights under tenancy agreements, which include the right to renew leases, therefore no amortisation has been charged. Management has determined that the useful economic life of these assets is indefinite because the Group can continue to occupy and trade from certain premises for an indefinite period. These assets are reviewed annually for indicators of impairment.

10. Intangible assets (continued)

Impairment of goodwill and acquired intangible assets
The Group tests goodwill for impairment annually or where there is an indication that goodwill might be impaired. For impairment testing purposes, goodwill is allocated to groups of CGUs in a manner that is consistent with our operating segments, as this reflects the lowest level at which goodwill is monitored. All goodwill has arisen on acquisitions of groups of retail stores. These acquisitions are then integrated into the Group's operating segments as appropriate. Acquired brands are considered together with goodwill for impairment testing purposes, and are therefore considered annually for impairment.

Goodwill and acquired brands have been tested for impairment by comparing the carrying amount of each group of CGUs, including goodwill and acquired brands, with the recoverable amount determined from value-in-use calculations. The value-in-use of each group of CGUs has been calculated using cash flows derived from the Group's latest Board-approved budget and three-year plan, initially extrapolated to five years. The forecasts reflect management's best estimates of market conditions, together with the Group's expectations on the future achievable growth and committed store openings. Cash flows beyond the initial forecast period are extrapolated using estimated long-term growth rates.

For certain groups of CGUs, additional adjustments to cash flows have been applied in extrapolating for an extended period of up to 15 years before calculating a terminal value. This extended period is required to establish a normalised cash flow base on which a terminal value calculation can be appropriately calculated. The main reasons for adjustments to cash flows include forecast lease renewals under IFRS 16, and the unwinding of certain cash flow benefits arising from acquisitions in North America.

The key assumptions on which the forecast three-year cash flows of the CGUs are based include revenue and the pre-tax discount rate. Other assumptions in the model relate to gross margin, cost inflation and longer-term growth rates:

- The values assigned to each of the revenue, product mix and operating cost assumptions were determined based on the extrapolation of historical trends within the Group and external information on expected future trends in the travel and high street retail sectors.
- 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 a risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). Country-specific discount rates were not considered to be materially different to the Group rate. The pre-tax discount rate used in the calculations was 10.7 per cent (2023: 13.2 per cent).
- The long-term growth rate assumptions are between zero per cent and two per cent (2023: zero per cent and two per cent).

The immediately quantifiable impacts of climate change and costs expected to be incurred in connection with our net zero commitments, are included within the Group's budget and three-year plan which have been used to support the impairment reviews, with no material impact on cash flows.

The value-in-use estimates indicated that the recoverable amount of goodwill exceeded the carrying value for each group of CGUs. As a result, no impairment has been recognised in respect of the carrying value of goodwill in the year (2023: £nil).

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 it is possible that significant changes to these assumptions could lead to an impairment of goodwill and acquired brands. Given the inherent uncertainties due to challenges in the macroeconomic environment, management have considered a range of sensitivities on each of the key assumptions, with other variables held constant. The sensitivities include applying increases in the discount rate by two per cent and reductions in the long-term growth rates by two per cent. Under these combined scenarios, the estimated recoverable amount of goodwill and acquired brands would require an impairment of £5m.

Furthermore, outputs of the quantitative climate change scenario analysis as described on pages 44 to 52 have also been taken into consideration in the sensitivity analysis, and has shown that climate change is not considered to be a key driver in determining the outcome.

The sensitivity analysis showed that no reasonably possible change in assumptions would lead to a material impairment.

Impairment of other intangible assets
Other intangible assets including Software have been assessed for indicators of impairment during the year. Impairment to software assets of £5m (2023: £nil) has been recorded during the year as a result of the Board-approved programmes relating to supply chain and IT transformation, as well as the reconfiguration of the Group's online operations.

The approach to impairment testing is described in detail in Note 11, Property, plant and equipment.

Notes to the financial statements continued

11. Property, plant and equipment

£m	Land and buildings: Freehold properties	Land and buildings: Leasehold improvements	Fixtures and fittings	Equipment and vehicles	Total
Cost or valuation:					
At 1 September 2023	**18**	**385**	**254**	**140**	**797**
Additions	**–**	**57**	**46**	**12**	**115**
Disposals	**–**	**(4)**	**(3)**	**–**	**(7)**
Foreign exchange	**–**	**(5)**	**(2)**	**–**	**(7)**
At 31 August 2024	**18**	**433**	**295**	**152**	**898**
Accumulated depreciation:					
At 1 September 2023	**10**	**252**	**166**	**99**	**527**
Depreciation charge	**–**	**29**	**10**	**10**	**49**
Impairment charge	**–**	**6**	**7**	**2**	**15**
Disposals	**–**	**(4)**	**(3)**	**–**	**(7)**
Foreign exchange	**–**	**(1)**	**(1)**	**–**	**(2)**
At 31 August 2024	**10**	**282**	**179**	**111**	**582**
Net book value at 31 August 2024	**8**	**151**	**116**	**41**	**316**
Cost or valuation:					
At 1 September 2022	18	329	232	127	706
Additions	–	63	24	19	106
Reclassifications	–	–	5	(5)	–
Foreign exchange	–	(7)	(7)	(1)	(15)
At 31 August 2023	18	385	254	140	797
Accumulated depreciation:					
At 1 September 2022	10	230	155	92	487
Depreciation charge	–	20	15	7	42
Impairment charge	–	3	–	1	4
Reclassifications	–	1	(1)	–	–
Foreign exchange	–	(2)	(3)	(1)	(6)
At 31 August 2023	10	252	166	99	527
Net book value at 31 August 2023	8	133	88	41	270

Impairment of property, plant and equipment
For impairment testing purposes, the Group has determined that each store is a separate CGU or in some cases a group of stores is considered to be a CGU where the stores do not generate largely independent cash inflows. CGUs are tested for impairment at the balance sheet date if any indicators of impairment have been identified. The identified indicators include loss-making stores, stores earmarked for closure and under-performance of individual stores versus forecast.

For those CGUs where an indicator of impairment has been identified, property, plant and equipment and right-of-use assets have been tested for impairment by comparing the carrying amount of the 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.

The value-in-use of CGUs is calculated using discounted cash flows derived from the Group's latest Board-approved budget and three-year plan, and reflects historical performance and understanding of the current market, together with the Group's views on the future achievable growth for these specific stores. 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 short remaining lease life, an extension to the lease has been assumed where management consider it likely that an extension will be granted. The immediately quantifiable impacts of climate change and costs expected to be incurred in connection with our net zero commitments, are included within the Group's budget and three-year plan which have been used to support the impairment reviews, with no material impact on cash flows. The useful economic lives of store assets are short in the context of climate change scenario models therefore no medium to long-term effects have been considered.

11. Property, plant and equipment (continued)

Impairment of property, plant and equipment (continued)
The key assumptions on which the forecast three-year cash flows of the CGUs are based include revenue and the pre-tax discount rate. Other assumptions in the model relate to gross margin, cost inflation and longer-term growth rates. In developing these forecasts, management have used available information, including historical knowledge of the store level cash flows.

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). Country-specific discount rates were not considered to be materially different to the Group rate. The pre-tax discount rate used in the calculations was 10.7 per cent (2023: 13.2 per cent).

Where the value-in-use was less than the carrying value of the CGU, an impairment of property, plant and equipment and right-of-use assets was recorded. These stores were impaired to their recoverable amount of £14m, which is their carrying value at year end. The Group has recognised an impairment charge of £15m (2023: £4m) to property, plant and equipment, £5m impairment to software (2023: £nil) and £10m (2023: £15m) to right-of-use assets.

Included in the impairment values above are impairments of property, plant and equipment connected with Board-approved programmes relating to supply chain and IT transformation, as well as the reconfiguration of the Group's online operations. Assets have been impaired where their use is planned to be discontinued as a result of these programmes.

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. As a result, the Group has applied certain sensitivities to demonstrate the impact on the impairment charge of changes in key assumptions. The sensitivities include applying increases in the discount rate by two per cent and reductions in expected future cash flows by two per cent. Under these combined scenarios, the impairment charge for property, plant and equipment and right-of-use assets would increase by less than £1m.

Impairments to non-current assets have been presented as non-underlying items (see Note 4).

The impairment assessment has also been performed on a pre-IFRS 16 basis. See Glossary on page 173.

12. Right-of-use assets

£m	Land and buildings	Equipment	Total
At 1 September 2023	**440**	**4**	**444**
Additions	**152**	**–**	**152**
Modifications and remeasurements	**48**	**–**	**48**
Disposals	**(8)**	**–**	**(8)**
Depreciation charge	**(110)**	**(2)**	**(112)**
Impairment charge	**(10)**	**–**	**(10)**
Effect of movements in foreign exchange rates	**(9)**	**–**	**(9)**
Net book value at 31 August 2024	**503**	**2**	**505**

£m	Land and buildings	Equipment	Total
At 1 September 2022	440	6	446
Additions	93	–	93
Modifications and remeasurements	41	1	42
Depreciation charge	(101)	(3)	(104)
Impairment charge	(15)	–	(15)
Effect of movements in foreign exchange rates	(18)	–	(18)
Net book value at 31 August 2023	440	4	444

Information on the Group's leasing activities is included in Note 15, Lease liabilities.

Impairment of right-of-use assets
Right-of-use assets of £10m (2023: £15m) have been impaired in the year. This impairment charge has been presented in non-underlying items (see Note 4). The approach to impairment testing is described in detail in Note 11, Property, plant and equipment along with sensitivity analysis.

Notes to the financial statements continued

13. Trade and other receivables

£m	2024	2023
Current receivables		
Trade receivables	**81**	68
Other receivables	**7**	3
Prepayments	**17**	15
Accrued income	**45**	26
	150	112
Non-current receivables		
Other receivables	**7**	5
Prepayments	**5**	4
Total trade and other receivables	**162**	121

Included in accrued income is £33m (2023: £19m) of accrued supplier income relating to retrospective discounts and other promotional and marketing income that has been earned but not yet invoiced. Supplier income that has been invoiced but not yet settled against trade payables balances is included in trade payables where the Group has a right to offset.

The ageing of the Group's trade and other receivables is as follows:

£m	2024	2023
Trade and other receivables gross	**100**	80
Expected credit losses	**(5)**	(4)
Trade and other receivables net	**95**	76
Of which:		
Amounts neither impaired nor past due on the reporting date	**71**	54
Amounts past due but not impaired:		
Less than one month old	**17**	15
Between one and three months old	**3**	5
Between three and six months old	**3**	2
Between six months and one year old	**1**	–
Trade and other receivables net carrying amount	**95**	76

The Group has limited exposure to expected credit losses due to the business model. An allowance has been made for lifetime expected credit losses from receivables at 31 August 2024 of £5m (2023: £4m). The ageing analysis of these receivables is given in the table below. This expected credit loss allowance reflects the application of the Group's provisioning policy in respect of bad and doubtful debts and is based upon the difference between the receivable value and the estimated net collectible amount. The Group establishes its provision for bad and doubtful debts by reference to past default experience.

Ageing analysis of bad and doubtful debt provisions:

£m	2024	2023
Less than one month old	**–**	–
Between one and three months old	**–**	–
Between three and six months old	**1**	1
Between six months and one year old	**4**	3
	5	4

No trade and other receivables that would have been past due or impaired were renegotiated during the year. No interest is charged on the receivables balance. The other classes within trade and other receivables do not include impaired assets. The Group does not hold collateral over these balances. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

14. Trade and other payables

£m	2024	2023
Trade payables	**153**	130
Other tax and social security	**34**	30
Other payables	**85**	95
Accruals	**66**	68
Deferred income	**14**	17
	352	340

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 59 days (2023: 58 days). The directors consider that the carrying amount of trade and other payables approximates their fair value.

Trade payables is stated net of £7m (2023: £8m) amounts receivable from suppliers in relation to supplier income, that has been invoiced, for which the Group has the right to set off against amounts payable at the balance sheet date.

15. Lease liabilities

£m	Land and buildings	Equipment	Total
At 1 September 2023	**564**	**2**	**566**
Additions	**148**	**–**	**148**
Modifications and remeasurements	**47**	**–**	**47**
Disposals	**(12)**	**–**	**(12)**
Interest	**25**	**–**	**25**
Payments	**(135)**	**(1)**	**(136)**
Effect of movements in foreign exchange rates	**(12)**	**–**	**(12)**
At 31 August 2024	**625**	**1**	**626**

£m	Land and buildings	Equipment	Total
At 1 September 2022	574	3	577
Additions	91	–	91
Modifications and remeasurements	39	1	40
Disposals	(2)	–	(2)
Interest	19	–	19
Payments	(135)	(2)	(137)
Effect of movements in foreign exchange rates	(22)	–	(22)
At 31 August 2023	564	2	566

£m	2024	2023
Analysis of total lease liabilities:		
Non-current	**501**	450
Current	**125**	116
Total	**626**	566

The Group leases land and buildings for its retail stores, distribution centres, storage locations and office property. These leases have an average remaining lease term of four years. Some leases include an option to break before the end of the contract term or an option to renew the lease for an additional term after the end of the term. Management assess the lease term at inception based on the facts and circumstances applicable to each property.

Other leases are mainly forklift trucks for the retail stores and distribution centres, office equipment and vehicles. These leases have an average remaining lease term of three years.

Notes to the financial statements continued

15. Lease liabilities (continued)

The Group reviews the retail lease portfolio on an ongoing basis, taking into account retail performance and future trading expectations. The Group may exercise extension options, negotiate lease extensions or modifications. In other instances, the Group may exercise break options, negotiate lease reductions or decide not to negotiate a lease extension at the end of the lease term. Certain property leases contain rent review terms that require rent to be adjusted on a periodic basis, which may be subject to market rent or increases in inflation measurements.

Many of the Group's property leases, particularly in Travel locations, also incur payments based on a percentage of revenue (variable lease payments) achieved at the location. In line with IFRS 16, variable lease payments which are not based on an index or rate are not included in the lease liability. See Note 3 for the expense charged to the Income statement relating to variable lease payments not included in the measurement of the lease liability.

The Group's accounting policy for leases is set out in Note 1. Details of Income statement charges for leases are set out in Note 3. The right-of-use asset categories on which depreciation is incurred are presented in Note 12. Interest expense incurred on lease liabilities is presented in Note 6. The maturity of undiscounted future lease liabilities are set out in Note 21.

The total cash outflow for leases in the financial year was £187m (2023: £181m). This includes cash outflow for short-term leases of £19m (2023: £19m) and variable lease payments (not included in the measurement of lease liability) of £32m (2023: £25m).

16. Provisions

£m	Property provisions	Other provisions	Total
At 1 September 2023	**17**	**–**	**17**
Charge in the year	**4**	**2**	**6**
Released in the year	**(1)**	**–**	**(1)**
Utilised in year	**(2)**	**–**	**(2)**
Reclassifications to creditors	**(3)**	**–**	**(3)**
At 31 August 2024	**15**	**2**	**17**

£m	Property provisions	Other provisions	Total
At 1 September 2022	14	–	14
Charge in the year	3	–	3
Utilised in year	(1)	–	(1)
Reclassifications from creditors	1	–	1
At 31 August 2023	17	–	17

Total provisions are split between current and non-current liabilities as follows:

£m	2024	2023
Included in current liabilities	**4**	1
Included in non-current liabilities	**13**	16
	17	17

Property provisions principally relate to reinstatement liabilities for stores where the long-term viability has been impacted primarily by Covid-19 and onerous lease provisions. These expected costs of store closures are reviewed frequently and are based on information available as at the reporting date as well as management's historical experience of similar transactions. Utilisations of the property provisions are expected to be incurred in line with the profile of the leases to which they relate, which range from one year up to ten years.

A charge of £6m (2023: £3m) has been recognised in the income statement to provide for the unavoidable costs of continuing to service a number of non-cancellable supplier and lease contracts where the space is vacant, a contract is loss-making or currently not planned to be used for ongoing operations. This provision will be utilised over the next two to four financial years.

17. Deferred tax

The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior years.

£m	Opening balance 1 September	Rate change	(Credited)/ charged to income	(Credited)/ charged to equity	Foreign exchange	Closing balance 31 August
Accelerated tax depreciation	**(11)**	**–**	**1**	**–**	**–**	**(10)**
IFRS 16 transitional adjustment	**5**	**–**	**(2)**	**–**	**–**	**3**
Share-based payments	**6**	**–**	**1**	**(1)**	**–**	**6**
Intangible assets	**(14)**	**–**	**1**	**–**	**–**	**(13)**
Losses carried forward	**30**	**–**	**(19)**	**–**	**–**	**11**
Unutilised interest expense	**8**	**–**	**6**	**–**	**–**	**14**
Other temporary differences	**19**	**–**	**3**	**–**	**–**	**22**
Year ended 31 August 2024	**43**	**–**	**(9)**	**(1)**	**–**	**33**
Accelerated tax depreciation	3	(1)	(14)	–	1	(11)
IFRS 16 transitional adjustment	5	–	–	–	–	5
Share-based payments	4	–	2	–	–	6
Intangible assets	(14)	–	–	–	–	(14)
Losses carried forward	45	1	(15)	–	(1)	30
Unutilised interest expense	7	–	2	–	(1)	8
Other temporary differences	5	–	14	–	–	19
Year ended 31 August 2023	55	–	(11)	–	(1)	43

Deferred tax assets have not been recognised in respect of the following tax losses:

£m	2024	2023
Capital losses	**81**	83
Trading losses	**48**	28
	129	111

Substantially all of the deferred income tax assets are expected to be recovered after more than one year.

The UK corporation tax rate is 25 per cent.

At 31 August 2024, deferred tax assets have been recognised in respect of tax losses and US unutilised interest expense. The deferred tax assets of £51m (2023: £119m) relate to carried forward tax losses which have been recognised to the extent that they will be recoverable using the estimated future taxable income based on the approved budgets for the Group. The Group has not recognised deferred tax assets on losses (including capital losses) amounting to £129m (2023: £111m) and US unutilised interest expense amounting to £16m (2023: £33m) due to uncertainty over the timing and extent of their utilisation. These losses can be carried forward indefinitely and have no expiry date. Other temporary differences include amounts in respect of right-of-use assets (deferred tax asset of £31m, with an offsetting deferred tax liability of £24m).

All deferred tax assets and liabilities are offset where there is considered to be a legally enforceable right to do so. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

£m	2024	2023
Deferred tax liabilities (non-current liabilities)	**–**	–
Deferred tax assets	**33**	43
	33	43

Notes to the financial statements continued

18. Analysis of net debt

Movements in net debt can be analysed as follows:

£m	Term loans	Convertible bonds	Revolving credit facility	Leases	Sub-total Liabilities from financing activities	Cash and cash equivalents	Net debt
At 1 September 2023	–	(301)	(84)	(566)	(951)	56	(895)
Bond accretion and fee amortisation	–	(9)	–	–	(9)	–	(9)
Lease additions, modifications and interest	–	–	–	(208)	(208)	–	(208)
Cash movements	–	–	(33)	136	103	–	103
Currency translation	–	–	–	12	12	–	12
At 31 August 2024	–	(310)	(117)	(626)	(1,053)	56	(997)

£m	Term loans	Convertible bonds	Revolving credit facility	Leases	Sub-total Liabilities from financing activities	Cash and cash equivalents	Net debt
At 1 September 2022	(132)	(292)	–	(577)	(1,001)	132	(869)
Bond accretion and fee amortisation	(1)	(9)	–	–	(10)	–	(10)
Lease additions, modifications and interest	–	–	–	(148)	(148)	–	(148)
Cash movements	133	–	(84)	137	186	(74)	112
Currency translation	–	–	–	22	22	(2)	20
At 31 August 2023	–	(301)	(84)	(566)	(951)	56	(895)

An explanation of Alternative Performance Measures, including Net debt on a pre-IFRS 16 basis, is provided in the Glossary on page 173.

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 to their fair value.

Lease liabilities

Non-cash movements in lease liabilities mainly relate to new leases, modifications and remeasurements in the year. Cash movements on leases include principal repayments of £112m (2023: £118m) and interest paid of £24m (2023: £19m).

Revolving credit facilities

The Group has a £400m committed revolving credit facility ("RCF"). The first extension option has been exercised during the year, taking the maturity to 13 June 2029. The RCF has one remaining uncommitted extension option of one year, which would, subject to lender approval, extend the maturity date to 13 June 2030 if exercised.

The RCF is provided by a syndicate of banks: Barclays Bank PLC, BNP Paribas, Citibank N.A. London Branch, Fifth Third Bank National Association, HSBC UK Bank PLC, JP Morgan Securities PLC, PNC Capital Markets LLC, Banco Santander SA London Branch and Skandinaviska Enskilda Banken AB (PUBL). Utilisation is interest bearing at a margin over SONIA. As at 31 August 2024, the Group has drawn down £117m on the RCF (2023: £84m).

Transaction costs of £4m relating to the RCF have been capitalised and are amortised to Income statement on a straight-line basis.

Term loans

Term loans of £133m were repaid in the prior year.

Convertible bonds

The Group issued £327m guaranteed senior unsecured convertible bonds on 7 May 2021 with a 1.625 per cent per annum coupon payable semi-annually in arrears in equal instalments. The bonds are convertible into new and/or existing ordinary shares of WH Smith PLC. The initial conversion price was set at £24.99 representing a premium of 40 per cent above the reference share price on 28 April 2021 (£17.85). The conversion price at 31 August 2024 was £24.3104 (2023: £24.7032). If not previously converted, redeemed or purchased and cancelled, the bonds will be redeemed at par on 7 May 2026.

18. Analysis of net debt (continued)

Convertible bonds (continued)
The convertible bond is a compound financial instrument, consisting of a financial liability component and an equity component, representing the value of the conversion rights. The initial fair value of the liability portion of the convertible bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis using the effective interest rate method until extinguished on conversion or maturity of the bonds. The remainder of the proceeds was allocated to the conversion option and recognised in equity (Other reserves), and not subsequently remeasured. As a result, £41m of the initial proceeds of £327m was recognised in equity representing the option component.

Transaction costs of £6m were allocated between the two components and the element relating to the debt component of £5m is amortised through the effective interest rate method. The issue costs apportioned to the equity component of £1m have been deducted from equity.

Further information regarding the Group's borrowings and revolving credit facilities is provided in Note 21.

19. Contingent liabilities and capital commitments

£m	2024	2023
Bank guarantees and guarantees in respect of lease agreements	**71**	61

Bank guarantees are principally in favour of landlords and could be drawn down on by landlords in the event that the Group does not settle its contractual obligations under lease or other agreements.
Contracts placed for future capital expenditure approved by the directors but not provided for in these financial statements amount to £36m (2023: £27m).

£m	2024	2023
Commitments in respect of property, plant and equipment	**34**	25
Commitments in respect of other intangible assets	**2**	2
	36	27

20. Cash generated from operating activities

£m	2024	2023
Group operating profit	**158**	156
Depreciation of property, plant and equipment	**49**	42
Impairment of property, plant and equipment	**15**	4
Amortisation of intangible assets	**15**	14
Impairment of intangible assets	**5**	–
Depreciation of right-of-use assets	**112**	104
Impairment of right-of-use assets	**10**	15
Non-cash change in lease liabilities	**(3)**	–
Non-cash movement in pensions	**1**	–
Share-based payments	**11**	12
Gain on remeasurement of leases	**(4)**	(5)
Other non-cash items (incl. foreign exchange)	**9**	7
Increase in inventories	**(15)**	(12)
Increase in receivables	**(41)**	(22)
Increase/(decrease) in payables	**10**	(15)
Movement on provisions (through utilisation or income statement)	**3**	2
Cash generated from operating activities	**335**	302

Notes to the financial statements continued

21. Financial instruments

Categories of financial instruments

£m	Carrying value 2024	2023
Financial assets		
Derivative instruments not in designated hedge accounting relationships[1]	**–**	1
Receivables at amortised cost[1]	**140**	102
Cash and cash equivalents	**56**	56
Financial liabilities		
Derivative instruments in designated hedge accounting relationships[1]	**–**	(1)
Amortised cost[2]	**(1,357)**	(1,244)

1 Included within receivables held at amortised cost are trade and other receivables (excluding prepayments) and cash and cash equivalents
2 Included within amortised cost are trade payables, other payables, accruals, borrowings, lease obligations and other non-current liabilities

Comparison of carrying values and fair values

The carrying value of the convertible bond on the Group's balance sheet is £310m (2023: £301m). The fair value of the convertible bond has been estimated at £303m (2023: £287m) using a discounted cash flow approach based on market interest rates. This represents Level 2 fair value measurements as defined by IFRS 13.

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

Risk management

The Group's treasury function seeks to reduce exposures to interest rate, foreign exchange and other financial risks, and to ensure liquidity is available to meet the foreseeable needs of the Group and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements. The Group's treasury policies and procedures are periodically reviewed and approved by the Group's Audit Committee and are subject to regular Group Internal Audit review.

Capital risk

The Group's objectives with respect to managing capital (defined as net debt plus equity) are to safeguard the Group's ability to continue as a going concern, in order to optimise returns to shareholders and benefits for other stakeholders, through an appropriate balance of debt and equity funding. Refer to Note 18 for the value of the Group's net debt and refer to the Group statement of changes in equity for the value of the Group's equity.

In managing the Group's capital levels, the Board regularly monitors the level of debt in the business, the working capital requirements, forecast financing and investing cash flows. Based on this analysis, the Board determines the appropriate return to investors, while ensuring sufficient capital is retained in the business to meet its strategic objectives. The Board has a progressive dividend policy and expects that, over time, dividends would be broadly covered two and a half times by earnings calculated on a normalised tax basis.

The Group has in place a £400m committed multi-currency revolving credit facility. The covenants, tested half-yearly, are based on fixed charges cover and leverage (defined as total borrowings excluding lease liabilities that would have been treated as an operating lease prior to the adoption of IFRS 16, less cash and cash equivalents/consolidated pre-IFRS 16 EBITDA).

The Group has issued £327m of guaranteed senior unsecured convertible bonds due in May 2026. Settlement and delivery of the convertible bonds took place on 7 May 2021. The total bond offering of £327m covers a five-year term beginning on 7 May 2021 with a 1.625 per cent per annum coupon payable semi-annually in arrears in equal instalments. The bonds are convertible into new and/or existing ordinary shares of the WH Smith PLC. The initial conversion price was set at £24.99 representing a premium of 40 per cent above the reference share price on 28 April 2021 (£17.85). The conversion price at 31 August 2024 is £24.3104 (2023: £24.7032). If not previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on 7 May 2026.

Liquidity risk

The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives through both short- and long-term cash flow forecasts. The Group has a committed multi-currency revolving credit facility with a number of financial institutions, which is available to be drawn for general corporate purposes including working capital. The facility is due to mature on 13 June 2029.

The Group has a policy of pooling cash flows in order to optimise the return on surplus cash and also to utilise cash within the Group to reduce the costs of external short-term funding.

21. Financial instruments (continued)

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows of the Group's financial liabilities:

2024 (£m)	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due over 5 years	Total
Non-derivative financial liabilities					
Bank loans and overdrafts	**122**	**331**	**–**	**–**	**453**
Trade and other payables	**304**	**–**	**–**	**–**	**304**
Lease liabilities	**146**	**123**	**273**	**186**	**728**
Total cash flows	**572**	**454**	**273**	**186**	**1,485**

2023 (£m)	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due over 5 years	Total
Non-derivative financial liabilities					
Bank loans and overdrafts	89	5	331	–	425
Trade and other payables	293	–	–	–	293
Lease liabilities	136	110	253	164	663
Total cash flows	518	115	584	164	1,381

Credit risk

Credit risk is the risk that a counterparty may default on their obligation to the Group in relation to lending, hedging, settlement and other financial activities. The Group's principal financial assets are trade and other receivables, and bank balances and cash, which are considered to have low credit risk on initial recognition.

The Group has credit risk attributable to its trade and other receivables, including a number of sale or return contracts with suppliers. The amounts included in the balance sheet are net of allowances for expected credit losses. The Group has adopted the simplified approach to calculating expected credit losses allowed by IFRS 9. Historical credit loss rates are applied consistently to groups of financial assets with similar risk characteristics. These are then adjusted for known changes in, or any forward-looking impacts on, creditworthiness.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that credit risk might have increased significantly include the failure of the debtor to engage in a payment plan and failure to make contractual payments within 180 days past due, which is in line with historical experience of increased credit risk. Indicators that an asset is credit-impaired would include observable data in relation to the financial health of the debtor or if the debtor breaches contract.

The Group has low retail credit risk due to the transactions being principally high volume, low-value and of short maturity. The Group has no significant concentration of credit risk, with the exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds and derivative financial instruments is considered to be low, as the Board-approved Group treasury policy limits the value that can be placed with each approved counterparty to minimise the risk of loss. These limits are based on a short-term credit rating of P–1.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk. The Group does not hold collateral over any of these financial assets.

Interest rate risk

The Group is exposed to cash flow interest rate risk on floating rate deposits and overdrafts.

At 31 August 2024, the Group had drawn down £117m (2023: £84m) from its £400m committed revolving credit facility. When the Group draws down on this facility, it does not view any draw down as long-term in nature and therefore does not enter into interest rate derivatives to mitigate this risk.

Foreign currency risk

Foreign exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Group's foreign currency exposures are principally to the US dollar, Euro and Australian dollar. The Group's treasury function uses financial instruments to mitigate foreign exchange risk, in line with treasury policies approved by the Board. Financial instruments include foreign exchange contracts, deposits and bank loans.

Notes to the financial statements continued

21. Financial instruments (continued)

The Group uses forward foreign exchange contracts to hedge significant future transactions and cash flows denominated in currencies other than pounds sterling. The hedging instruments have been used to hedge purchases in US dollars and to minimise foreign exchange risk in movements of the USD/GBP exchange rates. These are designated as cash flow hedges. At 31 August 2024 the Group had no material unhedged currency exposures.

The Group's US dollar, Euro and Australian dollar exposure is principally operational and arises mainly through the operation of retail stores in North America, France, Ireland, Spain, Germany, Netherlands, Italy and Australia. The Group does not use derivatives to hedge balance sheet and profit and loss translation exposure.

The fair value of cash flow hedges recognised within derivative assets/liabilities is shown below:

£m	**2024**	2023
Fair value of derivative (liabilities)/assets	**–**	(1)

At 31 August 2024, the total notional amount of outstanding forward foreign exchange contracts to which the Group has committed is US$30m (2023: US$30m). These instruments will be used to hedge cash flows occurring up to one year from the balance sheet date.

Gains of £nil (2023: £nil) have been transferred to the income statement and gains of £nil (2023: £nil) have been transferred to inventories in respect of contracts that matured during the year ended 31 August 2024. In the year to 31 August 2024, the fair value loss on the Group's currency derivatives that are designated and effective as cash flow hedges amounted to £nil (2023: loss of £2m).

All the derivatives held by the Group at fair value are considered to have fair values determined by Level 2 inputs as defined by the fair value hierarchy. There are no non-recurring fair value measurements nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy.

Sensitivity analysis as at 31 August 2024

Financial instruments affected by market risks include borrowings, deposits and derivative financial instruments. The following analysis, required by IFRS 7 "Financial Instruments": Disclosures, is intended to illustrate the sensitivity to changes in market variables, being UK interest rates, and USD/GBP, EUR/GBP and AUD/GBP exchange rates.

The following assumptions were made in calculating the sensitivity analysis:

- Exchange rate fluctuations on currency derivatives that form part of an effective cash flow hedge relationship affect the hedging reserve in equity and the fair value of the hedging derivatives.
- Year end exchange rates applied in the analysis are USD/GBP 1.3167/1 (2023: 1.2689/1), EUR/GBP 1.1887/1 (2023: 1.1666/1) and AUD/GBP 1.9352/1 (2023: 1.9583/1).
- Group debt and hedging activities reflect the positions at 31 August 2024 and 31 August 2023 respectively. As a consequence, the analysis relates to the position at those dates and is not necessarily representative of the years then ended.

The above assumptions are made when illustrating the effect on the Group's income statement and equity given reasonable movements in foreign exchange and interest rates before the effect of tax. The Group considers a reasonable interest rate movement in GBP SONIA/base rate to be one per cent. Similarly, sensitivity to movements in USD/GBP, EUR/GBP and AUD/GBP exchange rates of ten per cent are shown, reflecting changes of reasonable proportion in the context of movement in those currency pairs over time.

Using these assumptions, the following table shows the illustrative effect on the Group income statement and equity.

	2024		2023	
£m	**Income gain/(loss)**	**Equity gain/(loss)**	Income (loss)/gain	Equity (loss)/gain
GBP SONIA/base rate interest rates 1% increase	**(1)**	**–**	(1)	–
USD/GBP exchange rates 10% increase	**(1)**	**(35)**	(3)	(36)
EUR/GBP exchange rates 10% increase	**(1)**	**–**	1	(4)
AUD/GBP exchange rates 10% increase	**–**	**(1)**	–	(1)
GBP SONIA/base rate interest rates 1% decrease	**1**	**–**	1	–
USD/GBP exchange rates 10% decrease	**2**	**47**	3	47
EUR/GBP exchange rates 10% decrease	**1**	**(3)**	(2)	(2)
AUD/GBP exchange rates 10% decrease	**–**	**1**	1	1

22. Called up share capital

Allotted and fully paid

	2024		2023	
	Number of shares (millions)	**Nominal value £m**	Number of shares (millions)	Nominal value £m
Equity:				
Ordinary shares of 22 6/67p	**131**	**29**	131	29
Total	**131**	**29**	131	29

During the year there were no ordinary shares allotted under the terms of the Company's Sharesave Scheme (2023: 2,019 ordinary shares). There was no effect from the prior year allotment of ordinary shares on share premium.

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.

The ESOP reserve of £27m (2023: £15m) represents the cost of shares in WH Smith PLC purchased in the market and held by the WH Smith Employee Benefit Trust to satisfy awards and options under the Group's executive share schemes. The total shareholding is 1,892,970 (2023: 1,031,943).

23. Share-based payments

Summary of movements in awards and options

Number of shares	Sharesave Schemes	LTIPs	PSP	Cash-settled awards	Total
Outstanding at 1 September 2023	**433,149**	**3,331,230**	**487,099**	**111,934**	**4,363,412**
Options and awards granted	**–**	**1,649,091**	**367,058**	**–**	**2,016,149**
Options and awards exercised	**–**	**–**	**(45,941)**	**–**	**(45,941)**
Options and awards lapsed/cancelled	**(112,833)**	**(622,734)**	**(100,631)**	**(69,701)**	**(905,899)**
Outstanding at 31 August 2024	**320,316**	**4,357,587**	**707,585**	**42,233**	**5,427,721**
Exercisable at 31 August 2024	**141,665**	**10,764**	**40,512**	**–**	**192,941**
Outstanding at 1 September 2022	318,615	2,512,407	461,277	111,934	3,404,233
Options and awards granted	246,718	1,403,432	278,982	–	1,929,132
Options and awards exercised	(2,019)	(69,916)	(34,111)	–	(106,046)
Options and awards lapsed/cancelled	(130,165)	(514,693)	(219,049)	–	(863,907)
Outstanding at 31 August 2023	433,149	3,331,230	487,099	111,934	4,363,412
Exercisable at 31 August 2023	245	10,764	41,726	–	52,735

Pence	2024	2023
Weighted average exercise price of awards:		
– Outstanding at the beginning of the year	**134.87**	136.94
– Granted in the year	**–**	16.46
– Exercised in the year	**–**	30.65
– Lapsed in the year	**169.29**	233.18
– Outstanding at the end of the year	**80.17**	134.87
– Exercisable at the end of the year	**1,027.94**	7.48

Notes to the financial statements continued

23. Share-based payments (continued)

Detail of movements in options and awards

LTIPs

Under the terms of the LTIP, executive directors and key senior executives may be granted conditional awards to acquire ordinary shares in the Company (in the form of nil cost options) which will only vest and become exercisable to the extent that the related performance targets are met.

Outstanding awards granted under the LTIPs are as follows:

	Number of shares			
Date of grant	2024	2023	Exercise price (pence)	Exercise period
20 October 2016	**8,404**	8,404	Nil	Oct 2019 – 20.10.26
26 October 2017	**2,360**	2,360	Nil	Oct 2020 – 26.10.27
19 November 2020	**653,125**	1,004,807	Nil	Nov 2025 – 19.11.30
19 November 2021	**946,424**	1,004,940	Nil	Nov 2026 – 19.11.31
21 November 2022	**1,132,460**	1,310,719	Nil	Nov 2027 – 21.11.32
27 April 2023	**50,996**	–	Nil	Nov 2027 – 21.11.32
14 September 2023	**179,640**	–	Nil	Nov 2028 – 21.11.32
16 November 2023	**1,347,425**	–	Nil	Nov 2028 – 16.11.33
1 February 2024	**36,753**	–	Nil	Nov 2028 – 16.11.33
	4,357,587	3,331,230		

Awards will first become exercisable on the vesting date, which is the third anniversary of the date of grant. Awards made on or after October 2016 are subject to holding periods preventing the delivery and sale of shares until the fifth anniversary of the date of grant. For awards made in October 2016 and October 2017, the holding period applies to 50 per cent of any shares which vest. For awards made in November 2018, and all subsequent awards, the holding period applies to 100 per cent of any shares that vest. The awards will accrue dividends paid over the performance and any holding period. LTIP awards are equity-settled.

Sharesave Scheme

Under the terms of the Sharesave Scheme, the Board grants options to purchase ordinary shares in the Company to employees with at least three months service who enter into an HM Revenue & Customs approved Save-As-You-Earn ("SAYE") savings contract for a term of three years. Options are granted at up to a 20 per cent discount to the market price of the shares on the date of offer and are normally exercisable for a period of six months after completion of the SAYE contract. SAYE options are equity-settled.

Outstanding options granted under the Sharesave Scheme at 31 August 2024 and 31 August 2023 are as follows:

	Number of shares			
Date of grant	2024	2023	Exercise price (pence)	Exercise period
5 June 2019 (3 year)	**–**	245	1,609.60	01.08.22 – 31.01.23
9 June 2021 (3 year)	**141,665**	191,679	1,400.00	01.08.24 – 31.01.25
14 June 2023 (3 year)	**178,651**	241,225	1,325.60	01.08.26 – 31.01.27
	320,316	433,149		

Performance Share Plan ("PSP")

Under the terms of the Performance Share Plan, the Board may grant conditional awards to executives. The exercise of awards is conditional on the achievement of a performance target, which is determined by the Board at the time of grant. The executive directors do not participate in this plan. PSP awards are equity-settled.

23. Share-based payments (continued)

Outstanding awards granted under the PSP are as follows:

Date of grant	Number of shares 2024	2023	Exercise price (pence)	Exercise period
23 October 2014	**870**	870	Nil	Oct 2017 – 23.10.24
20 October 2016	**3,039**	3,287	Nil	Oct 2019 – 20.10.26
19 November 2020	**36,603**	83,774	Nil	Nov 2021 – 19.11.30
19 November 2021	**136,860**	145,123	Nil	Nov 2024 – 19.11.31
21 November 2022	**217,793**	254,045	Nil	Nov 2025 – 21.11.32
16 November 2023	**312,420**	–	Nil	Nov 2026 – 16.11.33
	707,585	487,099		

Deferred Bonus Plan ("DBP")

The Deferred Bonus Plan is applicable to executive directors only. Under the terms of the DBP, any bonus payable over target is deferred into shares for a period of up to three years. One third of the deferred shares are released on each anniversary of the bonus.

At 31 August 2024, 117,516 (2023: 73,049) shares remain deferred in accordance with this plan.

Cash-settled schemes

Under the terms of the LTIP and PSP, the Board may grant cash-settled awards to executives. The exercise of options is conditional on the achievement of a performance target, which is determined by the Board at the time of grant. These awards will be settled in cash based on the share price at the date of exercise. As at 31 August 2024 there were 42,233 outstanding nil-cost cash-settled awards (2023: 111,934), which will be settled at various dates up to November 2031. The carrying amount of liabilities arising from share-based payment transactions is less than £1m (2023: less than £1m).

Fair value information

	2024	2023
Weighted average share price at date of exercise of share options exercised during year – pence	**1,299.63**	1,429.62
Weighted average remaining contractual life at end of year – years	**8**	8

Share options and awards granted

The aggregate of the estimated fair value of the options and awards granted in the year is:

£m	2024	2023
	20	20

The fair values of the LTIP and PSP awards granted were measured using a Monte Carlo simulation model. The input range into the Monte Carlo models was as follows:

	2024	2023
Share price – pence	**1,287.00**	1,364.50
Exercise price – pence	**Nil**	Nil
Expected volatility – per cent	**35–36**	47
Expected life – years	**3.0**	3.0
Risk-free rate – per cent	**4.15–4.19**	3.17
Dividend yield – per cent	**0%–2.25%**	0%–2%
Weighted average fair value of options – pence	**972.74**	1,042.45

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected life of the option.

Notes to the financial statements continued

23. Share-based payments (continued)

The fair values of the Sharesave options granted in the year ended 31 August 2023 were measured using a Black–Scholes model. None were granted in the year ended 31 August 2024. The input range into the Black–Scholes models was as follows in the year ended 31 August 2023:

	2023
Share price – pence	1,638.00
Exercise price – pence	1,325.60
Expected volatility – per cent	76
Expected life – years	3.38
Risk-free rate – per cent	4.14
Dividend yield – per cent	1.05
Weighted average fair value of options – pence	946

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected life of the option.

24. Related party transactions

Transactions between businesses within this Group which are related parties have been eliminated on consolidation and are not disclosed in this Note.

Remuneration of key management personnel

The remuneration of the executive and non-executive directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

Further information about the remuneration of individual directors is provided in the Directors' remuneration report on pages 85 to 109.

£'000	**2024**	2023
Short-term employee benefits	**3,315**	3,509
Post-employment benefits	**33**	83
Share-based payments	**1,907**	2,076
	5,255	5,668

There are no other transactions with directors.

25. Other reserves

£m	Other reserves	Revaluation reserve	ESOP reserve	Hedging reserve	Convertible bond reserve	Total
Balance as at 1 September 2023	**(282)**	**2**	**(15)**	**–**	**40**	**(255)**
Cash flow hedges	**–**	**–**	**–**	**–**	**–**	**–**
Employee share schemes	**(1)**	**–**	**(12)**	**–**	**–**	**(13)**
Balance at 31 August 2024	**(283)**	**2**	**(27)**	**–**	**40**	**(268)**

£m	Other reserves	Revaluation reserve	ESOP reserve	Hedging reserve	Convertible bond reserve	Total
Balance as at 1 September 2022	(280)	2	(9)	3	40	(244)
Cash flow hedges	–	–	–	(3)	–	(3)
Employee share schemes	(2)	–	(6)	–	–	(8)
Balance at 31 August 2023	(282)	2	(15)	–	40	(255)

The Other reserves include reserves created in relation to historical capital reorganisation and proforma restatement of £(238)m (2023: £(238)m), demerger from Smiths News PLC in 2006 of £69m (2023: £69m), and cumulative amounts relating to employee share schemes of £114m (2023: £(113)m).

25. Other reserves (continued)

The convertible bond reserve is a reserve created to recognise the equity component of the convertible bond issued in April 2021 (see Note 18) and represents the value of the conversion rights at initial recognition of £41m, net of transaction costs of £1m.

Capital redemption reserve

The Capital redemption reserve of £13m (2023: £13m) represents the par value of shares repurchased and cancelled under the Group's share buyback programme and is reclassified from Share capital to the Capital redemption reserve.

26. Retirement benefit surplus

WH Smith PLC has operated a number of defined benefit and defined contribution pension plans. The main pension arrangements for employees are operated through two defined benefit schemes, the WHSmith Pension Trust and the United News Shops Retirement Benefits Scheme, and a defined contribution scheme, WH Smith Retirement Savings Plan.

a) Defined benefit pension schemes

i) The WHSmith Pension Trust

The WHSmith Pension Trust Final Salary Section is a funded final salary defined benefit scheme; it was closed to defined benefit service accrual on 2 April 2007 and has been closed to new members since 1996.

Following the purchase of a bulk annuity during the year ended 31 August 2022 (the buy in), the Trustee commenced the process to move to buy out and wind up of the scheme. During the year ended 31 August 2024 the Trustee completed the activities necessary to move to buy out, with administration transferred to Standard Life, and commenced formal winding up of the Scheme.

In June 2024, following the member consultation process and the conclusion of the statutory notification process, the Trustee was advised that it could legally distribute the remaining pension cash surplus to the sponsoring employer, and therefore confirmed its intention to return surplus assets, after associated costs, to the sponsor. As a result, the Group determined that it has an unconditional right to the surplus asset, and the IAS 19 post-tax surplus of £87m has been recognised through other comprehensive income in the year and the IFRIC 14 ceiling eliminated.

The amounts recognised in the Group balance sheet at 31 August 2024 are as follows:

£m	2024
Present value of the obligations	–
Fair value of plan assets	**87**
Net surplus recognised in the balance sheet	**87**

At the prior year balance sheet date, 31 August 2023, the Group did not have an unconditional right to derive economic benefit from any surplus in the scheme, as the Trustees retained the right to enhance benefits under the Trust deed, and therefore the present value of the economic benefits of any IAS 19 surplus in the pension scheme available to the Group was £nil. Accordingly, no balance sheet asset or liability existed at 31 August 2023 in relation to this scheme.

The amounts recognised in the Statement of other comprehensive income are as follows:

£m	2024
Reassessment of the recoverability of retirement benefit scheme surplus	**87**
Actuarial gains on defined benefit pension schemes	**2**
	89

The amounts recognised in the Income statement are as follows:

£m	2024
Administrative expenses (recognised in non-underlying items)	**2**

Costs of £2m relating to legal and consulting advice, Trustee indemnity insurance and run-off cover, have been incurred during the year ended 31 August 2024 in relation to the buy out and wind up of the scheme and have been recognised in the income statement in non-underlying items.

Notes to the financial statements continued

26. Retirement benefit surplus (continued)

a) Defined benefit pension schemes (continued)

i) The WHSmith Pension Trust (continued)

Post balance sheet event

In September 2024, the Trustee transferred the surplus assets to the Group, comprising cash of £75m and an investment in Permira Credit Solutions III Fund of £12m following finalisation of the buy-out of the defined benefit liabilities in the Retail Section of the WHSmith Pension Trust. The transfer of assets was net of applicable taxes payable by the Trust of taxes owed to HMRC, which were settled by the Trustee. As agreed with the Trustee, the return of the surplus preceded the formal winding up steps of the Retail Section.

The pension surplus of £87m (net of tax and costs) comprises cash of £75m and investments of £12m.

Following the publication of an HMRC newsletter on 24 October 2024, the Group has become aware of a difference in interpretation of the rules on the calculation of the tax due between the Trustee and HMRC on the surplus arising from the buy out of the defined benefit pension scheme. As a result, the Group could be required to reimburse the Trustee £6m. This has not been recorded as a liability in the financial statements of the Group as at 31 August 2024.

ii) United News Shops Retirement Benefit Scheme

The Group also operates a smaller scheme, the United News Shops Retirement Benefits Scheme ("UNSRBS"), which is closed to new entrants and further service accrual. The scheme provides pension benefits for pensioners and deferred members based on salary at the date of closure, with increases based on inflation.

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 scheme was carried out at 5 April 2021 by independent actuaries. Following this valuation, the deficit was less than £1m.

The present value of obligations and fair value of assets are stated below.

£m	**2024**	2023
Present value of the obligations	**(5)**	(5)
Fair value of plan assets	**5**	5
Retirement benefit obligation recognised in the balance sheet	**–**	–

b) Defined contribution pension scheme

The pension cost charged to income for the Group's defined contribution schemes amounted to £7m for the year ended 31 August 2024 (2023: £6m).

27. Acquisitions

During the year, the Group completed two small acquisitions in Ireland and Australia for total consideration of £6m. These acquisitions resulted in the recognition of additions to goodwill of £6m. There were no acquisitions in the prior year.

28. Events after the balance sheet date

Share buyback programme

On 10 September 2024, the Company announced its intention to return up to £50m of cash to shareholders through a rolling share buyback programme. As at 13 November 2024, the Company has repurchased 0.4m of its own shares in the open market as part of the Company's share buyback programme for a consideration of £6m.

Return of pension surplus

See Note 26 for information concerning the refund of the WHSmith Pension Trust surplus to the Group in September 2024.

29. Subsidiary companies

The subsidiary companies included within the financial statements are disclosed below.

UK subsidiaries

Name	Country of incorporation/ registration	Registered address	Class of shares	Proportion of shares held by Group companies %	Principal activity
Held directly by WH Smith PLC:					
WH Smith Group Limited	England & Wales	1	Ordinary	100	Holding company
Held indirectly:					
Books & Stationers Limited	England & Wales	1	Ordinary	100	Retailing
Card Market Limited	England & Wales	1	Ordinary	100	Retailing
funkypigeon.com Limited	England & Wales	1	Ordinary	100	Retailing
Modelzone Limited	England & Wales	1	Ordinary	100	Dormant
Sussex Stationers Limited	England & Wales	1	Ordinary	100	Dormant
The SQL Workshop Limited	England & Wales	1	Ordinary	100	Retailing
The Websters Group Limited	England & Wales	1	Ordinary	100	Dormant
WH Smith (Qatar) Limited	England & Wales	1	Ordinary	100	Dormant
WH Smith Online Limited	England & Wales	1	Ordinary	100	Holding Company
WH Smith HS Limited	England & Wales	1	Ordinary	100	Holding Company
WH Smith Retail Holdings Limited	England & Wales	1	Ordinary	100	Holding Company
WH Smith 1955 Limited	England & Wales	1	Ordinary	100	Holding Company
WH Smith High Street Holdings Limited	England & Wales	1	Ordinary	100	Holding Company
WH Smith High Street Limited	England & Wales	1	Ordinary & Preference	100	Retailing
WH Smith Hospitals Holdings Limited	England & Wales	1	Ordinary & Preference	100	Holding Company
WH Smith Hospitals Limited	England & Wales	1	Ordinary	100	Retailing
WH Smith Promotions Limited	England & Wales	1	Ordinary	100	Retailing
WH Smith Retirement Savings Plan Limited	England & Wales	1	Ordinary	100	Dormant
WH Smith Travel 2008 Limited	England & Wales	1	Ordinary	100	Holding Company
WH Smith Travel Holdings Limited	England & Wales	1	Ordinary	100	Holding Company
WH Smith Travel Limited	England & Wales	1	Ordinary & Preference	100	Retailing
WH Smith US Group Holdings Limited	England & Wales	1	Ordinary	100	Holding Company
WH Smith US Retail Holdings Limited	England & Wales	1	Ordinary	100	Holding Company

The following UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ended 31 August 2024.

Notes to the financial statements continued

29. Subsidiary companies (continued)

The Company will guarantee the debts and liabilities of the UK subsidiary undertakings below at the balance sheet date in accordance with Section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

Name	Company number
Held indirectly:	
Books & Stationers Limited	07515820
Card Market Limited	08956574
WH Smith 1955 Limited	00549069
WH Smith High Street Holdings Limited	06560371
WH Smith Hospitals Holdings Limited	03806896
WH Smith Promotions Limited	02339902
The SQL Workshop Limited	02676287
WH Smith Travel 2008 Limited	06560390
WH Smith US Group Holdings Limited	11615426
WH Smith US Retail Holdings Limited	11618458

International joint ventures

The below entities are joint ventures and per the Group's accounting policies on page 128, the Group's share of results of these joint ventures is included in the Group consolidated income statement using the equity method of accounting.

Name	Country of incorporation/ registration	Registered address	Class of shares	Proportion of shares held by Group companies %	Principal activity
Held indirectly:					
WH Smith – DFA Brasil Cafeteria, Livraria E Conveniencia Eireli	Brazil	15	Ordinary	50	Retailing
WH Smith Malaysia SDN BHD	Malaysia	11	Ordinary	50	Retailing
WH Smith LLC	Oman	10	Ordinary	50	Retailing
MSP Innovations, LLC	USA	16	Ordinary	33	Retailing
Nash Nails MRG, LLC	USA	16	Ordinary	39	Retailing

International subsidiaries

The below list of interests in overseas entities includes certain entities, particularly in the United States of America, in which WH Smith PLC holds less than 100 per cent ownership. These entities primarily relate to airport operations in which the Group is required to engage with a local partner in order to operate the stores. Per the accounting policy set out on page 128, the Group has determined that it has control of these entities and has therefore consolidated their results.

Name	Country of incorporation/ registration	Registered address	Class of shares	Proportion of shares held by Group companies %	Principal activity
Held indirectly:					
WH Smith (Global Sourcing) Ltd	Hong Kong	2	Ordinary	100	Product sourcing for Group companies
WH Smith Australia Pty Limited	Australia	3	Ordinary	100	Retailing
WH Smith Calais S.A.S	France	4	Ordinary	100	Retailing
WH Smith Germany GmbH	Germany	5	Ordinary	100	Retailing
WH Smith Hungary Korlátolt	Hungary	21	Ordinary	100	Retailing
WH Smith Ireland Limited	Ireland	6	Ordinary	100	Retailing
WH Smith Italia S.R.L	Italy	7	Ordinary	100	Retailing
WH Smith Jersey Limited	Jersey	8	Ordinary	100	Retailing
WH Smith LLC	Qatar	9	Ordinary	49	Retailing
WH Smith Nederland B.V.	Netherlands	12	Ordinary	100	Dormant

29. Subsidiary companies (continued)

Name	Country of incorporation/ registration	Registered address	Class of shares	Proportion of shares held by Group companies %	Principal activity
WH Smith Belgium (SRL)	Belgium	18	Ordinary	100	Retailing
WH Smith Norway AS	Norway	19	Ordinary	100	Retailing
WH Smith Singapore Pte. Limited	Singapore	13	Ordinary	100	Retailing
WH Smith Spain S.L.	Spain	14	Ordinary	100	Retailing
WH Smith Sweden AB	Sweden	20	Ordinary	100	Retailing
WH Smith USA Holdings Inc	USA	16	Ordinary	100	Holding Company
InMotion Entertainment Holdings LLC	USA	16	Ordinary	100	Holding Company
InMotion Entertainment Personnel Leasing Corp	USA	16	Ordinary	100	Holding Company
WH Smith USA Retail Inc	USA	16	Ordinary	100	Holding Company
InMotion SFO, LLC	USA	16	Ordinary	88	Retailing
Wild Retail Group Pty Limited	Australia	3	Ordinary	100	Retailing
InMotion Entertainment Group, LLC	USA	16	Ordinary	100	Retailing
InMotion AUS, LLC	USA	16	Ordinary	88	Retailing
InMotion BNA-C,LLC	USA	16	Ordinary	80	Retailing
InMotion BOS-BCE, LLC	USA	16	Ordinary	80	Retailing
InMotion BWI, LLC	USA	16	Ordinary	60	Retailing
InMotion CLE, LLC	USA	16	Ordinary	67	Retailing
Soundbalance CLT, LLC	USA	16	Ordinary	67	Retailing
InMotion – SB DC, LLC	USA	16	Ordinary	75	Retailing
InMotion DCA, LLC	USA	16	Ordinary	75	Retailing
InMotion DEN-B, LLC	USA	16	Ordinary	75	Retailing
DFW-A Retail Partners, LLC	USA	16	Ordinary	60	Retailing
DFW-E Retail Partners, LLC	USA	16	Ordinary	65	Retailing
DFW-D/E Retail Partners, LLC	USA	16	Ordinary	70	Retailing
Soundbalance DTW, LLC	USA	16	Ordinary	67	Retailing
InMotion DTW, LLC	USA	16	Ordinary	75	Retailing
InMotion EWR, LLC	USA	16	Ordinary	80	Retailing
InMotion EWR-B, LLC	USA	16	Ordinary	85	Retailing
InMotion FLL, LLC	USA	16	Ordinary	62	Retailing
InMotion FLL-T4, LLC	USA	16	Ordinary	62	Retailing
InMotion IAD, LLC	USA	16	Ordinary	75	Retailing
InMotion LAX, LLC	USA	16	Ordinary	75	Retailing
InMotion LAX-IT,LLC	USA	16	Ordinary	80	Retailing
Soundbalance IAH, LLC	USA	16	Ordinary	67	Retailing
Soundbalance MCO, LLC	USA	16	Ordinary	67	Retailing
InMotion MCO, LLC	USA	16	Ordinary	73	Retailing
Soundbalance Miami, LLC	USA	16	Ordinary	67	Retailing
InMotion Bright, LLC	USA	16	Ordinary	75	Retailing
InMotion MSY, LLC	USA	16	Ordinary	64	Retailing
InMotion ORD, LLC	USA	16	Ordinary	70	Retailing
InMotion ORD T2, LLC	USA	16	Ordinary	70	Retailing
Soundbalance PDX, LLC	USA	16	Ordinary	67	Retailing
Soundbalance PHL, LLC	USA	16	Ordinary	67	Retailing
InMotion PHL, LLC	USA	16	Ordinary	70	Dormant
Soundbalance ATL-E, LLC	USA	16	Ordinary	67	Retailing

Notes to the financial statements continued

29. Subsidiary companies (continued)

Name	Country of incorporation/ registration	Registered address	Class of shares	Proportion of shares held by Group companies %	Principal activity
InMotion ATL, LLC	USA	16	Ordinary	80	Retailing
InMotion ATL-A, LLC	USA	16	Ordinary	64	Retailing
InMotion PHX, LLC	USA	16	Ordinary	80	Retailing
InMotion PHX T3, LLC	USA	16	Ordinary	90	Retailing
Soundbalance SAN, LLC	USA	16	Ordinary	55	Retailing
InMotion SAT, LLC	USA	16	Ordinary	75	Retailing
InMotion SEA, LLC	USA	16	Ordinary	88	Retailing
InMotion SFO-T3, LLC	USA	16	Ordinary	85	Retailing
InMotion SFO-IT, LLC	USA	16	Ordinary	90	Retailing
InMotion SLC-A,LLC	USA	16	Ordinary	85	Retailing
InMotion SLC-B,LLC	USA	16	Ordinary	90	Retailing
InMotion SMF,LLC	USA	16	Ordinary	90	Retailing
InMotion CLT, LLC	USA	16	Ordinary	74	Retailing
Marshall Retail Group Holding Co Inc	USA	16	Ordinary	100	Holding company
MRG Holdings Corp	USA	16	Ordinary	100	Holding company
Marshall Retail Group LLC	USA	16	Ordinary	100	Retailing
The Marshall Retail Group Canada Inc	Canada	17	Ordinary	100	Retailing
MRG Baltimore Concourse A, LLC	USA	16	Ordinary	70	Retailing
MRG Baltimore (BWI), LLC	USA	16	Ordinary	70	Retailing
MRG Chicago, LLC	USA	16	Ordinary	65	Retailing
MRG Denver, LLC	USA	16	Ordinary	75	Retailing
MRG Dallas II, LLC	USA	16	Ordinary	65	Retailing
MRG Kansas City, LLC	USA	16	Ordinary	80	Retailing
MRG LaGuardia, LLC	USA	16	Ordinary	80	Retailing
MRG LaGuardia Terminal A, LLC	USA	16	Ordinary	75	Retailing
MRG Los Angeles, LLC	USA	16	Ordinary	70	Retailing
MRG Los Angeles T3	USA	16	Ordinary	70	Retailing
MRG Jacksonville, LLC	USA	16	Ordinary	70	Retailing
MRG Las Vegas, LLC	USA	16	Ordinary	90	Retailing
MRG Oakland, LLC	USA	16	Ordinary	80	Retailing
MRG Palm Springs, LLC	USA	16	Ordinary	75	Retailing
MRG Portland, LLC	USA	16	Ordinary	75	Retailing
MRG Phoenix 1, LLC	USA	16	Ordinary	65	Retailing
MRG Phoenix 2, LLC	USA	16	Ordinary	65	Retailing
MRG Newark, LLC	USA	16	Ordinary	74	Retailing
MRG Newark 2, LLC	USA	16	Ordinary	74	Retailing
MRG Nashville, LLC	USA	16	Ordinary	80	Retailing
MRG Orlando, LLC	USA	16	Ordinary	70	Retailing
MRG Raleigh Terminal 1, LLC	USA	16	Ordinary	55	Retailing
MRG RDU T2, LLC	USA	16	Ordinary	80	Retailing
MRG Sacramento, LLC	USA	16	Ordinary	90	Retailing
MRG Salt Lake City, LLC	USA	16	Ordinary	80	Retailing
MRG San Francisco, LLC	USA	16	Ordinary	80	Retailing
MRG San Francisco Terminal 1, LLC	USA	16	Ordinary	80	Retailing

29. Subsidiary companies (continued)

Name	Country of incorporation/ registration	Registered address	Class of shares	Proportion of shares held by Group companies %	Principal activity
MRG San Francisco Terminal 2, LLC	USA	16	Ordinary	85	Retailing
MRG San Francisco Terminal 3, LLC	USA	16	Ordinary	80	Retailing
MRG Savannah, LLC	USA	16	Ordinary	55	Retailing
MRG Seattle, LLC	USA	16	Ordinary	80	Retailing
MRG Washington (DCA), LLC	USA	16	Ordinary	75	Retailing
MRG Washington (DCA) II, LLC	USA	16	Ordinary	75	Retailing
MRG Washington (DCA) III, LLC	USA	16	Ordinary	70	Retailing
MRG Washington (DCA) IV, LLC	USA	16	Ordinary	75	Retailing
MRG Washington (IAD), LLC	USA	16	Ordinary	75	Retailing
Midway Fresh MRG, LLC	USA	16	Ordinary	20	Retailing
WH Smith DEN, LLC	USA	16	Ordinary	70	Retailing
Newsrail Resources Ltd	Ireland	6	Ordinary	100	Retailing
MRG Las Vegas II, LLC	USA	16	Ordinary	95	Retailing
MRG Portland II, LLC	USA	16	Ordinary	70	Retailing
MRG Sarasota, LLC	USA	16	Ordinary	80	Retailing
MRG San Diego, LLC	USA	16	Ordinary	75	Retailing
InMotion New Jersey, LLC	USA	16	Ordinary	65	Retailing
InMotion New York, LLC	USA	16	Ordinary	80	Retailing
InMotion Pittsburgh, LLC	USA	16	Ordinary	90	Retailing
WH Smith Travel (Jersey) Ltd	Jersey	8	Ordinary	100	Retailing
WH Smith DCA, LLC	USA	16	Ordinary	75	Retailing

Registered addresses

1	Greenbridge Road, Swindon, Wiltshire SN3 3RX
2	Suites 13A01–04, 13 Floor, South Tower, World Finance Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong
3	Suite 401, 80 William Street, Woolloomooloo NSW 2011, Australia
4	38 Rue des Mathurins, 75008 Paris 8, France
5	Terminal Ring 1, Zentralgebaude Ost, Zi. 5. 035, 40474 Dusseldorf, Germany
6	6th Floor, Grand Canal Square, Dublin 2, Ireland
7	Via Porlezza 12, Cap 20123, Milano, Italy
8	72/74 King Street, St Helier, Jersey, JE2 4WE
9	27 Um Ghwalinah Road, 230 C-ring Road, Doha, Qatar
10	PO Box 3275, PC112, Ruwi, Oman
11	C2–6–1, Solaris Dutamas, 1, Jalan Dutamas 1, 50480, Kuala Lumpur, Malaysia
12	Weteringschans 94, 1017 XS, Amsterdam, Netherlands
13	11 Keng Cheow Street #3–10 The Riverside Piazza, Singapore 059608
14	Paseo de Recoletos, 27, 7ª, 28004, Madrid, Spain
15	Avenida das Americas, No. 3434, Barra da Tijuca, CEP 22640–102, Rio de Janeiro, RJ, Brazil
16	6600 Bermuda Road, Las Vegas, Nevada, NV 89119, USA
17	2200 HSBC Building, 885 West Georgia Street, Vancouver, BC V6C 3E8, Canada
18	Posthofbrug 10 boîte 4, 2600 Anvers, Belgium
19	Bryggegata 6, 0250 Oslo, Norway
20	Norrlandsgatan 16, 111 43 Stockholm
21	1139 Budapest, Vaci ut 99–105, Hungary

Company balance sheet
As at 31 August 2024

£m	Note	2024	2023
Non-current assets			
Investments	3	**835**	835
		835	835
Current assets			
Receivables: amounts falling due within one year	4	**44**	87
		44	87
Current liabilities			
Payables: amounts falling due within one year	5	**(130)**	(130)
		(130)	(130)
Net current liabilities		**(86)**	(43)
Non-current liabilities			
Borrowings	6	**(310)**	(301)
		(310)	(301)
Total net assets		**439**	491
Shareholders' equity			
Called up share capital	9	**29**	29
Share premium account		**316**	316
Other reserves	10	**40**	40
Capital redemption reserve	10	**13**	13
Profit and loss account[1]		**41**	93
Total equity		**439**	491

1 The loss for the year attributable to shareholders was £11m (2023: loss of £19m). See Note 2

The financial statements of WH Smith PLC, registered number 5202036, on pages 168 to 172 were approved by the Board of Directors and authorised for issue on 14 November 2024 and were signed on its behalf by:

Carl Cowling
Group Chief Executive

Robert Moorhead
Chief Financial Officer and Chief Operating Officer

Company statement of changes in equity
For the year ended 31 August 2024

£m	Share capital	Share premium	Capital redemption reserve	Other reserves	Profit and loss account	Total
Balance at 1 September 2023	**29**	**316**	**13**	**40**	**93**	**491**
Loss for the financial year	**–**	**–**	**–**	**–**	**(11)**	**(11)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(11)**	**(11)**
Equity dividends paid during the year	**–**	**–**	**–**	**–**	**(41)**	**(41)**
Balance at 31 August 2024	**29**	**316**	**13**	**40**	**41**	**439**
Balance at 1 September 2022	29	316	13	40	134	532
Loss for the financial year	–	–	–	–	(19)	(19)
Total comprehensive loss for the year	–	–	–	–	(19)	(19)
Equity dividends paid during the year	–	–	–	–	(22)	(22)
Balance at 31 August 2023	**29**	**316**	**13**	**40**	**93**	**491**

Notes to the Company financial statements

1. Accounting policies

a) Basis of preparation

The Company's financial statements have been prepared on a going concern basis, as detailed in Note 1 of the Notes to the consolidated financial statements on page 126.

The financial statements are prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The Company meets the definition of a qualifying entity under FRS 100 (Application of Financial Reporting Requirements) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 "Reduced Disclosure Framework" as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemption available under the standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of the Group.

The financial statements are prepared under the historical cost convention.

The principal accounting policies adopted are the same as those set out in Note 1 to the consolidated financial statements except as noted below. No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 August 2024, have had a material impact on the Company.

In the application of the Company's accounting policies, the Directors do not consider that there are any further critical accounting judgements or sources of estimation uncertainty that could lead to a material change in the carrying amounts of assets and liabilities.

b) Investments in subsidiary undertakings

Investments in subsidiaries are valued at historical cost less provision for impairment in value. Investments in subsidiaries are tested annually for impairment. An impairment loss is recognised for the amount by which the carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realisable value and value-in-use.

c) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

d) Receivables

Receivables represent amounts due from other Group companies. Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for the expected credit loss on receivables is established at inception. This is modified when there is a change in the credit risk and hence evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

2. Loss for the year

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006.

The loss for the year attributable to shareholders, which is stated on an historical cost basis, was £11m (2023: loss of £19m) comprising finance costs of £15m (2023: £23m), non-underlying items of £nil (2023: £1m), offset by a tax credit of £4m (2023: £5m). There were no other recognised gains or losses.

The Company did not have any employees during the year ended 31 August 2024 (2023: nil). All directors were remunerated by other Group companies. Disclosure of audit fees payable in respect of the Company is included in Note 3 to the Group's consolidated financial statements.

3. Investments

A full list of the Company's subsidiary undertakings is included in Note 29 of the Notes to the consolidated financial statements. The registered office of WH Smith Retail Holdings Limited is Greenbridge Road, Swindon, Wiltshire SN3 3RX.

The investment in subsidiaries balance has been tested for impairment at the balance sheet date. The recoverable amount of the investment is assumed to approximate the Group's market capitalisation on the London Stock Exchange, adjusted for any assets or liabilities on the Company's balance sheet. There was substantial headroom between the recoverable amount of the investment and its carrying value. Consequently, no impairment has been recognised in respect of the investment.

During the year, the Company completed in a share for share exchange transaction with WH Smith Group Limited (a wholly owned subsidiary) whereby the Company received additional shares in WH Smith Group Limited in exchange for the entire issued share capital of WH Smith Retail Holdings Limited. The exchange did not impact the carrying value of the investment.

Notes to the Company financial statements continued

4. Receivables: amounts falling due within one year

£m	2024	2023
Amounts owed by subsidiary undertakings	**40**	82
Current tax receivable	**4**	5
	44	87

Amounts receivable from subsidiary undertakings are non-interest bearing and repayable on demand. The Company has undertaken a review of the liquidity position of the counterparty subsidiaries and noted that the subsidiaries continue to have sufficient immediately available funds to settle the receivables at the balance sheet date. As a result, no expected credit losses have been included in the profit and loss account in the current year in respect of these receivables.

5. Payables: amounts falling due within one year

£m	2024	2023
Amounts owed to subsidiary undertakings	**129**	129
Accruals and deferred income	**1**	1
	130	130

Amounts owed to subsidiary undertakings are unsecured, non-interest bearing and repayable on demand.

6. Borrowings

£m	2024	2023
Convertible bonds	**310**	301
	310	301

Revolving credit facilities

The Group has a £400m committed revolving credit facility ("RCF"). The first extension option has been exercised during the year, taking the maturity to 13 June 2029. The RCF has one further uncommitted extension option of one year, which would, subject to lender approval, extend the maturity date to 13 June 2030 if exercised. Alongside other Group companies, the Company is a guarantor on this facility.

The RCF is provided by a syndicate of banks: Barclays Bank PLC, BNP Paribas, Citibank N.A. London Branch, Fifth Third Bank National Association, HSBC UK Bank PLC, JP Morgan Securities PLC, PNC Capital Markets LLC, Banco Santander SA London Branch and Skandinaviska Enskilda Banken AB (PUBL). Utilisation is interest bearing at a margin over SONIA. As at 31 August 2024, the Group has drawn down £117m on the RCF (2023: £84m, on the RCF). The Company has not drawn on the facility.

Term loans

Term loans of £133m were repaid in the prior year.

Convertible bonds

The Company issued £327m guaranteed senior unsecured convertible bonds on 7 May 2021 with a 1.625 per cent per annum coupon payable semi-annually in arrears in equal instalments. The bonds are convertible into new and/or existing ordinary shares of WH Smith PLC. The initial conversion price was set at £24.99 representing a premium of 40 per cent above the reference share price on 28 April 2021 (£17.85). The conversion price at 31 August 2024 was £24.3104 (2023: £24.7032). If not previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on 7 May 2026.

The convertible bond is a compound financial instrument, consisting of a financial liability component and an equity component, representing the value of the conversion rights. The initial fair value of the liability portion of the convertible bond is determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis using the effective interest rate method until extinguished on conversion or maturity of the bonds. The remainder of the proceeds was allocated to the conversion option and recognised in equity (Other reserves), and not subsequently remeasured. As a result £41m of the initial proceeds of £327m was recognised in equity representing the option component.

Transaction costs of £6m were allocated between the two components and the element relating to the debt component of £5m is amortised through the effective interest rate method. The issue costs apportioned to the equity component of £1m have been deducted from equity.

7. Dividends

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

£m	2024	2023
Final dividend for the year ended 31 August 2023 of 20.8p per ordinary share	**27**	–
Interim dividend for the year ended 31 August 2024 of 11.0p per ordinary share	**14**	–
Final dividend for the year ended 31 August 2022 of 9.1p per ordinary share	**–**	12
Interim dividend for the year ended 31 August 2023 of 8.1p per ordinary share	**–**	10
	41	22

The Board has proposed a final dividend of 22.6p per share, amounting to a final dividend of c.£30m, is not included as a liability in these financial statements and, subject to shareholder approval, will be paid on 6 February 2025 to shareholders registered at the close of business on 17 January 2025.

8. Contingent liabilities

Contingent liabilities of £1m (2023: £1m) are in relation to insurance letters of credit.

The Company will guarantee the debts and liabilities of the below UK subsidiary undertakings at the balance sheet date in accordance with Section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

Name	Company number
Held indirectly:	
Books & Stationers Limited	07515820
Card Market Limited	08956574
WH Smith 1955 Limited	00549069
WH Smith High Street Holdings Limited	06560371
WH Smith Hospitals Holdings Limited	03806896
WH Smith Promotions Limited	02339902
The SQL Workshop Limited	02676287
WH Smith Travel 2008 Limited	06560390
WH Smith US Group Holdings Limited	11615426
WH Smith US Retail Holdings Limited	11618458

9. Called up share capital

Allotted and fully paid

	2024		2023	
	Number of shares (millions)	**Nominal value £m**	Number of shares (millions)	Nominal value £m
Equity:				
Ordinary shares of 22$\frac{6}{67}$p	**131**	**29**	131	29
Total	**131**	**29**	131	29

During the year there were no ordinary shares allotted under the terms of the Company's Sharesave Scheme (2023: 2,019 ordinary shares). There was no effect from the prior year allotment of ordinary shares on share premium.

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.

Notes to the Company financial statements continued

10. Other reserves and Capital redemption reserve

Other reserves are reserves created to recognise the equity component of the convertible bond issued in April 2021 (see Note 6) and represents the value of the conversion rights at initial recognition of £41m, net of transaction costs of £1m.

The Capital redemption reserve of £13m (2023: £13m) represents the par value of shares repurchased and cancelled under the Company's share buyback programme and is reclassified from Share capital to the Capital redemption reserve.

11. Events after the balance sheet date

Share buyback programme
On 10 September 2024, the Company announced its intention to return up to £50m of cash to shareholders through a rolling share buyback programme.

As at 13 November 2024, the Company has repurchased 0.4m of its own shares in the open market as part of the Company's share buyback programme for a consideration of £6m.

Receipt of dividends from subsidiaries
On 8 November 2024, the Company received a dividend £100m from WH Smith Group Limited, a directly held subsidiary undertaking.

Glossary (unaudited)

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 measure of profit and earnings per share which excludes certain items, that are considered non-underlying and are not considered to be part of the normal operations of the Group. The Group believes that 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.

The Group exercises judgement in determining whether income or expenses are reported as non-underlying. This assessment includes consideration of the size, nature or cause of occurrence of the item, as well as consistency with prior periods. Non-underlying items can include, but are not limited to, restructuring and transformation costs linked to Board agreed programmes, costs relating to M&A activity, impairment charges and other property costs, significant items relating to pension schemes, amortisation of intangible assets acquired in business combinations, and the related tax effect of these items. Reversals associated with items previously reported as non-underlying, such as reversals of impairments and releases of provisions or liabilities are also reported in non-underlying items.

Items recognised in Other comprehensive income/loss may also be identified as non-underlying for the purposes of narrative explanation of the Group's performance, where the Group has determined that they are associated with the above categories and are judged to have met the Group's definition of non-underlying.

IFRS 16
The Group adopted IFRS 16 in the year ended 31 August 2020. IFRS 16 superseded the lease guidance under IAS 17 and the related interpretations. 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.

Management have chosen to exclude the effects of IFRS 16 for the purposes of narrative commentary on the Group's performance and financial position in the Strategic report. The effect of IFRS 16 on the Group income statement is to front-load total lease expenses, being higher at the beginning of a lease contract, and lower towards the end of a contract, and this is further influenced by timing of renewals and contract wins, and lengths of contracts. As a result of these complexities, IFRS 16 measures of profit and EBITDA (used as a proxy for cash generation) do not provide meaningful KPIs or measures for the purposes of assessing performance, concession quality or for trend analysis, therefore management continue to use pre-IFRS 16 measures internally.

The impact of the implementation of IFRS 16 on the Income statement and Segmental information is provided in Notes A1 and A2 below. There is no impact on cash flows, although the classification of cash flows has changed, with an increase in net cash flows from operating activities being offset by a decrease in net cash flows from financing activities, as set out in Note A9 below. The balance sheet as at 31 August 2024 both including and excluding the impact of IFRS 16 is shown in Note A10 below.

Leases policies applicable prior to 1 September 2019
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value determined at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. These assets are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. Lease payments are apportioned between finance charges and a reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised directly in the income statement.

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. 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.

Glossary (unaudited) continued

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 measures	Various	See Notes A1–A10 and Note A12	Headline measures exclude the impact of IFRS 16 (applying the principles of IAS 17). Reconciliations of all Headline measures are provided in Notes A1 to A10 and Note A12.
Group profit before tax and non-underlying items	Group profit before tax	See Group income statement and Note A1	Group profit before tax and non-underlying items excludes the impact of non-underlying items as described below. A reconciliation from Group profit before tax and non-underlying items to Group profit before tax is provided on the Group income statement on page 121, and on a Headline (pre-IFRS 16) basis in Note A1.
Group profit from trading operations and segment trading profit	Group operating profit	See Note 2 and Note A2	Group profit from trading operations and segment 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 financial statements and on a Headline (pre-IFRS 16) basis in Note A2.
Non-underlying items	None	Refer to definition and see Note 4 and Note A6	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 that 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 4 to the financial statements, and on a Headline (pre-IFRS 16) basis in Note A6.
Earnings per share before non-underlying items	Earnings per share	Non-underlying items, see Note 9 and Note A4	Profit for the year attributable to the equity holders of the parent before non-underlying items divided by the weighted average number of ordinary shares in issue during the financial year. A reconciliation is provided on an IFRS 16 basis in Note 9 and on a Headline (pre-IFRS 16) basis in Note A4.
Headline EBITDA	Group operating profit	Refer to definition	Headline EBITDA is Headline Group operating profit before non-underlying items adjusted for pre-IFRS 16 depreciation, amortisation and impairment.
Effective tax rate	None	Non-underlying items	Total income tax charge excluding the tax impact of non-underlying items divided by Group Headline profit before tax and non-underlying items. See Note 7 on an IFRS 16 basis, and Notes A3 and A6 on a Headline pre-IFRS 16 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 a pre-IFRS 16 basis. The calculation of this measure is outlined in Note A5.

Definitions and reconciliations (continued)

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Income statement measures (continued)			
Gross margin	Gross profit margin	Not applicable	Where referred to throughout the Annual report, gross margin is calculated as gross profit divided by revenue.
Like-for-like revenue	Movement in revenue per the income statement	– Revenue change from non-like-for-like stores – Foreign exchange impact	Like-for-like revenue is the change in revenue from stores that have been open for at least a year, with a similar selling space at a constant foreign exchange rate. See Note A11.
Balance sheet measures			
Headline net debt	Net debt	Reconciliation of net debt	Headline 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 a pre-IFRS 16 basis. Lease liabilities recognised as a result of IFRS 16 are excluded from this measure. A reconciliation to net debt on an IFRS 16 basis is provided in Note A8.
Other measures			
Free cash flow	Net cash inflow from operating activities	See Note A7 and Strategic report page 29	Free cash flow is defined as the net cash inflow from operating activities before the cash flow effect of IFRS 16, non-underlying items and pension funding, less net capital expenditure. The components of free cash flow are shown in Note A7 and on page 29, as part of the Strategic report.
Operating cash flow	Net cash inflow from operating activities	See Strategic report page 29	Operating cash flow is defined as Headline profit before tax and non-underlying items, excluding Headline depreciation, amortisation, impairment and other non-cash items. The components of Operating cash flow are shown on page 29, as part of the Strategic report.
Return on capital employed ("ROCE")	None	Not applicable	Return on Capital Employed is calculated as the Headline trading profit as a percentage of operating capital employed, and is stated on a pre-IFRS 16 basis. Operating capital employed is calculated as the 12-month average net assets, excluding net debt, retirement benefit obligations and net current and deferred tax balances. See the Strategic report on page 31.
Leverage	None	Not applicable	Leverage is calculated as Headline net debt divided by rolling 12 month Headline EBITDA before non-cash items (on a pre-IFRS 16 basis).

Glossary (unaudited) continued

A1. Reconciliation of Headline to Statutory Group operating profit and Group profit before tax

	2024					
	Pre-IFRS 16 basis			IFRS 16 basis		
£m	Headline, before non-underlying items (pre-IFRS 16)	Headline non-underlying items (pre-IFRS 16)	Headline (pre-IFRS 16)	IFRS 16 adjustments	IFRS 16 adjustments non-underlying items	Total
Revenue	1,918	–	1,918	–	–	1,918
Cost of sales	(706)	–	(706)	–	–	(706)
Gross profit	1,212	–	1,212	–	–	1,212
Distribution costs	(828)	–	(828)	20	–	(808)
Administrative expenses	(197)	–	(197)	(1)	–	(198)
Other income	6	–	6	1	–	7
Non-underlying items	–	(56)	(56)	–	1	(55)
Group operating profit/(loss)	193	(56)	137	20	1	158
Finance costs	(27)	(1)	(28)	(25)	1	(52)
Profit/(loss) before tax	166	(57)	109	(5)	2	106
Income tax (charge)/credit	(39)	9	(30)	1	–	(29)
Profit/(loss) for the year	127	(48)	79	(4)	2	77
Attributable to:						
Equity holders of the parent	117	(48)	69	(4)	2	67
Non-controlling interests	10	–	10	–	–	10
	127	(48)	79	(4)	2	77

	2023					
	Pre-IFRS 16 basis			IFRS 16 basis		
£m	Headline, before non-underlying items (pre-IFRS 16)	Headline non-underlying items (pre-IFRS 16)	Headline (pre-IFRS 16)	IFRS 16 adjustments	IFRS 16 adjustments non-underlying items	Total
Revenue	1,793	–	1,793	–	–	1,793
Cost of sales	(682)	–	(682)	–	–	(682)
Gross profit	1,111	–	1,111	–	–	1,111
Distribution costs	(756)	–	(756)	10	–	(746)
Administrative expenses	(196)	–	(196)	(1)	–	(197)
Other income	10	–	10	4	–	14
Non-underlying items	–	(13)	(13)	–	(13)	(26)
Group operating profit/(loss)	169	(13)	156	13	(13)	156
Finance costs	(26)	(2)	(28)	(19)	1	(46)
Profit/(loss) before tax	143	(15)	128	(6)	(12)	110
Income tax (charge)/credit	(28)	2	(26)	1	3	(22)
Profit/(loss) for the year	115	(13)	102	(5)	(9)	88
Attributable to:						
Equity holders of the parent	106	(13)	93	(5)	(9)	79
Non-controlling interests	9	–	9	–	–	9
	115	(13)	102	(5)	(9)	88

A2. Reconciliation of Headline to Statutory segmental trading profit/(loss) and Group profit from trading operations

	2024				
	Pre-IFRS 16 basis			IFRS 16 basis	
£m	Headline, before non-underlying items (pre-IFRS 16)	Headline non-underlying items (pre-IFRS 16)	Headline (pre-IFRS 16)	IFRS 16 adjustments	Total
Travel UK trading profit	**122**	**–**	**122**	**4**	**126**
North America trading profit	**54**	**–**	**54**	**4**	**58**
Rest of the World trading profit	**13**	**–**	**13**	**5**	**18**
Total Travel trading profit	**189**	**–**	**189**	**13**	**202**
High Street trading profit	**32**	**–**	**32**	**7**	**39**
Group profit from trading operations	**221**	**–**	**221**	**20**	**241**
Unallocated central costs	**(28)**	**–**	**(28)**	**–**	**(28)**
Group operating profit before non-underlying items	**193**	**–**	**193**	**20**	**213**
Non-underlying items	**–**	**(56)**	**(56)**	**1**	**(55)**
Group operating profit/(loss)	**193**	**(56)**	**137**	**21**	**158**

	2023				
	Pre-IFRS 16 basis			IFRS 16 basis	
£m	Headline, before non-underlying items (pre-IFRS 16)	Headline non-underlying items (pre-IFRS 16)	Headline (pre-IFRS 16)	IFRS 16 adjustments	Total
Travel UK trading profit/(loss)	102	–	102	(1)	101
North America trading profit	49	–	49	3	52
Rest of the World trading profit	13	–	13	–	13
Total Travel trading profit	164	–	164	2	166
High Street trading profit	32	–	32	11	43
Group profit from trading operations	196	–	196	13	209
Unallocated central costs	(27)	–	(27)	–	(27)
Group operating profit before non-underlying items	169	–	169	13	182
Non-underlying items	–	(13)	(13)	(13)	(26)
Group operating profit/(loss)	169	(13)	156	–	156

Glossary (unaudited) continued

A3. Reconciliation of Headline to Statutory tax expense

£m	2024 Headline (pre-IFRS 16)	2024 IFRS 16 adjustments	2024 IFRS 16	2023 Headline (pre-IFRS 16)	2023 IFRS 16 adjustments	2023 IFRS 16
Profit before tax and non-underlying items	**166**	**(5)**	**161**	143	(6)	137
Tax on profit – Standard rate of UK corporation tax (25%; 2023: blended rate of 21.5%)	**22**	**(1)**	**21**	14	(1)	13
Adjustment in respect of prior years	**–**	**–**	**–**	(2)	–	(2)
Total current tax charge/(credit)	**22**	**(1)**	**21**	12	(1)	11
Deferred tax – current year	**22**	**–**	**22**	19	–	19
Deferred tax – prior year	**(5)**	**–**	**(5)**	(3)	–	(3)
Deferred tax – adjustment in respect of change in tax rates	**–**	**–**	**–**	–	–	–
Tax charge/(credit) on Headline profit	**39**	**(1)**	**38**	28	(1)	27
Tax on non-underlying items – current tax	**(1)**	**–**	**(1)**	–	–	–
Tax on non-underlying items – deferred tax	**(8)**	**–**	**(8)**	(2)	(3)	(5)
Total tax charge/(credit) on profit	**30**	**(1)**	**29**	26	(4)	22

A4. Calculation of Headline and Statutory earnings per share

Millions	2024 Basic EPS	2024 Diluted EPS	2023 Basic EPS	2023 Diluted EPS
Weighted average shares in issue (Note 9)	**129**	**131**	130	132

	2024 Profit for the year attributable to equity holders of the parent	2024 Basic EPS	2024 Diluted EPS	2023 Profit for the year attributable to equity holders of the parent	2023 Basic EPS	2023 Diluted EPS
	£m	**pence**	**pence**	£m	pence	pence
Headline (pre-IFRS 16 basis)						
– Before non-underlying items	**117**	**90.7**	**89.3**	106	81.5	80.3
– Non-underlying items	**(48)**	**(37.2)**	**(36.6)**	(13)	(10.0)	(9.8)
– Total	**69**	**53.5**	**52.7**	93	71.5	70.5
IFRS 16 adjustments						
– Before non-underlying items	**(4)**	**(3.1)**	**(3.0)**	(5)	(3.8)	(3.8)
– Non-underlying items	**2**	**1.5**	**1.4**	(9)	(6.9)	(6.9)
– Total	**(2)**	**(1.6)**	**(1.6)**	(14)	(10.7)	(10.7)
IFRS 16 basis						
– Before non-underlying items	**113**	**87.6**	**86.3**	101	77.7	76.5
– Non-underlying items	**(46)**	**(35.7)**	**(35.2)**	(22)	(16.9)	(16.7)
– Total	**67**	**51.9**	**51.1**	79	60.8	59.8

A5. Fixed charges cover

£m	2024	2023
Headline net finance costs (pre-IFRS 16)	**27**	26
Net operating lease charges (pre-IFRS 16)	**365**	326
Total fixed charges	**392**	352
Headline profit before tax and non-underlying items	**166**	143
Headline profit before tax, non-underlying items and fixed charges	**558**	495
Fixed charges cover – times	**1.4x**	1.4x

A6. Non-underlying items on pre-IFRS 16 and IFRS 16 bases

	2024		2023	
£m	Headline (pre-IFRS 16)	IFRS 16	Headline (pre-IFRS 16)	IFRS 16
Amortisation of acquired intangible assets	**3**	**3**	3	3
Impairment of assets				
– property, plant and equipment	**18**	**15**	4	4
– intangible assets	**5**	**5**	–	–
– right-of-use assets	**–**	**10**	–	15
Provisions for onerous contracts	**11**	**6**	5	3
Transformation programmes – supply chain and IT	**9**	**9**	–	–
Costs associated with pensions	**2**	**2**	1	1
IFRS 16 remeasurement gains	**–**	**(3)**	–	–
Costs relating to M&A activity and Group legal entity structure	**4**	**4**	–	–
Re-platform of whsmith.co.uk and other costs	**4**	**4**	–	–
Non-underlying items, included in operating profit	**56**	**55**	13	26
Finance costs associated with refinancing	**–**	**–**	1	1
Finance costs associated with onerous contracts	**1**	**–**	1	–
Non-underlying items, before tax	**57**	**55**	15	27
Tax credit on non-underlying items	**(9)**	**(9)**	(2)	(5)
Non-underlying items, after tax	**48**	**46**	13	22

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.

Impairment of right-of-use assets
On a pre-IFRS 16 basis right-of-use assets are not recognised, therefore the right-of-use asset impairment of £10m is also not recognised.

Provisions for onerous contracts
A charge of £11m has been recognised on a pre-IFRS 16 basis to provide for the unavoidable costs of continuing to service certain non-cancellable supplier and lease contracts where the space is vacant, a contract is loss-making or currently not planned to be used for ongoing operations. On an IFRS 16 basis this charge is £6m, as the charge is partially offset by impairments to right-of-use assets of £10m that are not recognised on a pre-IFRS 16 basis.

IFRS 16 remeasurement gains
Gains of £3m have been recognised under IFRS 16 that have resulted from the derecognition of lease liabilities on exit from certain locations, in which right-of-use assets were previously impaired. Lease liabilities and right-of-use assets are not recognised on a pre-IFRS 16 basis, and therefore these gains do not exist in the Headline measure of non-underlying items.

A tax credit of £9m (2023: £5m) has been recognised in relation to the above items (£9m pre-IFRS 16 (2023: £2m)).

Glossary (unaudited) continued

A7. Free cash flow

£m	2024	2023
Net cash inflow from operating activities	**275**	251
Cash flow impact of IFRS 16 (Note A9)	**(111)**	(116)
Add back:		
– Cash impact of non-underlying items	**28**	9
– Financing arrangement fees	**–**	3
– Other non-cash items	**(8)**	(5)
Deduct:		
– Purchase of property, plant and equipment	**(115)**	(106)
– Purchase of intangible assets (incl. £2m non-underlying capital expenditure)	**(16)**	(16)
Free cash flow	**53**	20

A8. Headline net debt

The table below shows Headline net debt (pre-IFRS 16). This includes lease liabilities that were previously presented as finance leases (applying the principles of IAS 17), and Group accounting policies as applicable prior to 1 September 2019, described in the Glossary on page 173, but excludes additional lease liabilities recognised on application of IFRS 16.

£m	2024	2023
Borrowings		
– Revolving credit facility	**(117)**	(84)
– Convertible bonds	**(310)**	(301)
– Lease liabilities (Note 15)	**(626)**	(566)
Liabilities from financing activities	**(1,053)**	(951)
Cash and cash equivalents	**56**	56
Net debt (IFRS 16) (Note 18)	**(997)**	(895)
Add back lease liabilities recognised under IFRS 16[1]	**626**	565
Headline net debt (pre-IFRS 16)	**(371)**	(330)

1 Excludes lease liabilities previously recognised as finance leases on a pre-IFRS 16 basis

A9. Cash flow disclosure impact of IFRS 16

There is no impact of IFRS 16 on cash flows, although the classification of cash flows has changed, with an increase in net cash flows from operating activities being offset by a decrease in net cash flows from financing activities.

	2024			2023		
£m	Headline (pre-IFRS 16)	IFRS 16 adjustment	IFRS 16	Headline (pre-IFRS 16)	IFRS 16 adjustment	IFRS 16
Net cash inflows from operating activities	**164**	**111**	**275**	135	116	251
Net cash outflows from investing activities	**(137)**	**–**	**(137)**	(122)	–	(122)
Net cash outflows from financing activities	**(27)**	**(111)**	**(138)**	(87)	(116)	(203)
Net decrease in cash in the period	**–**	**–**	**–**	(74)	–	(74)

A10. Balance sheet impact of IFRS 16

The balance sheet including and excluding the impact of IFRS 16 is shown below:

	2024			2023		
£m	Headline (pre-IFRS 16)	IFRS 16 adjustment	IFRS 16	Headline (pre-IFRS 16)	IFRS 16 adjustment	IFRS 16
Goodwill and other intangible assets	**491**	**(1)**	**490**	506	(1)	505
Property, plant and equipment	**308**	**8**	**316**	263	7	270
Right-of-use assets	**–**	**505**	**505**	–	444	444
Investments in joint ventures	**2**	**–**	**2**	2	–	2
	801	**512**	**1,313**	771	450	1,221
Inventories	**217**	**–**	**217**	205	–	205
Payables less receivables	**(183)**	**(7)**	**(190)**	(216)	(3)	(219)
Working capital	**34**	**(7)**	**27**	(11)	(3)	(14)
Net current and deferred tax assets	**33**	**–**	**33**	45	–	45
Provisions	**(28)**	**11**	**(17)**	(26)	9	(17)
Operating assets employed	**840**	**516**	**1,356**	779	456	1,235
Net debt	**(371)**	**(626)**	**(997)**	(330)	(565)	(895)
Net assets excluding retirement benefit surplus	**469**	**(110)**	**359**	449	(109)	340
Retirement benefit surplus	**87**	**–**	**87**	–	–	–
Total net assets	**556**	**(110)**	**446**	449	(109)	340

A11. Like-for-like revenue reconciliation

The reconciling items between like-for-like revenue change and total revenue change are shown below:

Per cent	Travel UK	North America	Rest of the World	Travel Total	High Street	Group
Like-for-like revenue change	10%	–%	9%	**7%**	(2)%	**5%**
Net space impact	2%	9%	9%	**5%**	(2)%	**3%**
Foreign exchange	–%	(3)%	(3)%	**(1)%**	–%	**(1)%**
Total revenue change	12%	6%	15%	**11%**	(4)%	**7%**

A12. Operating lease expense

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

£m	2024	2023
Net operating lease charges	**365**	326

In the year ended 31 August 2020, the Group adopted IFRS 16. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model as the distinction between operating and finance leases is removed. In order to provide comparable information the Group has chosen to present Headline measures of operating profit and profit before tax, as explained in Note 2 Segmental analysis of results.

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, as described in the Glossary on page 173.

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 four 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.

Information for shareholders

Company Secretary and registered office

Ian Houghton, WH Smith PLC, Greenbridge Road, Swindon, Wiltshire SN3 3RX. Telephone 01793 616161.
WH Smith PLC is registered in England and Wales (number 5202036).

Company website

This Annual report and accounts together with other information, including the price of the Company's shares, Stock Exchange announcements and frequently asked questions, can be found on the WH Smith PLC website at **whsmithplc.co.uk**.

Annual General Meeting

The Annual General Meeting will be held at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG on Wednesday 29 January 2025 at 9.30am. A separate notice convening the meeting is being sent to shareholders and includes explanatory notes on each of the resolutions being proposed.

Shareholder enquiries – the registrars

All enquiries relating to shareholdings should be addressed to the registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. You can call the registrars on the shareholder helpline 0371 495 0100 or visit their website at **www.investorcentre.co.uk**.

Sharedealing services

This can be done through a stockbroker, bank or building society.

Computershare, our registrars, also offer share dealing services for shareholders (in certain jurisdictions). For internet dealing, log on to **computershare.com/dealing/uk** and for telephone dealing call 0370 703 0084. You will need to have your Shareholder Reference Number ("SRN") to hand when making this call. This can be found on your Form of Proxy or email notification of availability of AGM documents.

Please note that dealing fees will apply and will vary between providers.

Dividend mandates

If you wish dividends to be paid directly into your bank account through the BACSTEL-IP (Bankers' Automated Clearing Services) system, you should contact Computershare for a Dividend Mandate Form or apply online at **www.investorcentre.co.uk**. Shareholders who receive their dividend payments in this way receive an annual dividend confirmation once a year, with the final dividend, detailing all payments made throughout the UK tax year.

Financial calendar

The following dates are given for information purposes only. Please check the WH Smith PLC website at **whsmithplc.co.uk** nearer the relevant time for full details, and to ensure that no changes have been made.

Financial year end	31 August 2024
Preliminary results announced	14 November 2024
Annual report posted	December 2024
Final dividend ex-dividend date	16 January 2025
Final dividend record date	17 January 2025
AGM	29 January 2025
AGM trading update	29 January 2025
Final dividend payment date	6 February 2025
Half-year end	28 February 2025
Interim results announced	April 2025
Trading statement	June 2025
Interim dividend ex-dividend date	July 2025
Interim dividend record date	July 2025
Interim dividend payment date	August 2025
Financial year end	31 August 2025

ShareGIFT

If you only have a small number of shares which are uneconomic to sell, you may wish to consider donating them to charity under ShareGIFT, a charity share donation scheme administered by the Orr Mackintosh Foundation. A ShareGIFT transfer form may be obtained from our registrar. Further information about the scheme can be found on the ShareGIFT website at **sharegift.org**.

Warning to shareholders – boiler room scams

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based "brokers" who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as "boiler rooms". Information on how to avoid share fraud or report a scam can be found on our website at **whsmithplc.co.uk**. You can also call the Financial Conduct Authority Consumer Helpline on 0800 111 6768 or go to **fca.org.uk/scamsmart**.

UK Capital Gains Tax

Demerger 31 August 2006

Following the demerger of the Company on 31 August 2006, in order to calculate any chargeable gains or losses arising on the disposal of shares after 31 August 2006, the original tax base cost of your ordinary shares of $2\frac{13}{81}$p (adjusted if you held your shares on 24 September 2004 and 22 May 1998 to take into account the capital reorganisations of 27 September 2004 and 26 May 1998 respectively (see below)) will have to be apportioned between the shareholdings of ordinary shares of 20p in the Company and ordinary shares of 5p in Smiths News PLC.

The cost of your shareholding of ordinary shares of 20p in the Company is calculated by multiplying the original base cost of your ordinary shares of $2\frac{13}{81}$p (adjusted where necessary to take into account the capital reorganisations of 27 September 2004 and 26 May 1998 (see below)) by 0.69585.

The cost of your shareholding of ordinary shares of 5p is calculated by multiplying the original base cost of your ordinary shares of $2\frac{13}{81}$p (adjusted where necessary to take into account the capital reorganisations of 27 September 2004 and 26 May 1998 (see below)) by 0.30415.

As a result of the share consolidation on 22 February 2008, the nominal value of the Company's ordinary shares increased from 20p per ordinary share to $22\frac{6}{67}$p per ordinary share.

Capital reorganisation 27 September 2004

If you acquired your shareholding on or before 24 September 2004, in order to calculate any chargeable gains or losses arising on the disposal of shares after 24 September, the original tax base cost of your ordinary shares of $55\frac{5}{9}$p (adjusted if you held your shares on 22 May 1998 to take into account the capital reorganisation of 26 May 1998 (see below)) will have to be apportioned between the shareholdings of ordinary shares of $2\frac{13}{81}$p and "C" shares resulting from the capital reorganisation.

The cost of your shareholding of ordinary shares of $2\frac{13}{81}$p is calculated by multiplying the original base cost of your ordinary shares of $55\frac{5}{9}$p (adjusted where necessary to take into account the capital reorganisation of 26 May 1998 (see below)) by 0.73979.

Capital reorganisation 26 May 1998

If you acquired your shareholding on or before 22 May 1998, in order to calculate any chargeable gains or losses arising on the disposal of shares after 22 May 1998, the original tax base cost of your ordinary shares of 50p will have to be apportioned between the shareholdings of ordinary shares of $55\frac{5}{9}$p and redeemable "B" shares resulting from the capital reorganisation.

The cost of your shareholding of ordinary shares of $55\frac{5}{9}$p is calculated by multiplying the original cost of your ordinary shares of 50p by 0.90714.

Information for shareholders continued

March 1982 values

If you acquired your shareholding on or before 31 March 1982, in order to calculate any chargeable gains or losses arising on disposal of shares, the tax base cost of your ordinary shares used the 31 March 1982 base values per share as follows:

	"A" ordinary shares	Arising from an original shareholding of "B" ordinary shares
Ordinary shares of 20p	61.62p	50.92p
Smiths News PLC ordinary shares of 5p	26.93p	22.25p

If you have a complicated tax position, or are otherwise in doubt about your tax circumstances, or if you are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.

"Company" means WH Smith PLC, a public limited company incorporated in England and Wales with registered number 5202036; and "Group" means the Company and its subsidiaries and subsidiary undertakings.

Designed and produced by **Radley Yeldar www.ry.com**

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