WHSmith

The global travel retailer

Annual Report and Accounts 2025

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Disclaimer

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Financial and operational highlights[1]

Revenue 2025

£1.6bn 2024: £1.5bn

Headline diluted earnings per share before non-underlying items[2] 2025

43.4p 2024: 60.3p

Total number of stores 2025

1,280 2024: 1,291

Group profit before tax 2025

£2m 2024: £65m

Headline Group profit before tax and non-underlying items[2] 2025

£108m 2024: £114m

Dividend per share[3] 2025

17.3p 2024: 33.6p

1 From continuing operations. Comparative periods have been restated to correct the accelerated supplier income recognition and inventory related items in the North America division and to exclude results from discontinued operations

2 Alternative performance measure described and explained in the Glossary page 209

3 Includes proposed final dividend of 6.0p Subject to shareholder approval

WH Smith PLC is listed on the London Stock Exchange ("SMWH") and is included in the FTSE 250 Index.

WHSmith

The global travel retailer

WH Smith PLC is a leading global travel retailer for travel essentials with a presence across more than 30 countries.

At the heart of our business are our people, customers and partners. We aim to deliver our vision through our strategic priorities and by constantly innovating, improving the quality of our space globally, focusing on profitability and delivering sustainable returns.

Our stores are located in prime locations worldwide

We tailor our stores to suit their location

We offer a wide range of bespoke products

We deliver exceptional customer service

We're at the forefront of consumer trends

We drive success through strong partnerships

We're here for every step of your journey

Our business at a glance

As a leading global travel retailer, our c.9,000 colleagues operate our stores across the world to serve our customers on their journeys. We are in fast growing markets and following the divestment of our High Street and Funky Pigeon businesses we have established a platform for long-term growth as a pure-play global travel retailer.

New stores opened in 2025

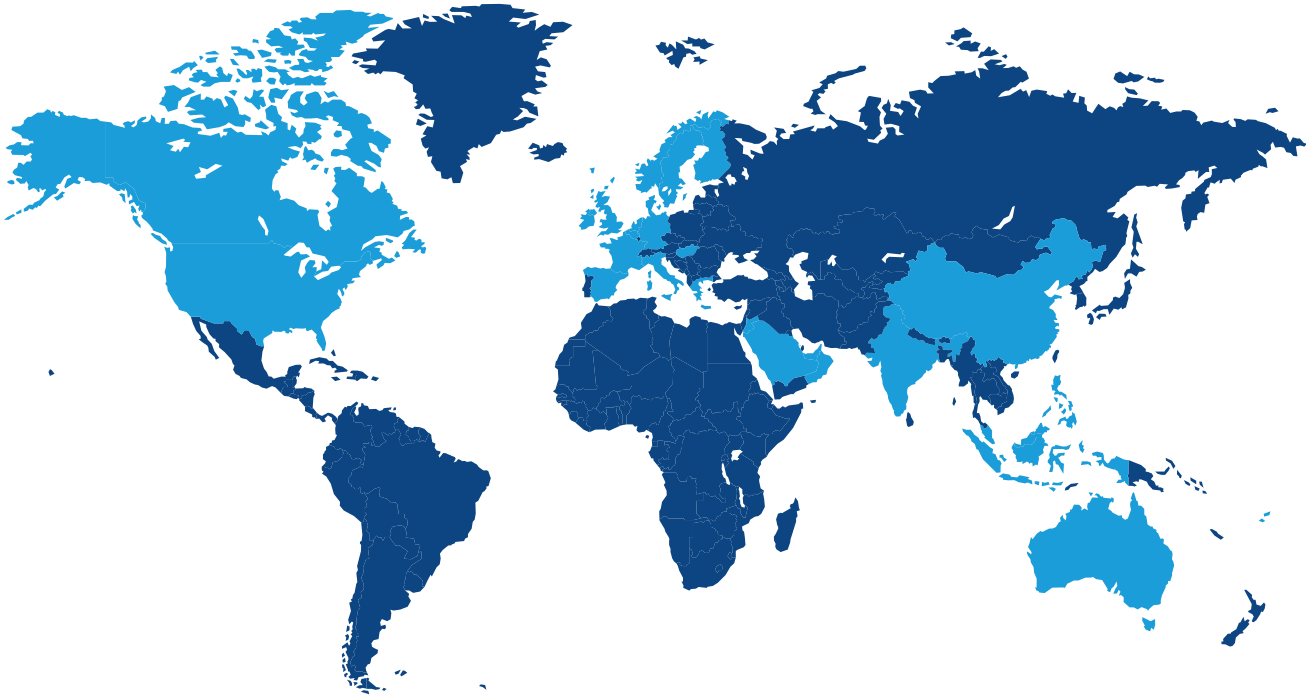
79*

c.9,000

colleagues

30+

countries



Key:

- Countries with WHSmith stores
- Countries without WHSmith stores

* Total store position including store closures can be found on page 26

UK

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

Stores **593**

Revenue **£834m**

North America

North America is the largest travel retail market in the world. Our stores are primarily in airports across the continent, and we also operate a smaller Resorts business in Las Vegas. Through our own brand and partner store formats, we offer a wide variety of travel essentials to support customers' journeys.

Stores **362**

Revenue **£413m**

Rest of the World

We operate in a further 29 countries around the world and ensure our stores deliver outstanding customer service and trade successfully. With a small market share in many of our international markets, there are clear opportunities for growth and we're excited about our future as a global travel retailer.

Stores **325**

Revenue **£306m**

Chair's statement

"This has been a year of significant change and challenge for the Group."

Annette Court
Chair

This has been a year of significant change and challenge for the Group.

We have taken decisive steps to reposition the Group, including successfully completing the sale of our High Street business in June and funkypigeon.com in August. Both transactions were in line with our strategy to become a pure-play travel retailer. This transformation has put the Group in a strong position to benefit from the opportunities in a high-growth travel market with continued investment and structural growth.

At the same time, we acknowledge that recent months have brought challenges. Following our announcement in August regarding the identified accelerated recognition of supplier income in our North America division, the Board acted quickly and decisively. The Board immediately instructed Deloitte LLP to undertake an independent and comprehensive review (the Deloitte Review) and the findings of this Review were delivered in November.

The findings in Deloitte's independent Review are disappointing and fall short of the standards we expect at WHSmith. On behalf of the Board, I would like to express my sincere apology to our shareholders, our colleagues, and our partners.

The Deloitte Review identified that the accounting treatment for supplier income adopted by the North America division was not consistent with the Group's stated accounting policy and, consequently, it was not consistent with the requirements of the relevant accounting standards. Supplier income recognition has therefore been overstated in our North America division. This has also resulted in prior year restatements.

Chair's statement continued

As confirmed by Deloitte, the overstatements were substantially a timing issue rather than an existence issue and they relate to the application of accounting standards.

Importantly, the Internal Audit review, conducted by the Company alongside the Deloitte Review, concluded that the supplier income for the full year ended 31 August 2025 across the UK and Rest of the World Travel divisions was appropriate, resulting in supplier income being appropriately recognised in these divisions.

The Deloitte Review details that the issue had arisen against a backdrop of a target-driven performance culture and decentralised divisional structure combined with a limited level of Group oversight of the finance processes in North America. It also identified weaknesses in the composition of the North America finance team and insufficient systems, controls and review procedures for supplier income across commercial and finance functions in North America.

The Board has taken this situation and the findings of the Deloitte Review extremely seriously and we remain fully committed to addressing the issues raised with transparency and rigour. Working closely with management, we have acted swiftly to put in place a clear remediation plan and we are focused on fostering a culture of integrity, transparency and accountability. Further information on the remediation plan can be found in the Financial review on page 33.

Following the delivery of the Deloitte Review, Carl Cowling offered his resignation which the Board accepted. Carl Cowling stepped down as Group CEO and as a Board Director on 19 November 2025. Andrew Harrison, CEO of our UK division, has been appointed Interim Group Chief Executive and a director of the Company with effect from 19 November 2025.

The Board is undertaking a comprehensive search process for a new Group Chief Executive. The Board is committed to appointing the strongest candidate to lead the next phase of the Group's development and guide its long-term growth strategy.

I am also commited to strengthening the Board. We are currently conducting an active search for two non-executive directors, with one area of focus being North American retail expertise. I look forward to updating on this in due course.

As we look ahead, we have sharpened our focus and reviewed our key priorities for each business division, including strategic reviews of both our North America and Rest of the World divisions. Each of these priorities are underpinned by a focus on cost optimisation, stronger capital returns, and enhanced cashflow generation. You can read more about these priorities in the Review of operations on pages 18 to 26.

Together with everything that has occurred in the year, we remain acutely aware of how we fulfil our environmental, social and governance ("ESG") responsibilities. It is our aim to achieve net zero by 2050 at the latest 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 42 to 64.

Alongside our ESG commitments, colleague engagement is at the heart of everything we aim to achieve. We have recently launched a new all-colleague app, named myWHSmith, which provides colleagues with company news and information in an instant. This also serves to connect our store and support centre colleagues by highlighting key moments and celebrating success.

Our colleague networks continue to thrive. During the year, the team launched an additional network to connect our international colleagues – internationALL. It is inspiring to witness the hard work and passion of our network members alongside their creativity in delivering such an extensive programme of events which support our ambition to create a fully inclusive workplace.

I would like to take this opportunity to thank all our colleagues for their hard work during the year. Throughout challenging times, we build more resilience as a team, and I have been proud of how our colleagues have supported each other throughout recent months.

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 74 to 95.

As we look ahead, our priority is to close this most recent chapter and move forward with clarity and purpose. We are focused on disciplined execution and in pursuing opportunities that deliver sustainable returns and reinforce our position as a leader in travel retail.

Our remediation plan is robust and in progress and we are committed to implementing it at pace, ensuring that every step strengthens the business for the long term. This is not only about addressing issues, it is about building resilience, restoring confidence, and creating enduring value. I look forward to updating you on our progress in due course.

Annette Court
Chair

19 December 2025

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.

Store locations

We have a network of 1,280 stores in premium, high footfall locations in over 30 countries.

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 and Post Office Limited).

Operational efficiency

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

Landlord partners

Our market-leading store design, range breadth and focus on space management allows us to deliver superior economics and innovative formats for landlord partners.

Our people

We have c.9,000 dedicated colleagues across our stores and support centres.

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.

Underpinned by:

A commitment to operating responsibly

You can read more about our approach to ESG throughout the report.

Read more on pages 42 to 64.

Our culture and values

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

Read more on pages 47 to 49.

Business model continued

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.

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.

Focus on space management

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

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 community groups

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

Our people

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

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 investors

We focus on providing consistent, profitable and sustainable growth, returning surplus cash to shareholders.

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.

Read about how we engage with our stakeholders on page 34.

Q&A with Interim Group Chief Executive Andrew Harrison

"Our immediate priority is clear: to deliver on our remediation plan and rebuild trust and credibility."

Andrew Harrison
Interim Group Chief Executive

Q What are the Group's strategic priorities for 2026?

A Our immediate priority is clear: to deliver on our remediation plan and rebuild trust and credibility. The Group has also reviewed its priorities for each division for FY26 and beyond, designed to drive profitable growth and strengthen our leadership in global travel retail.

First, we will continue to secure and expand our presence through targeted new and better quality space growth, focusing on strategic contracts and hybrid formats while rationalising sub-scale operations and leveraging franchise models in select markets.

Second, we aim to lead the market in customer and commercial proposition. This means optimising category mix, enhancing space allocation, and expanding in high-growth areas such as health and beauty, tech, and food-to-go, including developing our *Smith's Family Kitchen* brand in the UK.

Third, we are evolving and scaling our operating model – strengthening governance, simplifying structures, and investing in finance and supply chain transformation to support global growth and improve efficiency.

Finally, we remain committed to maximising cash generation and delivering attractive returns on invested capital through disciplined capital allocation, tight working capital management, and operational improvements.

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

A As a global travel retailer, we operate in dynamic, high-growth markets across more than 30 countries worldwide. Customers choose us because they trust us to deliver a fast, seamless, and convenient experience wherever they travel.

This year, we've made strong progress by expanding our offer and enhancing our ranges. We've sharpened our focus on the categories that matter most to customers on the move – food and drinks, health and beauty, tech accessories, and books and magazines. In the UK, our *Smith's Family Kitchen* range continues to resonate strongly with customers and we've broadened the selection to give travellers even more choice. We see exciting potential to grow this brand further, including exploring standalone café formats. Beyond the UK, we're rolling out our one-stop-shop concept and tailoring our offer to meet local needs.

Our commitment to operational excellence keeps us relevant and competitive, driving higher transaction values and growth across every channel and division. By staying close to our customers and maximising every opportunity, we're building a business that delivers good growth and creates value for shareholders.

Q&A with Interim Group Chief Executive Andrew Harrison continued

Q What underpins WHSmith's growth potential?

A At the heart of our proposition is a highly scalable model with clear visibility of future opportunities. Our global footprint is a major competitive advantage, anchored by a strong presence in the UK and growth potential across North America and the rest of the world. This international reach provides diversification and a runway for expansion with an enhanced focus on profitable growth.

We also lead in key categories. We are the number two player globally in travel essentials and number one in tech accessories through our InMotion brand. Our sharp focus on customer proposition, combined with growing our food-to-go offer, creates additional avenues for value creation.

Underpinning this is strong execution. We deliver market-leading sales per passenger growth, maintain a high tender win rate, and have a robust pipeline of new stores. None of this would be possible without our customer-centric culture. Our dedicated teams and insights ensure we continue to evolve and meet traveller needs across all markets.

Together, these factors make WHSmith a resilient growth business with clear potential to deliver attractive future returns for shareholders.

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

A We continue to make strong progress across our key sustainability priorities. Our transition to becoming a net zero business is firmly on track. Scope 1 and 2 carbon emissions are now 89 per cent lower than in 2020, and 53 per cent of our supply chain emissions are covered by science-based reduction targets. In the coming year, we will undertake the preparatory work necessary for revalidation of our carbon targets by the Science Based Targets initiative and the introduction of a FLAG target to address forestry, land and agricultural emissions as our food offering expands.

Beyond environmental goals, we're building an inclusive culture through our growing employee networks. Our networks provide a platform for engagement on diversity, equity and inclusion ("DEI") initiatives and it is wonderful to see the passion of our colleagues who are driving our DEI agenda. Our charity partnerships remain central to our purpose: the National Literacy Trust helps us champion children's literacy in the UK while Miracle Flights in North America supports children who need to travel for life-changing medical care.

Our efforts are being recognised externally. We are the top-performing speciality retailer in Morningstar's Sustainalytics ESG Benchmark, hold a AAA ESG rating from MSCI, and were once again included in the Dow Jones World Sustainability Index. These achievements reflect our commitment to responsible growth and long-term value creation.

Q What actions has the Group already taken to strengthen governance and restore confidence following recent challenges?

A The Group has acted decisively to reinforce governance, strengthen controls and ensure accountability across the business. We have enhanced the Group Finance and Audit and Risk teams with new leadership to drive rigour and oversight and we are in the process of reviewing the leadership team in North America.

A clear remediation plan is in place and governed by the Board. Key actions include the North America division's adherence to our global supplier income policy, new governance and control frameworks, and refreshed mandatory training. We are accelerating the implementation of a new supplier income management system across the Group to early 2026 and have also accelerated a Finance Transformation programme to strengthen systems, processes and controls while centralising Group Finance oversight. To provide additional assurance, we have engaged a third-party provider to review and validate our key financial controls and processes.

We are also committed to fostering a culture of integrity, transparency and accountability and to empowering our teams to speak up and embed responsibility at every level.

While there is more to do, we are progressing at pace while also ensuring we firmly embed the plan into our ways of working for the long term.

Key market drivers

Passenger numbers travelling through airports across the globe is the key market driver for the travel retail market.

In 2024, passenger numbers exceeded pre-pandemic figures for the first time, indicating an upward growth trend. This is supported by analysis from the International Air Transport Association ("IATA") who, at the end of 2024, predicted that 2025 would see annual passenger traffic figures breach the five billion mark for the first time in the history of the industry, and many major airport partners across the globe regularly reported record passenger traffic numbers this year, supporting this prediction. Airports Council International ("ACI") also predict long-term growth in global passenger traffic.

Given our prime location in airports globally, our stores experience high levels of footfall driven particularly by leisure travel over the summer months, and benefit from growth in passenger numbers.

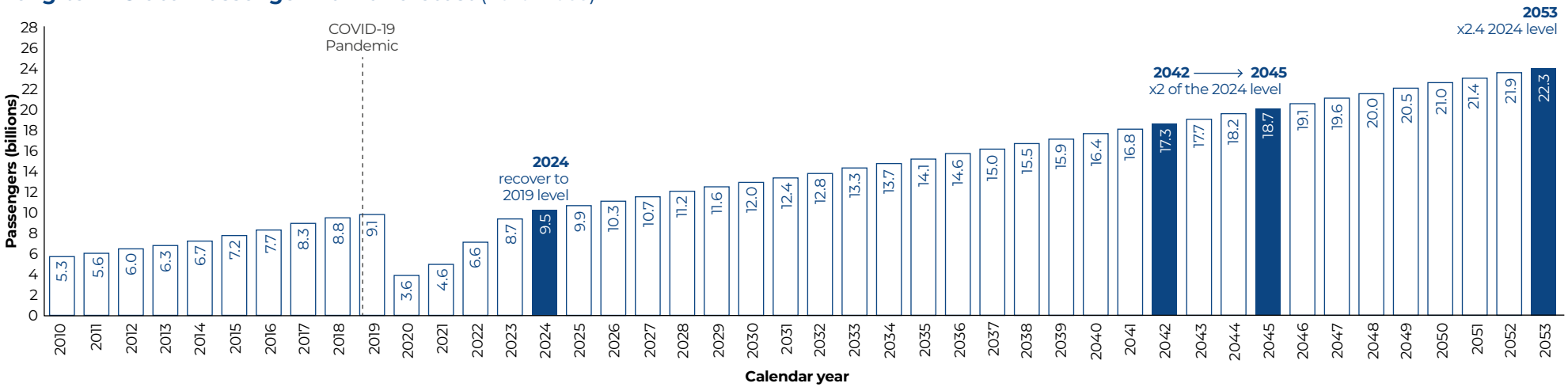
Where we have reliable data on passenger trends, we see a correlation between changes in passenger numbers and our revenue. Nevertheless, our stores also face competition in product categories from other retailers in air, rail, hospitals and motorway service areas. Our markets are also impacted by macroeconomic conditions. Interest rates, inflation and costs could impact passenger numbers, as could the threat of conflict.

The UK travel retail market is where we have our most extensive presence. North America, our second largest, is also the world's largest travel retail market and remains a good growth opportunity. Passenger data here suggests this market will continue to grow.

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 controlling costs
- We continue to ensure that we offer consumers great quality products and value for money through our promotional offering

Long-term Global Passenger Traffic Forecast (2010–2053)[1]



1 Source: ACI (Airports Council International)

We’ve expanded our food range

Food is a core part of our one-stop-shop offering for passengers. From quick snacks to our famous meal deal on the go, customers turn to WHSmith to fuel their journeys.

Last year, we launched our first own-brand food-to-go range in the UK, *Smith’s Family Kitchen*, to grow the quality and range of our food offer. The customer response has been positive, and *Smith’s Family Kitchen* continues to attract widespread industry recognition and awards.

To broaden our appeal to more customers, this year we have been enhancing the quality and expanding *Smith’s Family Kitchen’s* product range in line with our customers’ needs.

This includes extending the meal deal mains range from 14 to 44 options and launching seasonal products, including *Smith’s Family Kitchen’s* first Christmas range, as well as launching our first bakery range to drive sales growth in our expanding range of Coffee Shops.

This mix of product innovation, seasonal flair, operational efficiency, and thoughtful branding has helped redefine what customers expect from food-to-go in travel locations.

As we look ahead, we will evolve our offer further to support even more key mission moments, such as breakfast, health-conscious options, and hot food-to-go, alongside developing more premium, plant-based and global flavour profiles. These range extensions will improve choice and relevance for a wider audience across UK airports, rail and hospitals.

Read more about *Smith’s Family Kitchen* on our website: whsmithplc.co.uk

Our strategy

WHSmith Group

Our purpose

To make every one of life's journeys better

Our vision

To be the leading global travel essentials retailer

We do this by delivering reliable customer experiences, strategic partnerships and a lean retail operating platform that delivers sustainable growth and lasting value for all our stakeholders

Strategic priorities

- **Expand our presence through targeted and profitable space growth**
- **Lead the market in customer and commercial propositions**
- **Evolve and scale our advantaged operating model**
- **Maximise cash generation and deliver attractive ROCE**

Execution principles

- **Focus on space management**
- **Innovative store formats**
- **Lean, efficient operations**
- **High performing teams**
- **Driving sustainability**

Profit growth. Strong cash generation. Disciplined capital allocation. Shareholder returns.

Our mission is simple: to help get books into the hands of children

Books remain at the heart of our travel offer for passengers. While our extensive books range means our stores are destinations for customers to find entertainment on their journeys, we are also proud to work closely with a range of organisations to give back through books.

At WHSmith, we've always loved the Diary of a Wimpy Kid books, and we know our customers do too. That's why this year, alongside registered charity the National Literacy Trust and publisher Puffin, we launched a "Get Kids Reading with Diary of a Wimpy Kid" campaign to champion literacy, raise funds to get books into the hands of young readers who need them most, and help grow a generation of readers.

The campaign raised money for the National Literacy Trust through every copy of the Diary of a Wimpy Kid book sold by WHSmith stores across the UK. As a result, over £20,000 was raised from customer purchases of the book.

Sharing that love of reading is at the heart of what we do, and this campaign also helped bring books to thousands of children across the UK who might otherwise miss out. Our mission is simple: to help get books into the hands of children, giving them the chance to read, learn and thrive.

Read more about the "Get Kids Reading" campaign at: whsmithplc.co.uk

Raised for charity
£20,310

Diary of a Wimpy Kid books sold
40,621

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 209. 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.

All results are stated on a continuing operations basis with prior period comparatives restated to correct the accelerated supplier income recognition and inventory-related items in the North America division unless otherwise stated.

Financial (£m)

The below measures are stated on a pre-IFRS 16 basis.

Revenue

Group – continuing operations

£1,553m

Headline trading profit

Headline Group trading profit[1,2] – continuing operations

£159m

Profit before tax and non-underlying items

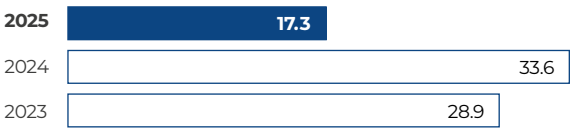
Headline Group profit before tax[1,2] – continuing operations

£108m

Dividend per share (p)

Total dividend per share

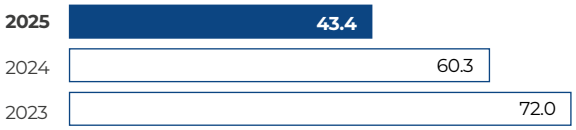
17.3p



Earnings per share – continuing operations (p)

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

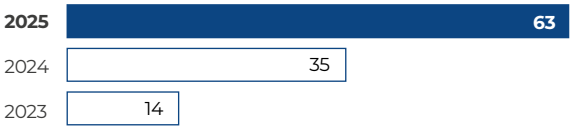
43.4p



Free cash flow – continuing operations

Free cash flow[1] 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 30).

£63m



1 Alternative performance measure defined and explained in the Glossary on page 209
2 Before non-underlying items

Key performance indicators continued

Non-financial

Group total number of stores[1]

1,280

CO_2 emissions (tonnes of CO_2e)

Global Scope 1 and 2 emissions

1,554

1 See page 26 for summary of store openings and closures in the year

Review of operations

"It has been a year of strategic progress and significant challenge, but we enter the next phase with a clear plan and renewed focus."

Max Izzard
Group Chief Financial Officer

Travel

Performance review

This is my first Annual Report and Accounts as Group Chief Financial Officer following my appointment to the Board within the past year.

It has been a year of strategic progress and challenge. The Group has completed a significant strategic shift by completing the sale of our High Street business and online business, funkypigeon.com, fully aligning with our strategic focus to operate as a pure-play travel retailer.

This transformation strengthens our platform for growth enabling us to capitalise on the significant potential of the global travel sector.

We have a clear leadership position in Travel Essentials. Our stores are located in attractive, high footfall locations across the globe and we have a dedicated team of passionate and customer-focused colleagues.

Following the Group's strategic reset to a pure-play travel retailer, we have reviewed the broader Travel portfolio with a sharp focus on profitable growth and return on capital.

In the UK, we are focused on retaining category leadership in Travel Essentials through our one-stop-shop format. We will continue to expand our presence in the category by targeting new and better quality space growth and we are actively scaling our health and beauty and food-to-go growth categories.

In North America, we will focus on improving and investing in our core Travel Essentials business. Following a review of our Resorts business, we are in the process of exiting a number of unprofitable fashion and speciality stores.

We are also undertaking a review of our North America InMotion business and the breadth of the portfolio. Across the business, we have put in place a more rigorous approach to any future store openings with new InMotion stores only being considered as part of a strategically important tender package.

In our Rest of the World and Other ("ROW") division, we will focus our investment on our core, strategically important markets, including Australia, Ireland and Spain, resulting in reducing our presence or exiting sub-scale markets and using a less capital-intensive franchise model for future openings.

Following the recent Deloitte Review, we have acted swiftly to put in place a clear remediation plan and we are making good progress. This plan is structured around three key business objectives: to strengthen governance and controls to protect value and restore trust; to embed aligned processes and ways of working across the Group supported by new systems; and to sustain this through cultural change, enhanced training and monitoring.

Group revenue – continuing operations
£1,553m
(2024: £1,473m)

Headline trading profit[1,3] – continuing operations
£159m
(2024[2]: £170m)

Group total revenue growth
+5%
(2024: +11%)

1 Alternative performance measure defined and explained in the Glossary on page 209
2 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory related items in the North America division (refer to Note 1b for further details) and to exclude results from discontinued operations
3 Before non-underlying items

Review of operations continued

As a result of the identified overstatement in our North America division, our results for the Group for the full year ended 31 August 2025 have been impacted versus previous expectations. Total revenue was £1,553m (2024: £1,473m), up five per cent compared to the previous year, generating a Total Headline trading profit[1] in the year of £159m (2024: £170m[2]).

£m	Trading profit[1,3] (IFRS 16)		Headline trading profit[1,3] (pre-IFRS 16)		Revenue	
	2025	2024[2]	**2025**	2024[2]	**2025**	2024
UK	**131**	126	**130**	122	**834**	795
North America	**22**	38	**15**	34	**413**	401
Rest of the World and Other	**20**	18	**14**	14	**306**	277
Group	**173**	182	**159**	170	**1,553**	1,473

UK

In the UK, our largest division, we have delivered another year of good growth.

Total revenue in the year was £834m (2024: £795m) which, together with improved margins, resulted in a Headline trading profit[1] of £130m (2024: £122m). These results underline the strength of our model and the resilience of our growth strategy.

Our strategy remains clear. To develop ranges and formats that are relevant to the customer at each stage of their journey, enabling them to make best use of their time and put more products into their baskets to grow spend per passenger.

In food-to-go, our *Smith's Family Kitchen* offer has gone from strength to strength with award-winning products, an expanded meal deal proposition and an enhanced hot food and coffee range that is resonating strongly with customers.

In health and beauty, we have delivered strong growth, up 20 per cent year-on-year, and six fold growth when compared to pre-Covid levels as we scale this category across our estate.

These extended ranges have enabled us to continue to innovate through format development, ensuring our one-stop-shop proposition is credible to customers and landlords and, in turn, enhances our space through this format.

During the year, we have continued to optimise the estate and review our operating model, realising substantial cost efficiencies in the face of sustained inflationary cost pressures. We will continue with this discipline to manage continuing cost pressures.

Air passenger numbers remain a key growth driver and they are forecast to grow in the long term.

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 17 new stores, including four at airports, ten in hospitals and three motorway service area franchises. We closed 18 small and less well located stores in the year. This year, we expect to open c.20 new stores in the UK and close c.15 stores in line with our strategy to improve the quality of our space.

Revenue growth by key channels

	Revenue (% change) Year to 31 August 2025	
	Total vs 2024	**LFL[1] vs 2024**
Air	6%	7%
Hospitals	7%	4%
Rail	4%	4%
Total UK	**5%**	**5%**

Air

Air has delivered another good performance in the year. Total revenue in Air was up six per cent, supported by spend per passenger growth of four per cent on the prior year in Travel Essentials. In addition, we have delivered strong average transaction value (ATV) growth, driven by category development in health and beauty and food-to-go.

Today, WHSmith is the leading travel essentials operator across UK airports.

In the last 18 months, we have secured agreements with key airports to enhance our space, including at London Heathrow, Manchester and London Stansted.

Looking ahead, 2026 will be a year of investment. We will execute our largest-ever store development programme, rolling out our one-stop-shop strategy across six more UK airport terminals, including at London Heathrow, laying the foundations for future growth and long-term success. With this, comes short-term disruption as we reformat our existing stores.

These new formats will deliver greater convenience for customers and they will be central to our future growth. We are clear that this model works following the success of our store opening at Birmingham Airport in 2023. This is a good example of our strategy in action.

1 Alternative performance measure defined and explained in the Glossary on page 209
2 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory related items in the North America division (refer to Note 1b for further details) and to exclude results from discontinued operations
3 Before non-underlying items

Review of operations continued

Following its refit to the one-stop-shop format in 2023, our Birmingham store is the best-performing store in our UK Air estate. With everything under one roof, a full health and beauty offer and an in-store pharmacy, it is driving Average Transaction Value ("ATV") growth of c.20 per cent and sales per square foot up over 30 per cent. This success gives us confidence as we scale the format further.

At London Heathrow Airport, we will extend our presence with flagship one-stop-shop formats across Terminals 3, 4 and 5, demonstrating our leadership in UK Travel Essentials. These stores will see us further enhance our proposition following data-led customer insights to set a new global standard for travel essentials in UK airports. The stores will also bring together everything passengers need under one roof, delivering convenience and driving strong commercial returns.

We will become the leading airside health and beauty operator across these terminals with full category ranges and in-store pharmacies and we will have significantly enhanced our design and proposition.

These new stores will become true global flagships for our one-stop-shop format.

Hospitals

Hospitals is our second largest channel by revenue in the UK and it delivered another good performance in the year, with total revenue up seven per cent. This growth reflects the strength of our multi-format approach and our strong partnerships.

We opened ten new stores in the year and we have continued to grow with our partners M&S and Costa Coffee. We have also further developed our *Smith's Family Kitchen* café proposition which gives us good opportunities for further growth across UK hospitals.

Our proposition for NHS landlords is now multi-format and this flexibility allows us to meet diverse customer needs and maximise returns for NHS Trusts.

Looking ahead, Hospitals remain a significant growth opportunity for WHSmith. We have a strong pipeline of new stores to open in FY26 and we see further potential to expand our footprint and deepen our partnerships across the hospital estate.

Rail

Rail is also an attractive channel. During the year, we delivered another good performance with total revenue up four per cent on the prior year.

We have made good progress with our one-stop-shop strategy, opening flagship stores at King's Cross and Charing Cross stations in London. These formats bring together travel essentials, food-to-go, and health and beauty under one roof, creating a seamless experience for passengers and driving higher spend per visit. Looking ahead, we see further opportunity to expand this model across the rail estate.

Our latest store opening at London Bridge station showcases the future of this format in Rail, combining our *Smith's Family Kitchen* coffee and breakfast offer with food-to-go, health and beauty and a travel essentials offer. We have also introduced an extended range of on-the-go food and beverage products as we continue to evolve our retail mix to maximise customer convenience.

UK outlook

We continue to benefit from structural tailwinds, including passenger growth, and we see ongoing opportunities in Air and Hospitals and across our multi-format stores and brand partnerships. Despite this, there are also headwinds, including a challenging consumer outlook, sustained inflationary pressure of four to five per cent across most major cost lines, and regulatory changes affecting some of our core categories.

Category development and innovation remain central to our strategy, driving spend per passenger and reinforcing our leadership in Travel Essentials, as does a continued focus on costs and margin.

The year ahead will be a year of investment as we execute our largest-ever store development programme and accelerate the rollout of our one-stop-shop strategy. This is a transformational step that will strengthen our estate and position us for long-term growth.

While this investment will create trading disruption in the short term, and we expect some margin dilution as a result of this disruption, as well as cost inflation, our focus remains on disciplined capital spend and cost optimisation.

These actions will ensure we deliver profitable growth and build the foundations for future accelerated returns.

North America

Despite the challenges of recent months, North America remains an attractive market and investment opportunity. This is the largest travel retail market in the world with significant investment and long-term structural growth trends. We see plenty of opportunity to capitalise on the substantial growth opportunities given our small market share.

1 Alternative performance measure defined and explained in the Glossary on page 209

Review of operations continued

During the year, revenue in North America increased by seven per cent, on a constant currency basis, with total revenue up three per cent to £413m (2024: £401m). Further to the investigation undertaken by Deloitte, Headline trading profit[1,3] was £15m (2024[2]: £34m).

The revision from the previous market expectation of £55m includes a net reduction in supplier income of £23m. This comprises a gross reduction of £33m of which £20m is deferred to future financial years and £13m has not been delivered due to delays in signing supplier income contracts and the under-delivery of the commercial plan. Supplier income costs of £3m have also been incurred. This is offset by a £13m supplier income restatement benefit from prior years.

Expected cost savings of c.£5m were not delivered in FY25, largely relating to the delayed restructure of the North America logistics and distribution network. The direct benefits are no longer expected to be delivered at this scale; however, indirect benefits from the network review are expected over the medium term.

The adjusted margin for FY25 before additional one-off inventory-related costs of £12m is 6.5 per cent.

The net cost of the inventory items in FY25 is £12m. This comprises a gross increase in costs of £23m with £11m restated to prior years. The net inventory items for FY25 primarily consists of an increase in the stock obsolescence provision of c.£5m and an increase in the stock loss position for the year of c.£5m.

The increase in the stock obsolescence provision is driven by the ageing profile of stock and a marginally worsened stock turn in FY25. The Group has also revised its provision methodology with a more granular approach across product categories.

There is a clear set of activities focused on narrowing product ranges and exiting aged stock in the year ahead.

The FY25 shrinkage charge comprises known stock losses realised through stock counts and a shrinkage provision reflecting expected losses since the count to year-end. As part of the remediation plan, there is a focus on enhancing controls and stock management processes across the North America business in FY26.

In terms of restatements of the prior years, supplier income adjustments on a net basis for the prior years are £13m for FY24 and £5m for FY23. Approximately £5m of supplier income from these prior years will be recognised in FY26 and beyond.

Some of the inventory adjustments also relate to prior years, on a net basis, £7m recorded in FY24 and £4m in FY23.

As a result, the restated Headline trading profit margins[1,3] for the prior years are: 8.5 per cent for FY24 and 10.5 per cent for FY23.

In addition, over recent months, we have also reviewed the nature of one-off items included in the income statement to ensure we have a clear understanding of the normalised trading profit margin in North America. We identified a small number of one-off items, the most notable of which related to Covid-19 rent relief benefits and Covid-19 insurance claims received. After removing the net benefits, the normalised North America Headline trading profit margin[1,3] for the prior years of FY23 and FY24 is around eight per cent.

Travel Essentials

Our priorities for this division are clear. Our Travel Essentials business has consistently delivered a strong performance, growing 19 per cent on a constant currency basis in FY25, underpinned by customer demand and attractive double-digit margins and this will continue to be our focus in the current financial year and beyond.

In 2022, Travel Essentials represented 37 per cent of the overall North America business. Over the past three years, we have invested and grown this business and it now represents 55 per cent of total North America revenue growth. Given our priority to deliver the strongest returns, we expect this figure to increase over the coming years as we focus on more profitable space growth and higher margin categories.

The Travel Essentials segment is our most profitable and on a fully allocated basis generates around a ten per cent Headline trading profit margin[1,3]. As we scale our business and enhance our operations, we expect this to grow margins further, which in turn will support the profitability of our North America business overall.

Given our priority to deliver strong returns, we expect the proportion of Travel Essentials to increase to over 70 per cent in the medium term.

We have a strong pipeline of stores, which we have reviewed in light of the normalised margin levels and we are confident that in aggregate they meet our investment hurdle rates. We have also started the process of reviewing all our individual formats and space within the pipeline.

InMotion

InMotion remains highly regarded by landlords as part of tender packages where it adds value to the overall retail offer in airports and its strong reputation gives us a competitive advantage in securing attractive space within key airports. Our InMotion estate is profitable; however, it is in like-for-like ("LFL") decline and the portfolio is large with 123 stores. During the year, InMotion revenue declined three per cent year on year.

1 Alternative performance measure defined and explained in the Glossary on page 209
2 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to exclude results from discontinued operations
3 Before non-underlying items

We're embracing the "Mini" in health and beauty

Whether it's a last-minute weekend escape or the traditional family summer holiday, many customers are increasingly in search of adventure near and far and – ideally – some sun.

This means skincare, wellness and self-care products are an increasingly essential part of our customers' shopping mix, making health and beauty a core part of our one-stop-shop offer.

This year, the mini has become mighty. Our extensive selection of mini travel-sized products have performed strongly with over two million units of minis sold across the year, 20 per cent year on year growth in our UK division.

Think in-flight-friendly formats, trusted brands and high-performance beauty. And with our in-store pharmacy partnership with Well Pharmacy expanding too, our ranges can cater for everyone from frequent flyers to families.

Health and beauty will grow increasingly more important in our stores in the future, giving passengers even more reasons to shop with WHSmith.

Read more about health and beauty on our website: whsmithplc.co.uk

Mini products sold per year
2,000,000+

Year on year growth in UK
20%

Review of operations continued

As we move forward, our approach to operating InMotion will be highly focused. We will limit new store openings with new stores being considered only as part of strategically important tender packages. Where appropriate, we will also move the InMotion proposition into the large marketplace stores where we offer customers the convenience of everything under one roof, providing flexibility on space use over time.

In parallel, we will undertake a review of the existing store portfolio. It is imperative that we improve the profitability and revenue performance of this business. As a result, our focus will include undertaking a deeper diagnostic of the estate to determine the factors that need to be in place for these stores to succeed.

We expect to complete this in the first half of 2026 and we will then be in a position to reshape the portfolio to improve profitability and allow us to better target where we can open new stores that pay back with strong returns. We will also focus on our commercial proposition, reducing the number of product lines, improving availability and reducing working capital.

Over time, we expect the number of InMotion stores to decline as we focus on our Travel Essentials business and integrating more tech accessories into these stores, as well as the impact of landlord redevelopment. In the years ahead, we would expect the InMotion estate to contract by around 20-30 per cent with store numbers reducing below 100 in the medium term.

Despite store closures, we see an opportunity to increase margin with our strongest margin stores retained, range optimisation and strengthened operational performance.

Air store profiles

Our strategy to grow in North American airports is delivering good results. Over recent years, we have secured a mix of standalone stores and multi-store packages, combining our profitable Travel Essentials offer with complementary stores such as InMotion.

In Kansas City, we opened an eight-store package in February 2022, including six Travel Essentials stores, a larger-format City Market and a localised “Made in KC” concept store. This tailored approach across the airport meets travellers needs and drives performance with like-for-like growth of around six per cent in these stores, a current payback period of around three years and a long-term contract.

In Washington, we opened an Eastern Market store in May 2025 and this is a good example of where we have introduced a marketplace format offering the convenience of everything under one roof – similar to our one-stop-shop strategy in the UK. Within this standalone store, we have the flexibility to realign our category mix over the term of the lease to ensure we stay ahead of changing trends. We expect a payback period here of less than three years and a long-term contract in place.

In Palm Springs, we have secured exclusive rights to all the retail locations in the airport. This was a significant strategic win and includes a five-store package: three Travel Essentials stores, an InMotion store and a Coffee Shop. This localised offer is performing very well, with like-for-like growth of around nine per cent and a payback period of around two years, again, with a long-term contract in place.

We have a clear ability to win prime locations, adapt our formats and leverage our brands, and we are able to drive good growth with attractive returns.

Resorts

We have completed a review of our Resorts business in Las Vegas to evaluate the current store portfolio based on the performance and market dynamics of each format.

There are four primary store formats that make up our Resorts business: Hotel convenience and gift stores; “Welcome to Las Vegas” stores; Fashion stores; and Speciality stores.

Our Hotel convenience and gift stores, of which we operate c.20, sell consumables and souvenirs. Our “Welcome to Las Vegas” stores primarily sell souvenirs with some consumables and we operate c.20 of these. We see a good contribution from our Hotel convenience and “Welcome to Las Vegas” stores. Despite a decline in LFL revenue in the last year, we continue to benefit from attractive margins and these stores contribute cash.

Our Fashion stores deliver c.25 per cent of Resort revenue and, on a comparable basis, have declined circa ten per cent year-on-year. At an aggregated level, these stores are unprofitable and do not generate cash.

Our Speciality stores sell categories such as confectionery and represent c.ten per cent of Resort revenue. LFL revenue also declined around seven per cent in the year and these stores are marginally unprofitable.

Following our review, we are exiting a number of Resort Fashion and Speciality stores, where the leases are short, and we are reviewing further format and other controlled exit route options where the arrangements run over the medium term. While this will take some time, we have initiated the work, and the margin and cash benefits, along with growth benefits, already support our FY26 plans.

Review of operations continued

	Revenue (% change) Year to 31 August 2025		
	Total vs 2024	Total at constant currency vs 2024	LFL[1] vs 2024
Air	5%	9%	4%
Resorts	(7)%	(3)%	(4)%
Total North America	**3%**	**7%**	**2%**

During the year, we opened 35 new stores and closed 14 stores, consistent with our strategy of improving the quality of our store estate.

We have a new store pipeline of c.70 stores with c.35-40 new stores due to open over the next year and, currently, we anticipate closing c.30 stores as we continue to improve the quality of our store portfolio.

Rebuilding profitability in North America

Given this division has grown significantly over the past few years, it has become complex with significant store, supplier and product range expansion. It is therefore necessary that we focus on refining the operating model with core business process improvements.

It is clear that this will be a multi-year piece of work and our focus areas for the next 12 months will be on our people structure and talent and investment in our end-to-end supply chain to improve the current processes and ways of working, both centrally and in stores. This will be combined with the roll out of two new regional distribution centres; one operated by GXO in New Jersey and a second in Las Vegas, operated directly as an extension of how we operate today. We will utilise these distribution centres to transform our distribution and transportation capabilities and stay ahead of the store growth. We also expect operational savings to deliver a benefit in the years ahead.

In the year ahead, we are expecting total revenue growth in the region of six to eight per cent, driven largely by space. In terms of profitability, we expect to grow Headline trading profit margin[1,2] from four per cent in FY25 to around seven to eight per cent in FY26. This includes Headline trading profit[1,2] contribution in the region of £5m, the rebuild of Headline trading profit[1,2] excluding the non-repeat inventory related costs of around £12m, supplier income deferral gains of around £5m year on year, offset by operating model changes and remediation investment of around £2m.

Looking ahead, we will focus on five key actions that will strengthen our business and deliver future margin gains:

- increasing the mix of travel essentials;
- deploying capital with discipline — investing where we see the highest returns and avoiding unnecessary expansion. Every decision will be guided by rigorous financial criteria;
- strengthening our operating model to improve efficiency;
- rationalising low-margin stores to sharpen our focus on profitable locations; and
- exiting loss-making stores to ensure our portfolio is positioned for long-term success.

Rest of the World ("ROW") and Other

It has been a strong year for revenue growth. Revenue was up 12 per cent, largely driven by new store openings. Headline trading profit[1,2] was broadly flat year-on-year, with investment in new store openings and gross margin.

In our ROW division, we remain focused on growing and building scale in our core, strategically important markets, particularly in Australia, Ireland and Spain where we have established strong brand recognition and proven commercial success.

We will focus on further investment where we already have scale and expertise, ensuring that we deepen our presence and strengthen profitability in the markets we know best. In prime locations, we will also look to grow our key categories, such as health and beauty and further develop our one-stop-shop format.

In addition, we will continue to actively manage our store portfolio which will result in exiting sub-scale markets as contracts expire or through active portfolio management.

The outcome of this is clear: we plan to improve EBIT margins over the medium term and deliver stronger returns.

As part of this disciplined approach, in the near term, new directly-run stores will be opened only within our existing core markets allowing us to leverage operational synergies, local market knowledge and established infrastructure.

As we look at our next phase of growth, we are sharpening our focus on a franchise-led model, an area in which we already have considerable experience. By working in partnership with experienced local operators, we can leverage their local expertise alongside our space and promotional management to optimise performance. This shift will take time, but it offers several clear advantages. It is less capital intensive and will therefore drive stronger returns. It also provides the ability to accelerate growth while reducing operational complexity.

We have 325 stores open, of which 59 per cent are directly-run, nine per cent are joint venture and 32 per cent are franchise. During the current financial year, we expect to open around five stores and close c.20 stores.

1 Alternative performance measure defined and explained in the Glossary on page 209
2 Before non-underlying items

We're expanding our Good Vibes travel range

Recent research shows that increasing numbers of customers are seeing tech as vital as a passport. According to YouGov, 89 per cent of Brits take a smartphone on holiday – with headphones, power banks and tablets other popular travel devices.

This is one example of why we continue to expand our tech offer through InMotion and our tech accessories ranges in WHSmith stores. As a result of our in-depth understanding of today's traveller, tech remains a key part of our offer to help passengers stay powered up on their journeys.

To support this, in 2025 we expanded our own-brand tech accessories range, Good Vibes. Good Vibes features a wide range from chargers and cables to adaptors and travel cases which are both practical and playful with bold colours, patterns and smart designs made for modern explorers.

Already available in our InMotion stores world-wide, the range has now rolled out to WHSmith stores across the UK too as we look to drive more appeal for our tech accessories from passengers in our stores.

Read more about the Good Vibes range on our website: whsmithplc.co.uk

Review of operations continued

Total Travel stores

No. of stores	Year to 31 August 2025 UK[1]	North America	ROW and Other	Total Travel
At 1 September 2024	594	341	356	1,291
Opened	17	35	27	79
Closed	(18)	(14)	(58)	(50)
India franchise closures	–	–	(40)	(40)
Net (closures)/openings	(1)	21	(31)	(11)
At 31 August 2025	593	362	325	**1,280**
Closures:				
Relocations/loss-makers	(14)	(5)	(2)	(21)
Landlord redevelopment	(3)	(3)	(3)	(9)
Lease expiries	(1)	(6)	(53)	(60)
	(18)	(14)	(58)	(90)

We continue to focus on improving the quality of our space to optimise profits. As a consequence of this strategy, we expect to close as many stores as we open on an annual basis in the short term.

During the year, we opened 79 new stores with 17 in the UK, 35 in North America, (of which 32 were in Air demonstrating our clear focus on this channel) and 27 in our Rest of World and Other division (of which 10 were franchised). At the same time, we closed 50 stores in the year, excluding 40 franchise closures in India where the income received was zero. Outside of planned redevelopment, all of these closures were actioned in line with our strategy.

We expect to see further store closures in FY26 of c.65 stores and to open a further c.62 stores. Excluding franchises, Travel occupies 1.2m square feet (2024: 1.2m square feet). See page 5 for analysis of store numbers by region.

1 Including one branch in the Isle of Man

High Street

On 28 March 2025, the Group agreed to sell its UK High Street business comprising approximately 480 stores to Modella Capital. The transaction excluded the WHSmith brand, which was retained by the Group. The High Street business represented a separate major line of business and geographical area of operations. Accordingly, the results of this business have been classified as discontinued operations in accordance with IFRS 5. The related assets and liabilities were derecognised on completion of the sale.

The sale was completed on 28 June 2025. Under the terms of the agreement, the Group received an upfront cash payment of £10m at completion, with the remainder of the proceeds comprising contingent consideration linked to future cash flows and taxable profits of the divested business.

The carrying value of the net assets disposed was compared to the fair value of the total consideration receivable, net of estimated costs to sell of £27m.

funkypigeon.com

On 14 August 2025, the Group completed the sale of its online personalised greeting cards business, funkypigeon.com, to Card Factory PLC for total consideration of £25m. The associated cost of sale amounted to £3m.

funkypigeon.com was reported within the High Street division, representing a major line of business that the Group exited as part of its strategic shift to become a travel-focused retailer and has therefore been classified as a discontinued operation in accordance with IFRS 5. Its results are presented within discontinued operations, together with those of the High Street business.

The assets and liabilities of funkypigeon.com Ltd were de-recognised from the Group's consolidated statement of financial position upon completion of the sale.

Group outlook

This has been a year of strategic progress and significant challenge, and we now enter the next phase with a clear plan and renewed focus.

Our immediate priority is to continue to implement the remediation plan and to rebuild the North America business swiftly and effectively, restoring momentum and profitability.

At the same time, we have set clear priorities across each division focusing on profitable growth and strengthening our leadership position in global travel retail. We are taking decisive action to optimise our store estate, including exiting unprofitable stores and markets where necessary, while investing in areas that deliver sustainable growth.

We remain committed to driving profitable growth through innovative retail initiatives that enhance spend per passenger and deepen customer engagement. These initiatives, combined with disciplined cost control, rigorous capital allocation, and a focus on return on invested capital, will underpin everything we do.

Our enhanced financial discipline is central to rebuilding confidence, creating long-term value for shareholders, and reinforcing our position as a leading global travel retailer.

Max Izzard
Group Chief Financial Officer

19 December 2025

Financial review

£m Continuing operations	IFRS 2025	IFRS 2024[3]	Headline (pre-IFRS 16)[1] 2025	Headline (pre-IFRS 16)[1] 2024[3]
Revenue	**1,553**	1,473	**1,553**	1,473
Group profit from trading operations[1]	**173**	182	**159**	170
Group profit before tax and non-underlying items[1]	**102**	106	**108**	114
Non-underlying items[1]	**(100)**	(41)	**(92)**	(41)
Group profit before tax	**2**	65	**16**	73

Performance varied by division in the year. At a Group level, our results for the full year ended 31 August 2025 were negatively impacted versus previous expectations as a result of the supplier income recognition issue identified in our North America division and the one-off inventory costs subsequently identified in this division.

Accordingly, all results stated are on a continuing operations basis (following the sale of the High Street and Funky Pigeon businesses) with prior period comparatives restated to correct the accelerated supplier income recognition and inventory-related items in the North America division, unless otherwise stated.

Revenue

Total Group revenue at £1,553m (2024: £1,473m) was up five per cent compared to the prior year.

Continuing operations	Revenue (% change) Year to 31 August 2025: Total vs 2024	Total at constant currency vs 2024	LFL[1] vs 2024
UK	5%	5%	5%
North America	3%	7%	2%
Rest of the World and Other	10%	12%	7%
Total	**5%**	**7%**	**5%**

Total revenue was up five per cent (seven per cent on a constant currency basis) to £1,553m and up five per cent on a LFL basis. This was driven by a growth across all divisions, with the UK up five per cent on a total basis, North America up seven per cent[2], and ROW up 12 per cent[2].

Total revenue growth of 5%, with growth in all divisions

5%

Headline diluted earnings per share[1]

43.4p
(2024[3]: 60.3p)

Headline free cash flow[1]

£63m
(2024[3]: £35m)

Headline net debt[1]

£390m
(2024[3]: £371m)

1 Alternative performance measure defined and explained in the Glossary on page 209
2 Constant currency
3 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to exclude results from discontinued operations

Financial review continued

Trading profit

£m Continuing operations	IFRS 2025	IFRS 2024[3]	Headline pre-IFRS 16[1] 2025	Headline pre-IFRS 16[1] 2024[3]
UK trading profit[1,2]	**131**	126	**130**	122
North America trading profit[1,2]	**22**	38	**15**	34
Rest of the World and Other trading profit[1,2]	**20**	18	**14**	14
Group profit from trading operations[1,2]	**173**	182	**159**	170

The Group delivered a Headline Group profit from trading operations[1] of £159m (2024: £170m[3]) down six per cent. The UK increased by £8m to £130m. North America decreased by £19m to £15m and ROW was in line with the prior year at £14m.

Net finance costs

£m Continuing operations	IFRS 2025	IFRS 2024	Headline pre-IFRS 16[1] 2025	Headline pre-IFRS 16[1] 2024
Interest payable on bank loans and overdrafts	**11**	14	**11**	14
Interest on convertible bonds	**15**	14	**15**	14
Interest on lease liabilities	**20**	20	**–**	–
Net finance costs before non-underlying items	**46**	48	**26**	28

Headline net finance costs before non-underlying items[1] (pre-IFRS 16) for the year were £26m (2024: £28m). This includes cash costs of £16m and £9m 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 £20m arises on lease liabilities recognised under IFRS 16, bringing the total net finance costs before non-underlying items on an IFRS 16 basis to £46m (2024: £48m).

Tax

The effective tax rate[1] was 42 per cent (2024[3]: 26 per cent) on the profit for the year, reflecting the derecognition of deferred tax assets in North America. Net corporation tax payments in the year were £28m (2024: £18m) after using all possible loss relief. Based on current legislation, we expect the effective tax rate in FY26 to be around 25 per cent.

Earnings per share – continuing operations

Calculation of Headline diluted earnings per share[1]

Continuing operations	Headline pre-IFRS 16[1] 2025	Headline pre-IFRS 16[1] 2024[3]
Headline profit before tax[2] (£m)	**108**	114
Income tax expense[2] (£m)	**(45)**	(29)
Headline profit for the year[2] (£m)	**63**	85
Attributable to non-controlling interests (£m)	**(7)**	(6)
Headline profit for the year attributable to equity holders of WH Smith PLC[2] (£m)	**56**	79
Weighted average shares in issue (diluted) (no. of shares – millions)	**129**	131
Headline diluted EPS[2] (p)	**43.4**	60.3

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

Headline diluted EPS[1,2] was 43.4p (2024: 60.3p[3]), a decrease of 28 per cent on the previous year.

EPS calculated on an IFRS 16 basis is provided in Note 10 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 209.

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 North America. For the year ended 31 August 2025, this was £7m (2024: £6m).

1 Alternative performance measure defined and explained in the Glossary on page 209
2 Before non-underlying items
3 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to exclude results from discontinued operations

Financial review continued

Non-underlying items[1]

£m Continuing operations	Ref.	IFRS 2025	IFRS 2024	Headline (pre-IFRS 16)[1] 2025	Headline (pre-IFRS 16)[1] 2024
Amortisation of acquired intangible assets	(1)	**(3)**	(3)	**(3)**	(3)
Impairment of non-current assets	(2)	**(53)**	(22)	**(24)**	(14)
Provisions for onerous contracts	(2)	**(3)**	(4)	**(24)**	(9)
Transformation programmes – supply chain, IT and operational efficiencies	(3)	**(25)**	(7)	**(25)**	(7)
Costs associated with the investigation into accelerated recognition of supplier income in North America	(4)	**(10)**	–	**(10)**	–
Impairment of other receivables	(5)	**(3)**	–	**(3)**	–
Costs relating to M&A activity and Group legal entity structure	(6)	**(1)**	(4)	**(1)**	(4)
Costs associated with pensions		**–**	(2)	**–**	(2)
IFRS 16 remeasurement gains		**–**	3	**–**	–
Other non-underlying costs		**(1)**	(2)	**(1)**	(2)
Total non-underlying items recognised in the income statement before finance costs		**(99)**	(41)	**(91)**	(41)
Finance costs associated with onerous contracts	(2)	**(1)**	–	**(1)**	–
Total non-underlying items recognised in the Income statement		**(100)**	(41)	**(92)**	(41)

The Group has chosen to present a measure of profit and earnings per share that excludes certain items, which are considered non-underlying and exceptional due to their size, nature or incidence, or are not considered to be part of the normal operations of the Group. Non-underlying items in the year in the Income statement are detailed below.

A tax credit of £18m (2024: £5m) has been recognised in relation to the above items (£18m pre-IFRS 16 (2024: £5m)) from continuing operations.

(1) Amortisation of acquired intangible assets
Non-cash amortisation of acquired intangible assets of £3m (2024: £3m) primarily relate to the MRG and InMotion brands.

(2) Impairment of non-current assets and provision for onerous contracts
The Group has carried out an assessment for indicators of impairment of non-current assets across the store 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, aligned with the latest Board-approved budget and three-year plan, to the carrying value of the cash-generating unit as at 31 August 2025.

As a result of this exercise, a non-cash charge of £24m (2024: £14m) was recorded within non-underlying items for impairment of non-current assets on a pre-IFRS 16 basis, of which £24m (2024: £13m) relates to property, plant and equipment and £nil (2024: £1m) relates to intangible assets. On an IFRS 16 basis the total impairment charge of £53m (2024: £22m) comprises £24m property, plant and equipment (2024: £11m), £nil intangible assets (2024: £1m) and £29m (2024: £10m) right-of-use assets.

A charge of £24m on a pre-IFRS 16 basis (2024: £9m; IFRS 16 basis £3m; 2024: £4m) has been recognised in the Income statement to provide for the unavoidable costs of continuing to service a number of non-cancellable supplier and property 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 in line with the profile of the contracts to which they relate. 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.

1 Alternative performance measure defined and explained in the Glossary on page 209

Financial review continued

Of the total charge for impairment and onerous contracts, on a pre-IFRS 16 basis, £7m is attributable to the UK operating segment, £25m to North America and £16m to ROW. Impairment charges in the North America and ROW operating segments have principally arisen due to a lower trading outlook in certain individual stores across these regions, in addition to localised labour cost pressures in one particular grouping of stores.

(3) Transformation programmes
Costs of £25m (2024: £7m) have been classified as non-underlying in relation to a number of Board-approved programmes relating to supply chain (£3m), IT transformation (£11m) and operational efficiencies (£11m).

The supply chain transformation programme includes costs of reconfiguration of the Group's UK distribution centres following the outsourcing of operations to a third party (GXO), 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 concluded in 2025.

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 total costs in the year ending 31 August 2026 to be around £5m-£7m.

The operational efficiencies programme commenced in the year and includes £6m of costs associated with the restructuring of store and field management structures within the UK division, and £5m of head office restructuring and other transformation costs across all divisions. This programme will deliver a more efficient operating model to support the Group's strategic objectives. The implementation of certain of these projects will continue into next financial year.

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.

(4) Costs associated with the investigation into accelerated recognition of supplier income in North America
Costs incurred during the year include £10m of professional fees in relation to the investigation into accelerated recognition of supplier income in North America. We anticipate further costs in the year ending 31 August 2026 to be around £5m.

(5) Impairment of other receivables
The Group's other receivables include amounts due from non-controlling interest equity shareholders in certain of the Group's US subsidiaries which relate to contributions owed towards property, plant and equipment construction for stores. These contributions are used towards unit fixed asset buildouts and are received in accordance with the cash requirements of the subsidiary. Certain of these contributions are no longer considered to be recoverable based on the expected credit loss that considers the counterparty's ability to pay, which reflects the financial outlook of the associated stores.

Such expected credit losses of £3m (2024: £nil) are recognised within non-underlying items where an impairment charge for store non-current assets has also been recognised within non-underlying items.

(6) Costs relating to M&A activity and Group legal entity structure
Costs of £1m (2024: £4m) have been incurred arising from professional and legal fees in relation to a reorganisation of the Group's legal entity structure.

Cash flow

Free cash flow[1] reconciliation – continuing operations

	pre-IFRS 16[1]	
£m Continuing operations	**2025**	2024[4]
Headline Group operating profit before non-underlying items[1]	**134**	142
Depreciation, amortisation and impairment (pre-IFRS 16)[2]	**51**	44
Non-cash items	**2**	12
Headline EBITDA[1, 2]	**187**	198
Capital expenditure[3]	**(81)**	(105)
Working capital (pre-IFRS 16)[2]	**4**	(22)
Net tax paid	**(28)**	(18)
Net finance costs paid (pre-IFRS 16)[2]	**(19)**	(18)
Free cash flow[1]	**63**	35

1 Alternative performance measure defined and explained in the Glossary on page 209
2 Excludes cash flow impact of non-underlying items
3 Excluding capital expenditure related to non-underlying items of £nil (2024: £1m)
4 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to exclude results from discontinued operations

Financial review continued

The Group generated Headline EBITDA[1] of £187m in the year (2024: £198m[4]). Capital expenditure was £81m (2024: £105m[2]) as we continued to invest in new stores, IT and energy-efficient chillers and other store equipment. We had a working capital inflow of £4m in the year (2024: outflow of £22m). This mainly relates to a one-off payables timing benefit linked to one of our large franchise partners, broadly offsetting an inventory increase relating to new store openings. This year, we expect an outflow mainly relating to the unwinding of this timing benefit and opening new stores. In total, there was a free cash inflow in the year of £63m (2024: £35m). This year, we expect, subject to investment opportunities, net debt to be in the region of £400m at the end of the year. The increase in net debt relates to the timing of investment in refurbishment of UK stores and continuing investment in new stores in North America alongside ongoing transformation costs.

Net corporation tax payments in the period were £28m (2024: £18m).

Capital expenditure was £81m (2024: £105m[2]), which includes the additional spend from opening 79 stores around the world.

£m Continuing operations	2025	2024
New stores and store development	**54**	64
Refurbished stores	**16**	12
Systems	**9**	9
Other	**2**	20
Total capital expenditure[2]	**81**	105

Reconciliation of Headline net debt[1]

Headline net debt[1] is presented on a pre-IFRS 16 basis. See Note 20 of the Financial statements and Note 8 of the Glossary for the impact of IFRS 16 on net debt.

	Pre-IFRS 16[1]	
£m	2025	2024[4]
Opening Headline net debt[1]	**(371)**	(330)
Free cash flow[1]	**63**	35
Non-underlying items – continuing operations[1]	**(38)**	(17)
Dividends paid	**(43)**	(41)
Purchase of own shares for cancellation	**(50)**	–
Net purchase of own shares for employee share schemes	**–**	(12)
Receipt of pension surplus	**75**	–
Discontinued operations	**(25)**	7
Other	**(1)**	(13)
Closing Headline net debt[1]	**(390)**	(371)
Net overdraft	**(70)**	**(61)**
Convertible bond	**(320)**	**(310)**
Headline net debt[1]	**(390)**	**(371)**

As at 31 August 2025, the Group had Headline net debt[1] of £390m comprising convertible bonds of £320m and net overdrafts of £70m (2024: £371m, convertible bonds of £310m and net overdrafts of £61m).

On an IFRS 16 basis, net debt was £874m (2024: £997m), which includes an additional £484m (2024: £626m) of lease liabilities.

In addition to the free cash flow, the Group had outflows relating to non-underlying items from continuing operations of £38m (2024: £17m) mainly relating to transformation and restructuring projects and spend relating to prior year property provisions; the dividend of £43m (2024: £41m) being the final dividend from 2024 and the interim dividend from 2025; the £50m (2024: £nil) share buyback announced in September 2024; and £nil (2024: £12m) on own shares for the Group's share schemes. The Group also had an inflow of £75m (2024: £nil) in respect of receipt of the pension surplus following wind-up of the scheme and a net cash outflow related to discontinued operations of £25m (2024: £7m inflow).

This year, we would expect, subject to investment opportunities Headline net debt to be in the region of £400m at the end of the year. The increase relates to continuing investment in new stores in North America alongside ongoing transformation costs.

Financing and capital allocation

The Group has highly cash generative trading operations and has substantial liquidity.

The Group has the following cash and committed facilities as at 31 August 2025.

£m	31 August 2025	Maturity
Cash and cash equivalents	**71**	
Revolving credit facility[3]	**400**	June 2030
Convertible bonds	**327**	May 2026
US private placement notes	**200**	2032-2037
Term loan	**120**	March 2028

The Group has a revolving credit facility ("RCF") with a maturity date of 13 June 2030 and a £327m convertible bond with a maturity of 7 May 2026, which has a fixed coupon of 1.625 per cent.

1 Alternative performance measure defined and explained in the Glossary on page 209
2 Excluding capital expenditure relating to non-underlying items of £nil (2024: £1m)
3 Draw-down of £141m as at 31 August 2025
4 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to exclude results from discontinued operations

Financial review continued

In 2025, the Group also secured new financing arrangements to diversify the Group's sources of debt financing and to extend the Group's debt maturity profile in advance of the convertible bond maturing on 7 May 2026. This comprised a three-year term loan of £120m and US private placement notes of £200m with a tenor of seven, ten and 12 years. The new arrangements are undrawn at 31 August 2025.

As at 31 August 2025, Headline net debt[1] was £390m (2024: £371m) and the Group has access to c.£650m of liquidity.

In November 2025, the Group entered into a £200m syndicated 12-month term loan. The loan has two extension options, which would, if exercised, extend the maturity date to 31 August 2027. The facility is provided by a syndicate of banks: PNC Capital Markets LLC, J.P. Morgan Securities PLC, BNP Paribas, London Branch and Skandinaviska Enskilda Banken AB (PUBL). This additional loan provides further financing surety for the group as a backstop facility, which will remain in place until the US private placement notes are drawn down and the convertible bond is repaid.

We remain focused on maintaining an efficient balance sheet and on a disciplined approach to capital allocation. In the near term, we aim to:

- strengthen the balance sheet, through tighter cash control and improved cash generation, diversify our debt structure, extend our maturity profile and reduce our leverage position to below 2.0x;
- invest to grow and protect value. We will do this by investing in business development and new space growth with a clear focus on attractive returns, and, protect our business assets through maintenance and transformation projects; and
- deliver shareholder returns through our dividend policy of 2.5x cover, reset to our continuing business earnings, and when we have surplus capital, we will look to return further cash to shareholders.

The Board has proposed a final dividend of 6.0p per share in respect of the financial year ended 31 August 2025, which, together with the interim dividend, gives a full-year dividend of 17.3p 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 12 February 2026 to shareholders registered at the close of business on 23 January 2026.

Return on capital employed[1]

	ROCE %	
	2025	2024[2]
UK	**38%**	35%
North America	**4%**	10%
Rest of the World and Other	**22%**	23%
Total Group	**18%**	20%

Return on capital employed is calculated as the Headline Group operating profit[1,3] 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.

Leverage[1]

	pre-IFRS 16[1]	
£m	**2025**	2024[2]
Headline EBITDA[1]	**187**	198
Headline net debt[1]	**390**	371
Leverage – multiple	**2.1x**	1.9x

Leverage at 31 August 2025 was 2.1x (2024: 1.9x), comprising Headline net debt[1] over Headline EBITDA[1]. The Group plans to reduce the leverage position to below 2.0x.

Fixed charges cover[1]

	pre-IFRS 16[1]	
£m	**2025**	2024[2]
Headline net finance costs before non-underlying items[1]	**26**	28
Headline fixed operating lease charges[1] (Note A12)	**232**	216
Total fixed charges	**258**	244
Headline EBITDA[1]	**187**	198
Headline fixed operating lease charges[1]	**232**	216
Headline EBITDA before fixed charges[1]	**419**	414
Fixed charges cover – times	**1.6x**	1.7x

Fixed charges, comprising fixed property operating lease charges and net finance costs, were covered 1.6 times (2024: 1.7 times[2]) by Headline EBITDA[1] before fixed charges.

1 Alternative performance measure defined and explained in the Glossary on page 209
2 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to exclude results from discontinued operations
3 Before non-underlying items

Financial review continued

Balance sheet

£m	IFRS 2025	IFRS 2024[2]	Headline pre-IFRS 16[1] 2025	Headline pre-IFRS 16[1] 2024[2]
Goodwill and other intangible assets	**447**	490	**449**	491
Property, plant and equipment	**254**	316	**251**	308
Right-of-use assets	**367**	505	**–**	–
Investments in joint ventures	**2**	2	**2**	2
Non-current investments	**4**	–	**4**	–
	1,074	1,313	**706**	801
Inventories	**148**	209	**148**	209
Payables less receivables	**(191)**	(211)	**(181)**	(204)
Working capital	**(43)**	(2)	**(33)**	5
Net current and deferred tax asset	**31**	38	**31**	38
Provisions	**(1)**	(17)	**(25)**	(28)
Operating assets	**1,061**	1,332	**679**	816
Net debt	**(874)**	(997)	**(390)**	(371)
Net assets excluding retirement benefit surplus	**187**	335	**289**	445
Retirement benefit surplus	**1**	87	**1**	87
Total net assets	**188**	422	**290**	532

The Group had Headline net assets excluding the retirement benefit surplus of £289m, £156m lower than last year end reflecting the disposal of the High Street business. Under IFRS, the Group had net assets before the retirement benefit surplus of £187m (2024: £335m[2]).

Discontinued operations

The Group completed its sale of the High Street and Funky Pigeon businesses in 2025, both of which are considered discontinued operations. The loss from discontinued operations in 2025 amounted to £113m (2024: profit of £17m), primarily arising from the difference between the carrying amount of net assets disposed and the agreed selling price and disposal costs.

Remediation plan

In response to the findings of the independent and comprehensive review undertaken by Deloitte LLP, we have taken decisive actions and implemented a robust remediation plan. Both the Board and management are taking the situation and the findings extremely seriously and are committed to addressing them swiftly and effectively.

The remediation plan is sponsored by the Group CFO with the Chair of the Audit Committee providing oversight from the Board. We have created an Executive Committee drawn from Group Finance, Risk and our People functions with responsibility for delivery of the plan, and an external consulting firm as an adviser to support the plan.

The remediation plan has been structured around three key business objectives: to strengthen governance and controls to protect value and restore trust; to embed aligned processes and ways of working across the Group, supported by new systems and to sustain the fix through cultural change, enhanced training and monitoring.

Further details on the findings of the Deloitte Review are set out on pages 94 and 95.

Events after the balance sheet date

The FCA has commenced an investigation into the Company in respect of its compliance with UK Listing Principles and Rules and the Disclosure and Transparency Rules in relation to the matters announced by the Company on 19 November 2025.

Max Izzard
Group Chief Financial Officer

19 December 2025

1 Alternative performance measure defined and explained in the Glossary on page 209
2 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to exclude results from discontinued operations

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.

Section 172(1) of the Companies Act 2006 requires each director to perform 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. WHSmith's interactions with key stakeholders and the ways in which their interests have been taken into account by the directors in their decision-making during the year ending 31 August 2025 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 74 to 95.

Section 172(1) statement continued

Key Board decisions in 2025

Decision to divest the High Street and Funky Pigeon businesses

In the first quarter of the financial year, the Board made a strategic decision to explore options for a divestiture of the High Street division. Advisers were appointed to seek expressions of interest from potential purchasers. Following receipt of offers, commercial negotiations and due diligence, a sale of the High Street and Funky Pigeon businesses were agreed in June and August respectively.

During the process, the Board focused primarily on delivering value for shareholders and the long-term future of the Company, while also considering the potential impact on all other stakeholder groups:

- Investors: the Board engaged with the Company's key investors to ensure their feedback was considered in the decision-making process.
- Our people: the Board ensured colleagues were kept informed by executive management throughout the offer period to ensure transparency and alleviate concerns from colleagues.
- Suppliers: an extensive transformation programme was initiated to ensure that contractual arrangements for suppliers were novated to the new trading entities in order to minimise any disruption to trading terms and conditions.
- Landlord partners: the Company actively communicated with landlord partners at appropriate times to explain the reasoning behind the business strategy and provide reassurance that customer service and operational activity would continue as normal.

Strategic action supported by the Board

- Appointment of an executive steering committee to oversee the divestitures and manage the operational separation activities of the continuing and discontinued businesses.
- Ongoing engagement with the Company's brokers, advisers and management to ensure oversight and control.
- Disclosure to the financial markets in accordance with UK Listing Rules.
- Regular engagement with prospective purchasers, followed by dialogue with all stakeholder groups to provide feedback and assurance.
- Engagement and constructive debate with executive management and WHSmith colleagues.

Outcomes

By implementing these strategic actions, the Company achieved, or aimed to achieve, the following outcomes:

- A decision by the Board to divest the High Street businesses.
- Reassurance to investors, lenders, colleagues, customers and suppliers that the Company would continue to deliver its commercial aims during a period of potential change to minimise disruption and uncertainty.
- Appropriate governance and oversight from the Board in relation to the proposals, decision-making and due diligence, providing stakeholders with confidence and assurance.

Decision to commission an independent review

The Company announced in August 2025 that a financial review had identified there had been an overstatement of expected trading profit in North America for the current financial year and that the Board had commissioned an independent and comprehensive review by Deloitte LLP.

As directed by the Board, the Deloitte Review focused on an investigation into the timing of the recognition of supplier income in North America. Further details can be found on page 94.

Strategic action supported by the Board

- The commissioning of an independent and comprehensive review conducted by Deloitte LLP.
- The establishment of a Special Committee of directors to oversee the independent review process and engage with Deloitte LLP.
- Engagement with investors and lenders.
- Engagement with other stakeholders, including colleagues, landlord partners, customers and suppliers within the confidentiality parameters of the Deloitte Review and applicable legal and regulatory requirements.

The Board took further action in 2025 as the Deloitte Review continued through to its completion. Further details are provided on page 95.

Outcomes

The principal outcomes of the commissioning of the Deloitte Review, in addition to the proactive measures undertaken by the Board were:

- Analysis of the Deloitte Review's findings, and immediate and long-term remediation actions to address material weaknesses of controls and governance and failures identified.
- Delegation of the oversight of the remediation plan to the Audit Committee Chair, with the Group CFO as the plan sponsor.
- Reinforcement of the global supplier income policy across the North America division, with new governance and controls frameworks and refreshed mandatory training.
- Acceleration of the introduction of a new Group-wide supplier income management system and Finance Transformation programme.
- A commitment to fostering a culture of integrity, transparency and accountability and empowering teams to speak up.
- An ongoing process to consider actions to be taken in respect of individuals and to strengthen the North America leadership, finance and commercial teams.

Section 172(1) statement continued

Our people

The success of WHSmith depends on all of the colleagues employed by the Company. It is essential that they feel engaged, motivated and appreciated.

What matters to our people

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

How did we engage?

- Our designated non-executive director for workforce engagement, Simon Emeny, provided oversight for the Board
- Simon Emeny attended employee forums to listen to feedback from colleagues
- 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 and inclusion sessions
- Our annual employee engagement survey was followed up with meetings with colleagues to gain further understanding and build action plans together

What were the key topics raised?

- Implications for colleagues of the sale of the High Street and Funky Pigeon businesses
- Job security, remuneration and benefits
- Development and growth for all of our colleagues
- 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 continued to highlight our WHSmith Values based on Customer Focus, Drive for Results, Accountability and Valuing our People, incorporating them into our employee policies and performance management processes
- We extended our learning and development proposition, giving colleagues access to a wider range of development opportunities
- We reviewed our processes for performance management and communicated a new approach to providing feedback and evaluation for colleagues throughout the year
- 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

Section 172(1) statement continued

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 and nature of the store environment
- Customer service
- Value for money
- Safe and responsibly sourced products

How did we engage?

- Board members visited stores 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 further extended the roll-out of our one-stop-shop formats for travel essentials providing food-to-go, health and beauty, tech accessories, books and magazines under one roof
- We continued to invest in our retail estate, opening 79 new stores during the year
- We looked at ways of tailoring our customer experience in different formats to optimise how we engage with different customer segments
- Customer feedback was communicated to the relevant parts of the business for further action where needed

Section 172(1) statement continued

Investors and lenders

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 and lenders

- 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 Group CFO. These were interspersed by more regular trading updates
- 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
- Sale of divested businesses and reshaping of the Company

How did we respond?

- The Board dedicated one of its meetings to reviewing and approving the Company strategy
- The Group Chief Executive and Group CFO held meetings with individual shareholders as part of an investor roadshow
- 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
- The ESG Committee incorporated investor feedback into the ESG strategy
- The Chair and Chair of the Audit Committee engaged with the Company's largest shareholders in respect of the North America accounting issue

Section 172(1) statement continued

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
- 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, 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

How did we respond?

- We opened 79 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

Section 172(1) statement continued

Community groups

The relationship we have with the communities where we operate is key to the sustainability of our business. We work with a range of international, national and local charities, supporting them through a combination of fundraising, volunteering and financial and in-kind donations.

What matters to our community groups

- 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 four 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, the United Nations Global Compact and the ETI
- Stakeholders raised questions, views and concerns through the **sustainability@whsmith.co.uk** email address

What were the key topics raised?

- Support for community groups and charities
- The importance of support for pre-school children in disadvantaged areas to address disparities in levels of literacy
- A wide range of different charities and community groups applied for support

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 with over £1m in donations
- We discussed possible partnerships with landlord partners to look at ways to help local communities
- We participated in industry working groups on key environmental and social issues

Section 172(1) statement continued

Suppliers and business partners

We work closely with thousands of suppliers, ranging from large multinational companies to small and medium-sized enterprises, to provide products, goods and services which are critical for the smooth running of our business. We have agreements with joint venture, franchise and other partners to run stores on our behalf and our UK and US-based distribution centres and logistics are operated by 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
- Long-term relationships

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 ESG Committee 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

What were the key topics raised?

- Supplier and product innovation
- How suppliers can expand their product offerings within WHSmith stores
- Supply chain operations to ensure the right products at the right time
- Strategies for science-based carbon targets and optimal packaging design
- 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 consolidation of UK warehousing from three sites to one
- We engaged with suppliers on human rights due diligence in their supply chains and carbon reduction targets and plans

Sustainability review

WHSmith has a long-standing programme of sustainability activity. As a leading global travel retailer, we recognise the influence our business can have on society and the environment – and the importance of using that influence for good.

Our customers, colleagues and partners expect us to act with integrity, and we know that responsible operations are key to delivering long-term business success. Sustainability is embedded in how we work and is an important part of our business.

Developed through stakeholder engagement, our sustainability strategy targets the issues where our actions can have the greatest impact. It is built around three core pillars – Planet, People, and Communities – which shape our initiatives and guide our progress. These pillars rest on a strong foundation of ethical business practices, providing a consistent framework for responsible action.

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

Our sustainability highlights

Reduced Scope 1 and 2 emissions by 89 per cent since 2020, exceeding our science-based target trajectory.

Increased the percentage of emissions in our supply chain covered by science-based targets to 53 per cent.

Completed an initial assessment of nature-based risks associated with our supply chain.

Expanded the reach and influence of our diversity, equity and inclusion employee networks.

Continued our partnership with the National Literacy Trust, running promotions to raise funds for their work.

Sustainability review continued

Governance and our approach to reporting

Environmental and social governance ("ESG") issues are central to risk management, business development and delivery of the expectations of shareholders. A fully embedded framework of clear governance structures, risk management processes and internal controls is key to the delivery of our sustainability activities.

Our Board-level ESG Committee has oversight of our sustainability strategy, setting our ambition and monitoring progress as detailed on pages 92 to 93. Board and executive-level committees ensure that ESG risks and opportunities are well-managed and that we deliver against our sustainability commitments. Our governance bodies regularly discuss new and existing topics that matter to our stakeholders. Priority issues are addressed by programmes and action plans with clear and measurable targets and committed resources.

We undertake an annual materiality assessment to determine the most important sustainability issues for our business. This assessment incorporates the views of stakeholders who provide input in a number of different ways (see pages 34 to 41). We use their feedback to identify areas where our activities could have an impact on society and/or the environment, or where there are significant risks or commercial opportunities for our business.

The assessment is reviewed by our ESG Steering Committee and is used to determine what we measure and include within our reporting, which is also informed by stock exchange listing and corporate governance rules. Further details are provided in our **Sustainability Addendum** and **Policies and Position Statements**.

Our governance framework

Sustainability review continued

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 four meetings.

The ESG Committee received dedicated briefings from the Sustainability Director on current and emerging legislation, including changes to reporting requirements in the UK and Europe, and reviewed progress against the Group's carbon targets. Climate-related skills and experience of individual ESG Committee members are set out on pages 72 to 73.

The Remuneration Committee ensures that, where appropriate, the Group's incentive plans are aligned with targets relating to climate change. Climate-related performance indicators have been included in the Long-Term Incentive Plan awards as set out on page 102.

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 (correct as at 31 August 2025).

Responsible business practices

We place great importance on our business operating in a responsible and ethical manner. We aim always to 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. We expect our people to report areas of non-compliance and for all such areas to be appropriately investigated and acted upon. Unfortunately, the Deloitte Review has shown that we have fallen short of these standards in our North American business. The Board recognises the need to do better going forwards. The remediation plan that it has introduced includes robust measures to seek to ensure that all parts of the Company act with integrity, and our colleagues understand the role they have to play to ensure the business operates responsibly and ethically.

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.

Benchmark	External rating
Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA	Again included in the Dow Jones Sustainability World Index based on long-term economic, environmental and social criteria (now renamed Dow Jones Best in Class Index). One of only 11 speciality retailers to be included globally.
SUSTAINALYTICS a Morningstar company	Received an ESG Risk Rating of 10.3 from Sustainalytics assessed at low risk of experiencing material financial impacts from ESG factors. This rating places us in the top position for speciality retailers.
ENVIRONMENTAL QUALITYSCORE 1 HIGHEST RANKER BY ISS ESG	Awarded a "C+" rating by Institutional Shareholder Services, placing in the top decile for sustainability industry leaders.
MSCI ESG RATINGS AAA CCC B BB BBB A AA AAA	AAA, the highest possible rating awarded by Morgan Stanley Capital International in its ESG assessment, signifying a leader in managing material ESG risks and opportunities relative to industry peers.

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 DEI, 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 colleagues 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. Everyone who works for, or on behalf 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. 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. Each report is formally and robustly investigated and monitored to ensure that any corrective action or remediation has been undertaken. The helpline is available to our suppliers and business partners and is communicated through our **Responsible Sourcing Requirements**. These standards set out in more detail the behaviours and conduct we expect from all suppliers.

We require all colleagues 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 colleagues 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.

Sustainability review continued

Planet

	Aim	Target	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.	Absolute Scope 1 and 2 emissions for the continuing business reduced by 89* per cent since 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.	As of 31 August 2025, 53* per cent of purchased goods and services and up-stream transport and distribution emissions are covered by science-based targets.
Reducing waste	**Reduce the environmental impact from waste and packaging**	By 2025: reduce waste material and minimise own-brand plastic packaging against a 2020 baseline.	Waste generated from the discontinued business reduced by 20 per cent. Waste in the continuing business is segregated and minimised, but no data is available because collection is aggregated by landlord partners with waste from other retailers.
Protecting natural resources	**Net zero deforestation**	By 2025: ensure forestry materials in own-brand and non-trade goods come from recycled or certified sources.	100* per cent of pulp, paper and timber in own-brand and non-trade products purchased during 2025 came from certified sources or recycled materials.

We engaged SLR Consulting to provide independent limited assurance covering components 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

We recognise we have a responsibility to reduce the impact on climate and nature from our activities. WHSmith is targeting net zero across our full value chain by 2050, aligned with the scientific pathway to limit global warming to no more than 1.5°C averaged above pre-industrial levels.

We have already made good progress towards this target, reducing emissions by 89 per cent since 2020. We have a long track record of reducing energy consumption and increasing efficiency, investing in technology and equipment, and switching to lower-carbon sources of energy and fuel.

But we know that more is needed, particularly for emissions in our wider value chain, and so we continue to work with our suppliers to encourage them to focus on setting out their own trajectories to net zero. 53 per cent of Category 1 and 4 supply chain emissions are now covered by science-based carbon reduction targets.

Our carbon transition plan includes a number of initiatives to reduce carbon emissions from stores and logistics, to switch more of our power to renewable sources and to take action to adapt to the changing climate.

We know that we will not be able to reach net zero in isolation, and encourage customers, suppliers, business partners and policy makers to join us on our journey.

This year, we have separated the energy and carbon data for our continuing and discontinued businesses, with previous years being recalculated so that baselines, trends and current status can be compared.

More information on our climate strategy, including commitments, climate risks, opportunities and action plans for transitioning to net zero, is included in our climate-related financial disclosures on pages 52 to 62.

Sustainability review continued

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.

The majority of waste from our continuing business arises from stores where our landlord partners are responsible for central shared collection and treatment facilities. These include airports, railway stations and hospitals, where all waste is aggregated from multiple tenants, and store-specific waste data is not available.

We participate in site-level working groups with some of our partners to look at ways of working together with other retailer partners to reduce waste generated at a site, and improve segregation 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 stores, distribution centres and support centres.

Reusable skips transport goods between distribution centres and stores, minimising the need for more disposable packaging made from cardboard or plastic.

We regularly review the type and quantities of packaging we use for our own-brand products, including both primary and secondary packaging used to protect goods during transit and distribution.

We look for ways to minimise packaging where 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.

In the UK, we are reviewing the implications of Extended Producer Responsibility legislation, and looking at ways to minimise financial costs through more effective packaging design.

We are in regular dialogue with many of our suppliers of tertiary branded products, particularly for our food and drink ranges, and are monitoring developments in the industry in relation to increased use of recycled materials.

We continue to focus 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.

In order to further reduce waste, we operate a discounting strategy 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.

Natural resources

Our **Biodiversity 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 assessment of supplier timber-sourcing systems.

Through our due diligence processes, we can demonstrate that 100* per cent (2024: 100 per cent) of WHSmith-branded products containing paper-based materials originate from certified or recycled material.

Preparations are well under way to comply with EU Deforestation Regulations, where in-scope products in Europe which are made from cocoa, paper or timber, will be risk assessed in accordance with the legislation.

This year, we completed a biodiversity risk assessment aligned to the Taskforce for Nature Disclosures ("TNFD") framework and covering the full value chain, including operations, upstream and downstream activities.

This assessment of both dependencies and impacts identified that the main biodiversity risks for WHSmith are associated with sourcing of products made from high volume commodities such as cocoa and coffee.

A secondary risk is associated with increasing regulatory impacts based on components that have potential nature-related impacts such as packaging and product origin requirements for deforestation.

We are now looking at how we should respond to these risks through additional mitigation and incorporating our responses into our climate transition planning.

Sustainability review continued

Our people

	Aim	Target	Progress
Employee experience	**Create an environment that supports physical, mental and financial wellbeing**	By 2025: improve our employee engagement score from a 2021 base year.	Our fourth global engagement survey undertaken in October 2024 showed a 27 per cent improvement in engagement levels. Health, safety and wellbeing have remained a priority, with a continued focus on root cause analysis for any accidents. This year, we ensured that learning opportunities were included within individuals' performance review discussions.
Diversity, equity and inclusion	**Increase diversity of senior management**	By 2025: increase gender and ethnic diversity of the Board, Group Executive and senior manager populations from a 2021 base year.	The proportion of women at Board level has increased from 37 to 50* per cent. Following the sale of the High Street and Funky Pigeon businesses, within the continuing business: • the proportion of women at Group executive level has reduced from a baseline of 22 to 11* per cent • the proportion of female senior managers has increased from 32 to 33* per cent • six* per cent of senior managers are from ethnic minorities.
Human rights in our supply chain	**Protect workers rights in our supply chains**	By 2025: 15 per cent of own-brand suppliers will have worker representation committees in place.	20* per cent of own-brand suppliers have worker representation committees in place.

We engaged SLR Consulting to provide independent limited assurance covering components 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**. All data in this table is for the continuing business other than the engagement score which is for the Group pre-divestiture of the High Street and Funky Pigeon businesses

Employee engagement

Effective colleague engagement and an open, inclusive culture are essential to creating an environment for our teams to deliver for our customers. We continue to focus on ways in which our colleagues can share their experiences of working with WHSmith. Our Group Chief Executive, Group CFO 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 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 to improve the working environment in support centres and stores; advance dialogue and engagement; and build collaboration across our teams.

Sustainability review continued

Talent, learning and development

Our talent, learning and development programmes are designed to provide our colleagues 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 designed to help our colleagues develop their aptitude and experience.

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

Reward and benefits

We believe in rewarding all colleagues with fair and competitive reward packages. All colleagues are entitled to a base salary and benefits, including pension and staff discount. Participation in a pension plan is offered to all colleagues 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 a government-approved Save-As-You-Earn share option scheme, which provides colleagues 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 31 August 2025, 337 colleagues were participating.

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 colleague 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 42* reportable accidents across the Group involving colleagues, 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.

To help protect the broader wellbeing of our colleagues, we are committed to creating a workplace where our colleagues feel valued, have a sense of belonging and are supported at every stage of their career. 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.

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 colleagues and immediate family members, and in-store counselling when incidents occur. Localised EAP offerings are also available for colleagues in other countries.

Research shows that financial wellbeing can have a strong impact on our mental health. Current and retired colleagues and their families who are in financial difficulty or hardship can apply for help from the WHSmith Benevolent Fund, a registered charity established in 1925. Financial support and many useful budgeting and educational resources are also available for our colleagues 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 DEI, backed up by a framework of policies, procedures and ways of working, including a Board-approved **DEI policy**.

We hope that our people genuinely feel that they can bring their whole selves to work. We want to ensure that all our colleagues 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 plan sets 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.

Sustainability review continued

We recognise the value that employee networks can bring. This year we added a seventh employee network for international colleagues, InternationALL, to our existing networks covering Pride, Gender Equity, Race and Culture, Disability, Parents and Carers, and Wellbeing. These groups have provided a channel for colleague-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 colleague 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 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 Race at Work Charter, and are members of the industry organisation, Diversity in Retail. We have continued our involvement with the Stonewall Diversity Champions programme, developed to unlock the potential of our LGBTQ+ workforce. We also partner with the Business Disability Forum.

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 colleagues, regardless of disability.

We remain committed to improving diversity at senior levels. Our latest Gender Pay Report can be found on our website.

Gender representation as at 31 August 2025 (continuing business)

	Number of employees	Percentage of employees	Number of senior managers	Percentage of senior managers
Men	3,923*	42%*	45*	65%*
Women	5,367*	57%*	23*	33%*
Not specified/prefer not to say	51*	1%*	1*	2%*

Ethnic representation as at 31 August 2025 (UK continuing business)

	Number of employees	Percentage of employees	Number of senior managers	.Percentage of senior managers
White British or other White (including minority-white groups)	2,742*	59%*	47*	85%*
Asian/Asian British	1,050*	22%*	2*	4%*
Black/African/Caribbean/ Black British	182*	4%*	0*	0%*
Mixed/multiple ethnic	82*	2%*	1*	2%*
Other ethnic group	104*	2%*	0*	0%*
Not specified/prefer not to say	501*	11%*	5*	9%*

Senior managers include executive management and direct reports defined as colleagues graded at levels one and two below We engaged SLR Consulting to provide independent limited assurance covering components 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**

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. We manage this through due diligence processes in line with the United Nations Guiding Principles for Business and Human Rights.

Our **Human Rights Policy** 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.

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.

The six priority areas for protecting human rights in our supply chain are: health and safety; freedom of association and collective bargaining; working hours and overtime; gender equality; social insurance; and supply chain transparency.

Sustainability review continued

We use a number of external sources of information and data published by governments, international agencies and other third-party experts; and information gathered from workers during site visits, surveys and on-site meetings.

We take a zero-tolerance approach to modern slavery and our latest Modern Slavery Statement sets out the steps we have taken to implement this stance.

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 Requirements** 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.

This year, we participated in several working groups with other retailers to discuss ways of working together and to help to develop the next phase of ETI's strategy.

WHSmith is also a member of the United Nations Global Compact ("UNGC") and this year has participated in the Modern Slavery working group with other retailers to discuss challenging topics and how to work collaboratively to respond. The working group also provided an opportunity to participate in a peer review exercise of modern slavery statements, supporting further development of our work in this area.

Our due diligence processes seek to provide risk control, mitigation and worker remedy where needed. WHSmith's 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.

The team uses a risk-based audit approach for tier two suppliers who manufacture major components that are then used by our direct tier one suppliers of finished products. We continue to work with our supply chain to build capacity to improve standards.

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 risks, targets and performance.

The most frequent issues encountered include non-conformances linked to health and safety compliance, working hours and social insurance requirements, all common problems in China where a large proportion of our suppliers are based. We are working with ETI and other retailers to look at ways of tackling these systemic challenges.

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 within the appropriate way. In addition, we conduct an anonymous worker survey where workers can provide feedback. Queries raised typically involve queries about topics such as pay, accommodation and relations with other workers.

This year, we continued to make 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.

Of the 138* factories of suppliers who continue to supply to WHSmith as at 31 August 2025, 20 per cent* (2024: 19 per cent) of them have established worker committees that have been operating for a year or more.

Our due diligence processes for products that do not carry our brand include an assessment of compliance with our Responsible Sourcing Requirements. 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 further 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 Requirements.

Sustainability review continued

Contributing to communities

	Aim	Target	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.	The target was based on 2019 research by the National Literacy Trust which suggested nearly 400,000 children in the UK did not own a book of their own. Since then, WHSmith has donated over 600,000 books (or cash equivalents) to those most in need.
Supporting charities and local causes	**Make a positive impact through fundraising, donations and volunteering**	By 2025: increase the number of colleagues involved in supporting charities through fundraising and volunteering from a 2021 baseline.	Applications for support to the WHSmith Trust from colleagues supporting charities through fundraising and volunteering were 20 per cent higher than in 2021.

We engaged SLR Consulting to provide independent limited assurance covering components 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**

WHSmith has a long history of supporting charities, local communities and other worthwhile causes through a variety of initiatives. The Company actively engages in fundraising, encourages its staff to volunteer, and provides financial and in-kind donations to make a positive difference in the areas where we operate.

We regularly raise money for registered charities through in-store fundraising and sales of cause-related products. To support and encourage employee involvement with charities, the WHSmith Group Charitable Trust (the "WHSmith Trust") matches funds raised by colleagues for charities of their choosing and provides financial donations to charities where colleagues have chosen to volunteer.

This year, through our charity partnerships, colleague and customer fundraising and in-kind donations we have donated £1,059,000* to charities and other good causes.

WHSmith has long been passionate about nurturing a love of books among children, wanting them to develop the reading and writing skills that help them thrive in life.

Unfortunately, research shows that the number of children and young people who say they enjoy reading in their free time continues to decline.

We have been a long-term partner of the National Literacy Trust who are working to try and reverse this trend, 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 amplified by the WHSmith Trust which provided a financial contribution towards the programme. Over the past five years of our work with them, we have donated the equivalent of over 600,000 books, through book donations and financial contributions.

Other literacy projects this year included participation in World Book Day with almost 317,000 World Book Day vouchers being redeemed in our stores. We ran a programme in partnership with the WHSmith Trust donating WHSmith vouchers to local schools to exchange for books in our stores to increase school library resources. We also ran a promotion in conjunction with Puffin and the National Literacy Trust to "Get Kids Reading with Diary of a Wimpy Kid". The promotion raised over £20,000.

In North America, we have 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 available in their local hospitals. WHSmith North America sells their toy bear mascot in stores and this year raised over £226,000 for the work of the charity.

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

The full extent of our community investment activity is outlined in our **Sustainability Addendum** 2025 and details of how we engage with charities and other good causes are set out in our **Code of Business Conduct**.

Sustainability review continued

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.

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, and its 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 43. Governance for climate issues is aligned with wider ESG Governance controls as shown on page 43.

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. It monitors and oversees progress against targets for climate-related issues. Climate considerations are included in 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 89 to 98.

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 incorporated into quarterly updates from the Group Audit and Risk Director where significant, as part of the Group's wider risk management processes.

TCFD recommendations and recommended disclosures

	Disclosure location
Governance	
(a) Describe the Board's oversight of climate-related risks and opportunities	Page 52
(b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 53
Strategy	
(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Pages 55 and 56
(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Pages 54 to 56
(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages 54 to 56
Risk management	
(a) Describe the organisation's processes for identifying and assessing climate-related risks	Page 53
(b) Describe the organisation's processes for managing climate-related risks	Pages 55 to 57
(c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Pages 56 and 57
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 58
(b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks	Pages 60 and 61
(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 62

Sustainability review continued

Management's role

The Group Chief Executive has the delegated authority from the Board to manage WHSmith's actions in relation to the Company'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 a review of progress against the Group's targets, at least three times a year.
- The Managing Directors of each business division identify, monitor, manage and mitigate climate risks and opportunities associated with their activities, principally through the established risk management framework which ensures integration between different business functions. They are also responsible for ensuring the delivery of plans to reduce emissions and capitalise on carbon-related opportunities within their businesses.
- The Group CFO 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 has responsibility for leading the delivery of carbon commitments, meeting once every other month to review progress against targets. Minutes of these meetings provide the basis for a report to each meeting of the ESG Committee. 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 65 to 70). 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;
- 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.

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 any 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 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.

Climate-related risks and opportunities 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 further financial assessment and incorporation into the risk registers and summary risk maps prepared by all business functions.

Sustainability review continued

We consider environment and social sustainability, which includes climate-related issues, to be a principal risk based on the potential financial impact on our business and 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

This year, in order to update and re-evaluate our assessment of climate risk and opportunities, we commissioned a third-party consultancy to help us understand how our business could be affected under three different climate scenarios, over short, medium and long-term horizons. The work was a refresh of analysis that was first undertaken in 2022, and incorporated changes that have taken place since then, including the sale of our High Street and Funky Pigeon businesses. Data from leading climate science and policy bodies such as the Network for Greening the Financial System ("NGFS"), the International Energy Agency ("IEA") and the Intergovernmental Panel on Climate Change ("IPCC") were used to support our analysis and the development of the scenario narratives.

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 more than 4°C by 2100, bringing irreversible change. This scenario provides an indication of potential outcomes under business as usual. It is linked to the IPPC Representative Concentration Pathway ("RCP") 8.5 scenario, involving little to no transition risks in the early stages (as no additional action is being taken), but results in irreversible and disruptive physical risks.

Delayed transition scenario

This scenario follows a path in which social, economic and technological trends do not shift markedly from historical patterns, but the world attempts increased action to limit emission growth around 2030 and beyond. There is a failure to cut emissions in the short term, and the Paris agreement goals are not met, resulting in more than 2°C of warming by 2050. This scenario is linked to the IPCC RCP4.5 scenario, involving several physical and transition risks after 2030.

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 is broadly in line with the IPCC RCP2.6 scenario, involves more transition risks in the early stages and physical risks are less extreme than under the other scenarios.

Climate risks and opportunities and their impact on our business

The analysis has helped to estimate indicative financial impacts from different climate risks under the three scenarios. The table on pages 55 and 56 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 55 and 56 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 core business activities remain largely unchanged throughout the defined time horizons, and any increases in costs are fully absorbed by WHSmith.

The financial impacts quoted are not forecasts but are based on the outputs from modelling derived from different data inputs and plausible modelled scenarios. These are indicative estimates 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.

Sustainability review continued

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	
Rising climate policy-driven costs (policy, legal and market risk) Increasingly stringent climate policies, including rising carbon taxes and new pricing schemes, could raise operational energy costs and the cost of purchased goods and logistics by adding levies onto the cost of energy and fuel. Modelling assumes growth in line with NGFS figures and that the full costs of price increases are passed on to WHSmith by its suppliers. Key financial impact: increased operational expenditure resulting from rising prices for electricity, logistics and the cost of goods. 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 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 and any rises in the cost of trade goods would be partly passed on down the value chain. Metrics used: electricity, gas and fuel consumption (page 59); cost of goods and energy and fuel pricing (not disclosed).
	£	££	££	
	Delayed transition			
	££	£££	£££	
	Net zero 2050			
	££	£££	£££	
Travel demand shift (policy, legal and market risk) A shift in air travel patterns driven by carbon levies and the growth of lower emission alternatives (e.g. rail) could reduce air passenger volumes, leading to lower sales and profitability in airport stores. Key financial impact: reduced income from lower air passenger numbers. Geographies affected: global retail operations.	At present, there is insufficient data for predicted passenger numbers under the different climate scenarios to be able to model potential financial impacts with any certainty.			Our business is spread across the world with stores in many countries, which mitigates the risk associated with any national or regional policy responses to curb emissions from air travel. We will continue to engage with policy makers and others in the aviation and rail sectors to ensure any future potential impacts from climate policy are fully understood. Metrics used: passenger number forecasts (page 12).
Commodity supply disruptions (acute and chronic physical risk) Climate change is likely to result in acute and 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 food and drink, with a resulting increase in the cost of supply. Figures quoted are for impacts on food lines only. Key financial impact: higher cost of goods sold as raw material prices rise. 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. Some of the increase in costs of raw materials will be passed down the supply chain, mitigating the business impact. Metrics used: cost of sales (page 164; Scope 3 emissions (page 61).
	£	£	£	
	Delayed transition			
	£	£	£	
	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	
Airport disruptions and rising insurance premiums (acute physical risk) More frequent and severe extreme weather events, such as flooding, could disrupt airport and rail operations, leading to temporary store closures, reduced trading hours, and lost sales. Rising insurance premiums associated with these risks would further add to operating costs. Key financial impacts: decline in income from stores in disrupted locations and operational costs from higher insurance premiums. Geographies affected: global retail operations.	**Current policies**			Our stock is held across many sites, including distribution centres, supplier sites and in our stores. The impact of a flood event would therefore be limited. We have a diverse product range with limited ranges 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).
	£	£	£	
	Delayed transition			
	£	£	£	
	Net zero 2050			
	£	£	£	
Low-carbon product growth (products and services opportunity) Growing customer preference for lower-carbon products presents an opportunity to increase sales in more sustainable product lines. Key financial impact: increased revenues from expanding sustainable ranges. Geographies affected: global retail operations.	**Current policies**			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: sales revenues from products designed for a lower-carbon economy (not disclosed).
	£	£	£	
	Delayed transition			
	£	£	££	
	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

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 nature 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.

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.

Sustainability review continued

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. This includes any significant update to our understanding and assessment of climate-related risks and opportunities, such as where there have been major changes to the Company and/or changes in scenario data and assumptions. 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 climate risk management processes follow the overall approach for Group-wide risk management. Climate risks are integrated into budgetary decisions regarding spend on equipment or logistics. 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 environment and decarbonising our activities (page 14). 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 long-term climate target. 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. Key projects include centralised remote management of air conditioning and ventilation; replacement refrigerators, rollout of half hourly automatic meter reading and upgrading LED lighting.
- 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 for net zero.

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 55 and 56.

Sustainability review continued

Metrics for managing climate risk (continuing business)

Metric	Link to risk	Units	2025	2024	2023
Electricity and gas consumption	Increased costs for energy and fuel	MWh	**44,661***	43,560	44,352
Fuel consumption	Increased costs for energy and fuel	millions of litres	**1.3***	1.2	1.1
Electricity from renewable sources	Increased costs for energy and fuel and increased costs for meeting net zero targets	MWh	**41,128***	39,820	21,962
Absolute Scope 1 emissions	Increased costs for meeting net zero targets	tonnes CO_2e	**86***	34	43
Absolute Scope 2 emissions	Increased costs for meeting net zero target	tonnes CO_2e	**1,468***	1,809	9,336
Absolute Scope 3 emissions	Increased costs of raw materials	tonnes CO_2e	**383,502**	375,807	326,117

Other climate-related metrics

Metric	Link to risk	Units	2025	2024	2023
GHG Scope 1 and 2 emissions intensity	Industry benchmark	tonnes CO_2e/£m revenue	**1.0***	1.3	7.1
GHG Scope 1 and 2 emissions intensity	Industry benchmark	tonnes CO_2e/million square foot	**1,063***	1,297	7,117

We engaged SLR Consulting to provide independent limited assurance covering components 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**

Executive remuneration: Climate-related performance indicators have formed part of executive incentive plans (see Directors' remuneration report on pages 96 to 119).

Carbon pricing: The main carbon taxes affecting our business are the UK Climate Change Levy, which is included in the cost of electricity and gas 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 IEA and the NGFS.

External benchmarks: We monitor performance on climate change in external benchmarks, including the CDP Climate Change disclosure initiative.

Energy and fuel consumption

We use energy to light, heat and cool our premises. 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.

Energy consumption in 2025 for our continuing business was 44,661* MWh (2024:43,560) a slight rise of two per cent. We are continuing with a range of energy reduction measures to minimise the amount of energy 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; and
- the use of fridges with doors that prevent cold air losses, increasing energy efficiency.

Our fuel consumption for transport in 2025 was 1.3 million* litres (2024: 1.2 million), with the slight increase due to activity to separate the networks for each business, including relocating stock to the correct distribution centre and picking location, as well as rationalising our distribution centres and transport hubs.

Sustainability review continued

Energy consumption (continuing business)

Metric	2025	2024	2023
Energy use (buildings) MWh			
UK	**21,039***	21,131	22,194
Non-UK	**23,622***	22,429	22,158
Total	**44,661***	43,560	44,352
Energy use (buildings) MWh			
Gas	**469***	187	232
Grid electric (renewable)	**41,128***	39,820	21,962
Grid electric (non-renewable)	**3,064***	3,553	22,158
Total	**44,661***	43,560	44,352
Fuel use for transport (million litres)	**1.3***	1.2	1.1

Energy consumption (discontinued business)

Metric	2025	2024	2023
Energy use (buildings) MWh			
Gas	**6,552***	7,307	9,416
Grid electric (renewable)	**21,274***	26,678	30,139
Grid electric (non-renewable)	**0***	0	0
Total (all UK)	**27,826***	33,984	39,556
Fuel use for transport (million litres)	**0.5***	0.5	0.6

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 and numbers of stores. We engaged SLR Consulting to provide independent limited assurance covering components 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**

Sustainability review continued

Scope 1, Scope 2 and Scope 3 GHG emissions, and related risks

Global Scope 1 and 2 emissions (tonnes CO_2e) (continuing business)

Metric	2025	2024	2023
Scope 1 emissions from purchased natural gas	**86***	34	43
Percentage of emissions from UK-based operations	**100%**	100%	100%
Scope 2 emissions (market based) from purchased electricity	**1,468***	1,809	9,336
Percentage of emissions from UK-based operations	**0%***	0%	0%
Total Scope 1 and 2 emissions (market based)	**1,554***	1,843	9,379
Percentage of emissions from UK-based operations	**5.5%***	1.9%	0.5%
Market based carbon intensity metric (tonnes CO_2e per £m revenue)	**1.0***	1.3	7.1
Market based carbon intensity metric (tonnes CO_2e per million square foot floorspace)	**1,063***	1,297	7,117
Scope 2 emissions (location based) from purchased electricity	**11,666***	12,425	13,120

Scope 1 and 2 emissions (tonnes CO_2e) (discontinued business)

Metric	2025	2024	2023
Scope 1 emissions from purchased natural gas	**1,199***	1,336	1,723
Percentage of emissions from UK-based operations	**100%***	100%	100%
Scope 2 emissions (market based) from purchased electricity	**0***	0	0
Percentage of emissions from UK-based operations	**0%**	0%	0%
Total Scope 1 and 2 emissions (market based)	**1,199***	1,336	1,723
Percentage of emissions from UK-based operations	**100%***	100%	100%
Market based carbon intensity metric (tonnes CO_2e per £m revenue)	**3.3***	3.0	3.7
Market based carbon intensity metric (tonnes CO_2e per million square foot floorspace)	**415***	463	532
Scope 2 emissions (location based) from purchased electricity	**3,765***	5,524	6,241

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 covering components 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**

Sustainability review continued

Our total Scope 1 and 2 market based emissions decreased this year to 1,554* tonnes CO_2e (2024: 1,843), as a result of switching more of the electricity used to run our stores in Europe and North America to renewable sources.

Emissions reductions were also made through investments in more efficient lighting, control systems and refrigeration.

One hundred per cent of the electricity for buildings in the UK, Europe and the USA is renewably sourced. Where we procure direct from energy suppliers, electricity is purchased through green tariffs. Some of the electricity provided by our landlord partners is from renewable sources, and we purchase renewable electricity certificates for any non-renewable electricity provided by landlord partners. All certificates are retired on our behalf to avoid double-counting.

Emissions from our UK operations were 86* tonnes CO_2e (2024: 34). 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.

Global Scope 3 emissions (tonnes CO_2e) (continuing business)

Scope 3 category	2025	2024	2023
1. Purchased goods and services and capital goods and services	**326,000**	282,300	248,000
2. Capital goods and services	Included in our purchased goods and services category.		
3. Fuel and energy-related activities	**2,100***	3,100	4,200
4. Upstream transport and distribution	**11,700**	11,800	10,200
5. Waste generated in operations	**2**	7	17
6. Business travel	**1,400***	1,500	1,300
7. Employee commuting	**11,100**	11,000	10,700
8. Upstream leased assets	Included in Scope 1 and 2 as in our operational control.		
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	**13,500**	49,000	36,800
12. End-of-life treatment of sold product	**14,000**	11,700	9,500
13. Downstream leased assets	Not relevant for our business.		
14. Franchises	**3,700**	5,400	5,400
15. Investments	Not relevant for our business.		
Total Scope 3 emissions	**383,502**	375,807	326,117

Global Scope 3 emissions (tonnes CO_2e) (discontinued business)

Total Scope 3 emissions	**145,016**	137,223	142,303

Scope 3 emissions have been calculated in accordance with the Greenhouse Gas Protocol 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. We engaged SLR Consulting to provide independent limited assurance covering components 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 emissions and SLR Consulting's full assurance statement are available at **whsmithplc.co.uk/sustainability**

Sustainability review continued

The majority of our Scope 3 emissions are from Category 1 (purchased goods and services) which increased this year as our cost of purchased goods increased. 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 53* 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 minimised fuel consumption through better route planning and optimisation of delivery schedules, driver training and vehicle telematics.

Category 11 emissions (use of sold products) have decreased this year due to an improvement in the methodology, which has enabled us to more accurately calculate use phase emissions for sales of our electronic and electrical travel accessories.

Progress against targets

Target	2020 baseline	2025	Progress
Reduce Scope 1 and 2 GHG emissions by 80% by 2030	14,305 tonnes CO_2e	**1,554*** tonnes CO_2e **89%*** reduction	●
75% of supply chain emissions to be covered by science-based targets by 2027	Unknown	**53%*** of emissions are covered by science-based targets	●
All forestry materials will be from recycled or certified sources in WHSmith-branded products	99%	**100%***	●

● Met or on track to meet target

Sustainability review continued

Non-financial and sustainability information statement

In accordance with the requirements of section 414CA and 414CB of the Companies Act 2006, the table below sets out where stakeholders can find information relating to non-financial and sustainability matters in our Annual Report and Accounts. In addition, the **Sustainability Addendum** 2025 and the **Policies and Position Statements** section of our website contain a wide range of information on environmental and social matters. Due diligence arrangements for each topic, including training, monitoring and auditing of policy compliance are included in the respective policy documentation on our website.

Disclosure requirements	Policies, guidance and standards which govern our approach	Where to find more information	Pages
Environmental matters	Environmental Policy – sets out our approach to protecting the environment.	Section 172(1) statement	40
	Biodiversity Policy and Animal Welfare Policy – sets out our approach to sourcing our products responsibly.	Sustainability review	46
		Principal risks and uncertainties	70
	Responsible Sourcing Requirements – sets out the minimum standards we expect from our suppliers.	Corporate governance report	80 and 92 to 93
Colleagues	Code of Business Conduct – sets out the standards expected of all colleagues and includes procedures for whistleblowing, managing conflicts of interest, complying with competition law and receipt of gifts.	Section 172(1) statement	36
		Sustainability review	47 and 48
	Health and Safety Policy – describes how we manage safety and our commitment to protecting colleagues and customers.	Corporate governance report	80 and 81, 92 and 93
		Directors' remuneration report	96 to 119
	Bullying and Harassment Policy – sets out measures to prevent bullying and harassment.		
	Diversity, Equity and Inclusion policy – sets out our commitment to encouraging diversity, equity and inclusion.		
	Data Privacy, Data Retention and Privacy Policies – protecting colleagues' privacy and data in accordance with national and international regulations.		
Social matters	Code of Business Conduct – sets out our business standards for responsible retailing, meeting sanctions and trade controls, quality control and product safety. It also sets out our business principles for engaging with stakeholders, including customers, suppliers and business partners and local communities.	Section 172(1) statement	34 to 41
		Sustainability review	44
		Principal risks and uncertainties	66 to 70
Respect for human rights	Human Rights Policy – sets out how we respect and support the dignity, wellbeing and human rights of everyone associated with our Company.	Section 172(1) statement	34 to 41
		Sustainability review	49 and 50
	Responsible Sourcing Requirements – sets out the minimum standards we expect from our suppliers in relation to protecting the human rights of workers in our supply chain.	Principal risks and uncertainties	68

Sustainability review continued

Disclosure requirements	Policies, guidance and standards which govern our approach	Where to find more information	Pages
Anti-corruption, anti-bribery and prevention of facilitation of tax evasion matters	Code of Business Conduct – includes our expectations for business and colleague responsibilities for these matters.	Sustainability review	44
		Principal risks and uncertainties	67
		Corporate governance report	83
How we manage risk	Schedule of matters reserved for the Board	Corporate governance report	88 and 89
	Audit Committee terms of reference	Principal risks and uncertainties	65
Business model	Schedule of matters reserved for the Board	Business model	8 and 9
Non-financial key performance measures		Key performance indicators – non-financial	17
		Sustainability review	42 to 64
Climate-related financial disclosures		Sustainability review	52 to 62
		Principal risks and uncertainties	70
		Corporate governance report	80, 92 and 93
		Notes to the financial statements	144

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:

Identify
Risk registers compiled by each business function/Risk mapping to identify emerging issues

Assess
Determining the likelihood of risk occurrence/ Evaluating the potential impact

Mitigate
Agreeing actions to manage the identified risks/ Ensuring control measures are in place

Monitor
Reviewing the effectiveness of controls/ Maintaining continued oversight and tracking

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 Business Operating Division, comprising members of each Divisional Executive team and Senior Management, the CFO 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

In August 2025, the Group announced to the market an identified overstatement of Headline trading profit, primarily related to the acceleration of supplier income recognition within the North American division.

The Board recognises the issue and the material weaknesses identified and remains committed to the ongoing development of risk management and the internal control framework across the business.

As a result:

- The Group engaged Deloitte to conduct an independent review of the circumstances surrounding the overstatement. The outcome of the Review have been used to define a remediation plan.
- The Group is partnering with an external firm to accelerate workstreams already underway as part of Provision 29 readiness and has commenced a Finance Transformation programme. Both programmes focus on strengthening key financial and other foundational controls across the business.

The Board will continue to monitor and review the effectiveness of material controls and report in line with the requirements of the UK Corporate Governance Code Provision 29. The Group has engaged Deloitte to provide independent assurance over their Provision 29 approach.

Principal risks and uncertainties continued

Board review of principal risks and uncertainties

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 which follows summarises the principal risks and uncertainties agreed by the Board. The table incorporates further information relating to the movement 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.

Change in risk level ↑ Higher ↔ No change ↓ Lower

Principal risks/explanation	Mitigation	Change
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 1 of the financial statements. • The Group also has credit risk in relation to its trade, other receivables and sale or return contracts with suppliers. • The Group's ability to ensure the accuracy of financial reporting, including a failure to prevent fraud, could result in misstatement and key decisions being taken on inaccurate information.	• 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. • In March 2025, the business announced a successful refinancing, encompassing £320m of new long-term debt. The new financing includes: £200m from US private placement notes, deepening the investor pool; and a £120m bank term loan across three to five years, backed by a group of existing banking partners. • The Group also exercised a one-year extension option in relation to its existing £400m revolving credit facility, taking the maturity date to June 2030. • The Group have begun the execution of the Remediation plan and has engaged a third party to provide assurance in respect of the Company's compliance with Provision 29 of the 2024 Code.	↑ Due to financial control issues in North America

Principal risks and uncertainties continued

Principal risks/explanation	Mitigation	Change
Treasury, financial and credit risk management continued		
	In addition, in November 2025, the Group entered into a £200m syndicated 12-month term loan. The loan has two extension options, which would, if exercised, extend the maturity date to 31 August 2027. This refinancing diversifies the Group's sources of debt financing and extends the Group's debt maturity profile in advance of the convertible bond of £327m maturing in May 2026. As a result of the recent financial control failure, as noted above the Group is partnering with an external firm to accelerate workstreams already underway as part of Provision 29 readiness and has commenced a Financial Transformation Programme. Both programmes focus on strengthening key financial controls across the business.	
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 sales, passenger numbers, 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. • The Group is a member of a number of key industry bodies which provide insight and updates.	↑ Uncertainties relating to geopolitical threats or escalation of global conflict

Principal risks and uncertainties continued

Principal risks/explanation	Mitigation	Change
Brand Standards		
• The WHSmith brand is an important asset and failure to protect it from unfavorable 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.	↔
Key suppliers and supply chain management		
• The Group has agreements with key suppliers. 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 Responsible Sourcing Requirements 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.	↔
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 the Group will be able to bid successfully for new contracts.	• 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.	↔

Principal risks and uncertainties continued

Principal risks/explanation	Mitigation	Change
Business interruption		
• An act of terrorism or war, or an outbreak of a pandemic disease, 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 closure of the Group's distribution centres 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
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.	↑ Uncertainties relating to noted issues in North America business and leadership changes
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

Principal risks and uncertainties continued

Principal risks/explanation	Mitigation	Change
Cyber risk, data security and data privacy 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 sales.	• 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 GDPR.	↑ Continuing increase in no. of externally reported cyber threats
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; – rising climate and policy-driven costs; and – supply chain disruptions 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. • We sell a broad range of products across a large number of locations, meaning that the risk of a reduction in revenues due to increased costs from acute and chronic changes in the weather patterns is mitigated.	↔

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 65 to 70).

The Group's business model and strategy is presented on pages 8, 9 and 14. 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.

Principal risks and uncertainties continued

Current financing

The Group's financing arrangements are set out on pages 31 and 32 and include a £400m multi-currency revolving credit facility ("RCF") maturing in June 2030 (of which £259m is undrawn at 31 August 2025); £327m of convertible bonds maturing in May 2026; and additional undrawn facilities comprising US private placement notes of £200m and two term loans of £200m and £120m respectively. The Group also has cash and cash equivalents of £71m at 31 August 2025.

Financial covenants on these facilities are tested half-yearly and are based on fixed charges cover and leverage.

Assessment period

The Board considers a three-year period to be the most appropriate timeframe for the Group's viability assessment. This period is consistent with the Group's financial planning cycle, management incentive schemes and medium-term financing considerations.

Assessment of viability

In making the viability assessment, the directors have modelled several scenarios for the three-year period to 31 August 2028. As disclosed in the Strategic report on pages 65 to 70, 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 65 to 70 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 latest budget and three-year plan approved by the Board in October 2025, which include management's best estimates of market conditions and includes several assumptions including passenger numbers, revenue growth and cost inflation. Under this scenario, the Group has significant liquidity and complies with all covenant tests during the three-year assessment period.

The directors have modelled the impact of several "severe but plausible" downside scenarios, based on the identified principal risks covering a range of adverse 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.

The primary severe but plausible downside scenario reflects an economic downturn, representing a fall in demand and cost inflation.

We have modelled the same assumptions as those set out as part of the going concern assessment (refer to page 144) extrapolated across the remainder of the three-year viability assessment period. This scenario assumes an increasing reduction to revenue assumptions of up to ten per cent versus base case to reflect the risk of lower passenger numbers; and additional cost inflation, together with a decrease in variable costs, including turnover-based rents. Under the severe but plausible scenario, after taking account of mitigating actions within the Group's control, including reducing capital expenditure for new stores, the Group would continue to have liquidity headroom on its existing facilities and comply with all covenant tests throughout the assessment period.

Further severe but plausible scenarios have been modelled taking into consideration other key principal risks to the Group, including the loss of key contracts; supply chain disruption; the impact of data breaches and/or regulatory fines and increased carbon pricing.

We consider the likelihood of these scenarios occurring concurrently to be remote and are confident in the Group's ability to apply further mitigating actions in such a scenario, including reducing operating expenditure, further reduction or deferral of capital expenditure, reduction or suspension of dividends, restructuring of operations and renegotiation of facilities.

A reverse stress test scenario has also been conducted to understand the level of revenue downside that could be absorbed before covenants are breached. Under this scenario in addition to management's mitigating actions in the severe but plausible scenario a further assumption has been made that, post the payment of the final dividend for the year ended 31 August 2025, no dividends would be paid in the assessment period. In this reverse stress test scenario, a covenant breach occurs upon revenue decreasing by 12.3 per cent on a phased basis.

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 52 to 62, 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 19 December 2025.

On behalf of the Board

Max Izzard
Group Chief Financial Officer

19 December 2025

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 the Senior Independent Director of Sage Group PLC and a non-executive director of Admiral Europe Compañia de Seguros S.A. 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").

Andrew Harrison
Interim Group Chief Executive

Date of appointment: 19 November 2025.

Committee membership: None.

Skills and experience: Andrew has considerable travel retail experience and a deep understanding of the Group and its strategy. Andrew joined WHSmith in May 2021 as Managing Director for the UK Travel division and became CEO of the UK division in January 2025. Prior to joining WHSmith, Andrew spent 15 years with Manchester Airports Group where he held various roles, including Commercial Director and Managing Director of Manchester Airport, Managing Director of Stansted Airport, Chief Operating Officer and Chief Strategy Officer. He also spent a decade at Marks & Spencer.

Max Izzard
Group Chief Financial Officer

Date of appointment: 1 December 2024.

Committee membership: None.

Skills and experience: Max is an accountant and highly experienced finance director with deep expertise in multi-site international consumer businesses and a strong background in strategic transformation and business development. He has a wealth of expertise in a variety of international businesses and a deep understanding of operations and finance. Previously, he was SVP Group and Corporate Finance at Burberry plc where he held a variety of senior roles, helping to support the strategic transformation and development of the business, overseeing group finance functions, and tax and treasury. Prior to Burberry, Max held several senior commercial and group finance roles at IHG PLC.

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 USA.

Directors' biographies continued

Nicky Dulieu
Non-Executive Director

Date of appointment: 9 September 2020. Nicky will step down from the Board on 2 February 2026.

Committee membership: Chair of the Remuneration Committee and a member of the Audit, ESG and Nominations Committees. Nicky stepped 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 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 Executive Chairman of Fuller, Smith & Turner PLC, a role he has held since July 2025, having previously held the role of Group Chief Executive 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: Helen was appointed as Chair of the Audit Committee on 1 December 2024 and is a member of the ESG, Nominations and Remuneration Committees.

Skills and experience: Helen has significant operational, financial, risk and UK retail experience and previously held senior finance roles at Dixons, Forte, Safeway and Lloyds Banking Group over a 30-year executive career. She brings strong change leadership and transformation experience gained from her roles as retail integration director at Lloyds Banking Group and as chief operating officer at TSB Banking Group PLC. Helen is a fellow of the Institute of Chartered Accountants in England and Wales having trained with Coopers & Lybrand. She is a non-executive director of Greencore PLC and is also a member of Chapter Zero.

Previous directors who served during the financial year ended 31 August 2025:

Robert Moorhead stepped down as a director of the Company on 30 November 2024.

Carl Cowling stepped down as a director of the Company on 19 November 2025.

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

Corporate governance report

"We recognise that this has been a disappointing year and are now focused on delivering for all our stakeholders by taking remedial actions to improve our culture, governance and controls."

Annette Court
Chair

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**.

Board role and effectiveness

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.

Deloitte Review

The overstatement of expected profit in the North America business was identified as part of the preparation for the Group's year end results for the financial year ended 31 August 2025. The Board sincerely regrets what has happened. It has sought to move swiftly and decisively to address these serious matters.

The Board appointed Deloitte LLP in August 2025 to conduct an independent and comprehensive review of the North America supplier income recognition issue. The Board also formed a Special Committee comprising Annette Court, Simon Emeny and Helen Rose, supported by Ian Houghton, to ensure appropriate governance over the Deloitte Review and the wider effect of the Deloitte Review on the Group. Deloitte and the Special Committee were supported by the Company's external legal counsel, Freshfields LLP. In addition, alongside the Deloitte Review, the Group finance team undertook an extensive year end review process for the North America business and identified additional one-off costs relating to inventory.

The outcome of the Deloitte Review was announced in November 2025.

The Board has committed significant time and effort to ensure that the Company takes action to address these issues and has developed a robust remediation plan. Further details of the remediation actions we have taken are set out on page 95.

More information in respect of the North America accounting issues and prior year restatements are set out in Note 1b on pages 148 to 152.

Purpose, values and culture

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

We have been serving customers 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 more than 30 countries, employ approximately 9,000 employees, source products from thousands of suppliers and play an important part in local economies.

We seek to grow our business sustainably, providing financial returns for our shareholders, while maintaining high standards of environmental stewardship and social equity. In seeking to deliver such growth, it is important that our colleagues, business partners and suppliers are able to make the right decisions. Following the Deloitte Review, the Board has put in place a remediation plan and will take further action to substantially improve our culture, governance and controls. We will support our stakeholders 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 34 to 64.

Corporate governance report continued

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 38, with our customers on page 37, with our employees on page 36 and community involvement on page 40, and our approach to rewarding our workforce in the Remuneration report.

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. The Company consulted extensively with employees in respect of the sale of the High Street and Funky Pigeon businesses during the year. You can read more about the High Street consultation process on page 35.

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 34 to 41.

Board changes

As reported last year, Robert Moorhead retired as CFO/COO on 30 November 2024. Robert Moorhead was succeeded by Max Izzard who joined WHSmith on 1 September 2024 as CFO Designate and was appointed to the Board on 1 December 2024. In addition, Nicky Dulieu stepped down as Chair of the Audit Committee and was replaced by Helen Rose on 1 December 2024.

Following the Deloitte Review, Carl Cowling offered his resignation which the Board accepted. Carl Cowling stepped down as Group Chief Executive and as a Board director on 19 November 2025. Carl Cowling remains employed by the Company until 28 February 2026 to ensure an orderly handover of his duties.

On behalf of the Board, I would like to thank Carl Cowling for his significant contribution to WHSmith over the last 11 years. Upon being appointed as Group Chief Executive in November 2019, Carl Cowling successfully navigated the Company through the global pandemic and, more recently, has strategically repositioned the Group as a pure-play travel retailer. We wish him every success in the future.

The Board has begun a comprehensive formal search process for a new Group Chief Executive. Until a permanent appointment is made, Andrew Harrison, CEO of the Group's UK division, was appointed as a director and Interim Group Chief Executive on 19 November 2025.

Nicky Dulieu has decided not to stand for re-election as a non-executive director at the AGM. I would like to thank Nicky for her valuable contribution and strong commitment to the Company.

The Company has commenced a search for Nicky's successor and, as previously noted, in response to the findings of the Deloitte Review the Company intends to strengthen the Board including additional North America retail expertise.

Sale of WHSmith High Street and Funky Pigeon businesses

As part of the Company's goal to become a leading global travel retailer, the Board considered and approved the sale of the WHSmith High Street business to Modella Capital. The sale of the High Street business completed on 29 June 2025. The Board also considered and approved the sale of the Funky Pigeon business to Card Factory plc. The sale of the Funky Pigeon business completed on 14 August 2025.

Thanks

I would like to offer my sincere thanks to all my colleagues across the Group during this difficult time and for their ongoing commitment to the Company's future success.

Outlook

We have much work to do in the future, including rebuilding confidence in the Company that will have been undermined following the matters that have arisen in relation to the North America accounting issues. We are now focused on delivering our strategy of being a global travel retailer and providing sustainable financial returns for our shareholders.

Annette Court
Chair

19 December 2025

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 2025, and up to the date of this report, the Board considers that it has complied with the provisions of the Code except as follows:

Board evaluation: the Board recognises the importance of having a formal and rigorous annual evaluation of the performance of the Board in accordance with provision 21 of the Code. Having undertaken an externally facilitated performance review in the last financial year, the Board intended to conduct an internally facilitated performance review during the financial year ended 31 August 2025. The Board did not feel that it could meaningfully conduct a review of its performance during the current financial year while the Deloitte Review was still ongoing.

Corporate governance report continued

Accordingly, after careful consideration, the Board decided to defer this performance review until after the completion of the Deloitte Review.

Following the publication of the UK Corporate Governance Code 2024, the Company has been undertaking work to align its governance framework with the requirements of the 2024 Code. The Company will report on the application of the 2024 Code in respect of the financial year ending 31 August 2026 (save for in relation to provision 29 of the 2024 Code which applies to its financial year ending 31 August 2027).

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 74 and 75
ESG Committee report	See pages 92 and 93
Purpose, values and culture	See page 74
Strategy	See pages 1 to 71
Shareholder and stakeholder engagement	See pages 34 to 41
Division of responsibilities	
Leadership, commitment and Board support	See pages 76 and 77
Composition, succession and evaluation	
Board and Committee evaluation	See page 80
Nominations Committee report	See pages 90 and 91
Audit, risk and internal control	
Risks, viability and going concern	See pages 87 to 89
Audit Committee report	See pages 84 to 89
Remuneration	
Directors' remuneration report	See pages 96 to 119

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 96 to 119 and in the Directors' report on pages 120 to 124.

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 72 and 73. There is a clear division of responsibility at the head of the Company: Annette Court (Chair) being responsible for running the Board and Andrew Harrison (Interim 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 72 and 73, served throughout the financial year ended 31 August 2025 and up to the date of this report with the exception of Max Izzard who was appointed as a director on 1 December 2024 and Andrew Harrison who was appointed as Interim Group Chief Executive and a director on 19 November 2025. Carl Cowling also served as a director throughout the financial year.

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 96 to 119.

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 12 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.

A number of additional meetings were held during the year to deal with certain matters outside of the normal schedule of meetings, including the sale of the High Street and Funky Pigeon businesses, the North America accounting issues and the related independent Deloitte Review.

Corporate governance report continued

The following table shows the number of Board and Committee meetings held during the financial year ended 31 August 2025 and the attendance record of individual directors:

Directors and role	Board skills and competencies	Board tenure – years	Number of meetings attended				
			Board 12	Audit 5	ESG 3	Nominations 2	Remuneration 6
Annette Court[a] Chair	Retail finance expertise, strong board leadership and considerable governance experience.	3	12 of 12	–	–	2 of 2	–
Colette Burke[b] Non-executive director	Strong commercial and marketing experience on a global level, US and retail expertise.	2	10 of 12	4 of 5	3 of 3	2 of 2	5 of 6
Carl Cowling[c] Group Chief Executive	Strong leadership of the Group, strategic and retail expertise.	6	12 of 12	–	–	–	–
Nicky Dulieu Non-executive director	Finance and retail expertise, extensive knowledge of retail and customer service.	5	12 of 12	5 of 5	3 of 3	2 of 2	6 of 6
Simon Emeny Non-executive director	Commercial expertise and a wealth of consumer-facing experience.	6	12 of 12	5 of 5	3 of 3	2 of 2	6 of 6
Max Izzard[d] Group Chief Financial Officer ("CFO")	Financial and retail expertise with considerable experience in strategic transformation and business development.	1	9 of 9	–	–	–	–
Situl Jobanputra Non-executive director	Financial and property expertise and an experienced corporate financier.	1	12 of 12	5 of 5	3 of 3	2 of 2	6 of 6
Helen Rose Non-executive director	Finance and operational expertise with considerable experience in multi-site retail and financial services sectors.	1	12 of 12	5 of 5	3 of 3	2 of 2	6 of 6

a) Annette Court was invited to and attended five meetings of the Audit Committee, three meetings of the ESG Committee and six meetings of the Remuneration Committee
b) Colette Burke was unable to attend two Board meetings due to other commitments. She received the papers in advance of the meeting and gave her comments to the Chair
c) Carl Cowling was invited to and attended five meetings of the Audit Committee, three meetings of the ESG Committee, two meetings of the Nominations Committee and six meetings of the Remuneration Committee. Carl Cowling stepped down as a director and Group Chief Executive on 19 November 2025
d) Max Izzard was appointed as a director and Group CFO of the Company on 1 December 2024
e) The Board has met 13 times, the Audit Committee has met five times, the ESG Committee has met once, the Nominations Committee has met twice and the Remuneration Committee has met four times since 31 August 2025

Board and executive management diversity

The table on the following page shows a breakdown of the composition of the Board and executive management as at 31 August 2025 in accordance with the UK Listing Rules disclosure requirements. As at 31 August 2025, 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. This remains the case following the Board changes outlined above which occurred after 31 August 2025. 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 following table they identify with:

Corporate governance report continued

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	1	10
Men	4	50	3	9	90
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	10	100
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	1	12	–	–	–
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

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 financial year to help it manage the Company and support its strategy, including in relation to people and future talent planning, the sale of the High Street and Funky Pigeon businesses, growing the Group's North American businesses, setting its capital allocation policy, cyber security and IT transformation. The Board reviewed how it had met its objectives at each meeting during the year.

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 1 to 71.

Corporate governance report continued

Board activities in the financial year ended 31 August 2025

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	• Approval and oversight of sale of High Street and Funky Pigeon businesses • Reviewing the strategic plans for the businesses • Approval of the Three-Year Plan • Project and tender approvals • Corporate strategy updates
Financial and operational performance		
	• The Company's preliminary and interim results, trading statements and the Annual Report and Accounts • Reviewing the Group's financial forecasts • Refinancing of the Group's facilities • North America accounting issues • 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
Other stakeholder engagement		
Customers	• 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 North America accounting issues • Chair met significant shareholders

Corporate governance report continued

Other stakeholder engagement continued		
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 • Sale of High Street business and programme of employee communications
Governance and risk		
	• Appointed Deloitte to undertake an independent and comprehensive review of the North America supplier income recognition issue • Risk framework and internal control review • Regulatory compliance updates • Group delegation of authority review • Succession planning	• Principal risks and uncertainties review • Ongoing monitoring of the Group's cyber security • Conflicts of Interest and new appointments • Compliance with Listing Rules and Market Abuse Regulations • Committee Terms of Reference review

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 52 to 64.

Board and Committee performance review

The Board undertook an external Board performance review in 2024 but decided not to carry out an internally facilitated review for the financial year ended 31 August 2025 given the occurrence of the North America accounting issues and the ongoing Deloitte Review. The Board will undertake a performance review in 2026.

While a performance review was not conducted during the year, the Board nevertheless reviewed the actions agreed following the external performance review carried out in 2024 and agreed that good progress had been made in respect of these actions, including in respect of the Company's Board succession plan with the appointment of Max Izzard as Group CFO.

The Group Chief Executive also normally reviews the performance of the Group CFO 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 the Chair'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 Articles of Association, 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.

Corporate governance report continued

During the year ahead, a key focus for the Board will be the search process for a new Group Chief Executive and recruitment of new non-executive members to strengthen the Board. In addition, it will continue to focus on senior management succession plans to facilitate the readiness of internal candidates for all key roles across the business, including on an interim basis if required. The Board seeks to ensure that it demonstrates 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 Board will consider what further steps it can take in relation to these matters in light of the conclusions of the Deloitte Review. 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.

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 34 to 41 and the Corporate governance report. Disappointingly, the North America supplier income recognition issue and outcome of the Deloitte Review highlighted shortcomings in our culture and the Board is committed to rebuilding the culture of the Company such that it fully reflects our values.

The Board recognises the importance of being visible and accessible to customers and employees. During the year, Annette Court and Helen Rose attended Business Risk Committee meetings and the non-executive directors accompanied management on site visits to Travel stores. The Board visited its stores in Euston and Kings Cross rail stations. 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, Max Izzard 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 executives, including the Managing Directors of the Group's UK and international businesses; attended trading and risk committees; meetings with shareholders; meetings with advisers; and store visits.

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, are 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 90 and 91 and in the People section of the Strategic report on pages 47 to 49.

Corporate governance report continued

Risk management

The Board appointed Deloitte LLP in August 2025 to conduct an independent and comprehensive review of the North America supplier income recognition issue. The Deloitte Review identified that this issue had arisen against a backdrop of a target-driven performance culture and decentralised divisional structure combined with a limited level of Group oversight of the finance processes in North America. Factors that contributed included weaknesses in the composition of the finance team and insufficient systems, controls and review procedures for supplier income across commercial and finance functions in North America. The Board is developing a robust remediation plan to strengthen its risk management framework which will be monitored and governed by the Board and appropriately assured. More information in respect of the North America supplier income recognition issue is set out on page 95.

The Company maintains its framework of risk management and internal control with a view to safeguarding shareholders' investment and the Company's assets. This framework is designed to identify, evaluate, manage and monitor risks that may impede the Company's objectives. It cannot, and is not designed to, eliminate risk entirely. This framework provides a reasonable, not absolute, assurance against material misstatement or loss. The main features of the risk management and internal control framework operated within the Group are described below. The framework has been in place throughout the year under review and remains in place to date.

The Board has overall responsibility for the Group's framework of risk management and internal control 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. 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. 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 65 to 71.

Further information on internal controls and risk management can be found in the Audit Committee report on page 85.

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 38.

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 Group CFO update the Board following meetings with major shareholders and analysts' briefings are circulated to the Board. The Group Investor Relations Director 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. The Chair and non-executive directors also attend meetings with major shareholders and other stakeholders.

During the year, the Chair and Chair of the Audit Committee engaged with the Company's largest shareholders in respect of the North America accounting issues.

Corporate governance report continued

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 2025 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 87.

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 84 to 89, the ESG Committee on pages 92 and 93 the Nominations Committee on pages 90 and 91 and the Remuneration Committee in the Directors' remuneration report on pages 96 to 119. 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 Group CFO.

Disclosure Committee

The Disclosure Committee is responsible for ensuring compliance with the Company's obligations under the UK Market Abuse Regulation, UK Listing principles and rules 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

"We recognise that this has been a disappointing year and are now focused on improving our culture, governance and controls."

Helen Rose
Chair of the Audit Committee

Dear Shareholder

Following my appointment as Chair of the Audit Committee in December 2024, I am pleased to present my first report on the activities of the Audit Committee for the financial year ended 31 August 2025. 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, review the Group's financial results, assess the performance of both the Internal Audit function and the external auditor, and review 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, Nicky Dulieu, Simon Emeny and Situl Jobanputra, 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 five times during the year. At the invitation of the Committee, the Chair of the Board, the Group Chief Executive, the Group CFO, the Group Finance Director, 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.

The Committee has been focused on the North America supplier income recognition issue since it was brought to the Board's attention in August 2025. More details of this issue are set out on pages 94 and 95. I have attended, along with the Chair, a number of meetings with our largest institutional shareholders in respect of this issue. Areas of particular concern for the Committee in relation to the North America supplier income recognition and inventory-related issues have been:

(a) to understand how the supplier income overstatement identified has accumulated over time, how it has affected prior years' results, and to consider whether the impact on past years' results together with the inventory related issues was such as to require them to be restated;

(b) to ensure that the Group's relationship with its suppliers, in North America, the UK and in our international operations, have been the subject of rigorous focus;

(c) to safeguard the preparation of the FY25 financial statements and the FY25 North America audit by: the appointment of an interim CFO of the North America division; an onsite review by the Group finance team of the financial information to be consolidated in the Group consolidated financial statements. A risk-based approach was applied to scrutinising the balance sheet based on judgement involved, source of information and complexity to ensure that the financial information was accurate and could be relied upon as part of the external audit process; and providing additional support to the North America finance team;

(d) to satisfy itself, in discussions with the Interim Group Chief Executive and Group CFO and the internal and external auditors and advisers, that the remedial steps proposed, including to the Group's financial systems and internal controls are sufficient to avoid any repetition of the issues that have emerged in respect of supplier income and inventory; and

(e) to review the underlying profitability of the Group's North America division.

A comprehensive review of supplier income and inventory controls is being undertaken across all Group divisions by the internal audit team. The Group has also taken steps to strengthen its Group finance and Audit and Risk teams, including the appointment of a new Group Finance director and Director of Audit and Risk. More information in respect of the North America accounting issues and prior year restatements are set out on pages 94 and 95 and Note 1b on pages 148 to 152.

Corporate governance report continued
Audit Committee report continued

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

Financial reporting

- 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;
- reviewing the findings of the Deloitte report and the work undertaken by Group Finance in reviewing the North America balance sheet;
- considering the proposed balance sheet restatements and notes for the financial years ended 31 August 2024 and 31 August 2023;
- 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;
- assessing and recommending to the Board that the Annual Report and Accounts is fair, balanced and understandable;
- considering presentations and updates on the Company's climate-related financial disclosures;
- monitoring the integrity of the Group's financial statements and trading statements;
- considering the Company's emerging and principal risks and uncertainties including risks identified in respect of supplier income and inventory related matters and reviewing the mitigating actions that management has taken to ensure that these risks are appropriately monitored and controlled;
- approval of the Group Tax Strategy;
- assessing the impact of new accounting standards and guidance;
- 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; and
- holding private meetings with the external and internal auditors.

Risk management and internal controls

- reviewing the effectiveness of the Group's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk, including supplier income, inventory, cyber security and tax;
- receiving reports and presentations from members of the Company's senior management;
- receiving reports from Business Risk Committees on areas of the Company's control and risk management processes;
- considering the results of the internal control certification evaluation of the Group's control systems and agreeing actions to be undertaken by management to enhance controls;
- receiving updates and recommendations on the reforms to the Code and internal controls proposed by the UK Government;
- 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 independently operated and confidential whistleblowing helpline Safecall;
- receiving and reviewing reports from the Internal Audit and Risk teams and reviewing and agreeing their annual plans;
- reviewing the Company's liquidity and ensuring that it is compliant with its finance facilities;
- reviewing the Company's treasury policy;
- considering and approving the report on the Company's payment practices; and
- reviewing the Committee's Terms of Reference.

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. The Company's Annual Report and Accounts for the year ended 31 August 2022 were reviewed by the FRC and they did not identify any matters on which they wished to raise any specific questions but made observations on certain disclosures included in the Annual report.

Corporate governance report continued
Audit Committee report continued

The FRC's letter points out that its review was solely based on a review of the Company's Annual Report and Accounts for the year ended 31 August 2022. It states that the review did not benefit from a detailed knowledge of the Company's business or an understanding of the underlying transactions entered into and that the FRC's role is not to verify the information provided but to consider compliance with reporting requirements and, as a result, the review provides no assurance that the Company's 2022 Annual Report and Accounts are correct in all material respects. An explanation of the application of the Group's accounting policies is provided on pages 144 to 160.

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 Group CFO 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:

Supplier income

The Committee received a paper from management on accounting for supplier income. It discussed the types of supplier income arrangements and estimates made in respect of the accounting for these arrangements and the control deficiencies that had arisen in the North America division. The paper included the North America supplier income recognition issue and resulting restatements of financial information for the years ended 31 August 2024 and 31 August 2023. The Committee is satisfied with the process and judgement adopted by management for recognition of supplier income and the enhanced disclosures introduced in Note 16 to the financial statements. The Committee also considered the activities that management carried out to ensure this issue as set out in the Remediation plan together with the outcomes of investigations by internal audit and external third-party experts and concurred with management's assessment that adequate training and processes have been implemented to ensure compliance with policy and appropriate recognition of supplier income going forwards.

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 considered non-underlying and exceptional due to their size, nature or incidence, or are not considered to be part of the normal operations of the Group.

The Committee received detailed reports from management outlining the judgements applied in relation to the non-underlying costs incurred during the year. These costs included 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, costs of the North America supplier income recognition issue and amortisation of intangible assets acquired in business combinations.

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.

Sale of High Street and Funky Pigeon businesses

The Committee received a paper from management on accounting for, and disclosure of, the sale of the High Street and Funky Pigeon businesses in the year. This set out the judgements made by management in respect of determining whether the businesses sold meet the criteria of discontinued operations and the valuation of deferred consideration, including the realisation of certain tax assets linked to the sale of the High Street business. The Committee also received reporting from PwC regarding the audit work they performed over the sale of the businesses and is satisfied as to the appropriateness of the Company's accounting and disclosures.

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, obsolete or lost stock, and inventory-related costs, including the restatement of certain of these costs in North America for prior periods. The Committee also considered the control deficiencies related to inventory and the action taken to remedy them as set out in the Remediation plan. 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 accounting and disclosures.

Corporate governance report continued
Audit Committee report continued

Valuation of store property, plant and equipment and right-of-use assets

The Committee received a paper from management on its impairment assessment for store-based property, plant and equipment and right-of-use assets. This set out the judgements made by management in respect of its impairment indicator assessment and the approach to determining a recoverable amount. The Committee also received reporting from PwC regarding the audit work they performed over the impairment assessment and is satisfied as to the appropriateness of the Company's accounting and disclosures.

Valuation of goodwill and other indefinite-lived intangible assets

The Committee received a paper from management on its impairment assessment for goodwill and other indefinite-lived intangible assets. This set out the judgements made by management in respect of determining whether an impairment charge was required, including the basis for the recoverable amount, and the disclosure of reasonably possible changes to key assumptions. The Committee also received reporting from PwC regarding the audit work they performed over the impairment assessment and is satisfied as to the appropriateness of the Company's accounting and disclosures.

Going concern and viability statement

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

The Committee considered the impact of the North America supplier income recognition issue on 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. The Company received advice from external lawyers in respect of the impact of the North America supplier income recognition issue on the Company's finance facilities. 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 70 and 71 and the basis of preparation within Note 1 of the financial statements on page 144.

The viability statement is set out in the Strategic report on pages 70 and 71.

Fair, balanced and understandable assessment

At the request of the Board, the Committee has considered whether, in its opinion, the 2025 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.

Corporate governance report continued
Audit Committee report continued

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 Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The Board has already taken steps to ensure that it will comply with the requirements of Provision 29 of the 2024 Code which requires it to give an annual confirmation as to the effectiveness of the Group's material risk management and internal control frameworks. The Board has ensured that the issues in the North America division have been robustly investigated and that any deficiencies will be fully mitigated. The Board has approved and embarked on implementing its comprehensive and detailed remediation plan, further details of which are set out on page 95.

The Committee has reviewed the findings of the Deloitte Review and has initiated remediation actions to address the control failures that have been identified in the North America division, including strengthening oversight, enhancing documentation and improving control design and execution. 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 has its own risk committee which identifies and manages the risks in the business and reports to the Committee. Members of the Board, including the Chair of the Committee, attend business risk committee meetings;
- 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. 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;

Corporate governance report continued
Audit Committee report continued

- 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.

As noted above, various remediation actions have been initiated in light of the findings of the Deloitte Review which will impact the above risk management processes and internal financial and non-financial controls. The Committee will oversee these actions and the enhancements to be made to these processes and controls. See pages 94 and 95 for further detail on the findings of the Deloitte review.

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. Jon Sturges was appointed as the PwC audit partner and Senior Statutory Auditor at the conclusion of the financial year ended 31 August 2024. In addition, PwC appointed a new US audit partner to undertake the audit of the North America business.

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 audit of the financial year ended 31 August 2024 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 which also considered the North America accounting issues as part of its assessment.

Overall, the Committee was satisfied as to PwC's independence and effectiveness. 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 2025 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 2025 the non-audit fees paid to PwC were £188,150, of which £186,800 related to the interim review, and the audit fees payable to PwC were £3.7m.

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.

Reflection by Committee Chair

The Committee is committed to supporting the Board to help rebuild trust across all our stakeholders and ensure that the remediation plan is fully implemented, embedded across the Group and independently assured. Further details on remediation can be found on page 95.

I will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Helen Rose
Chair of the Audit Committee

19 December 2025

Corporate governance report continued
Nominations Committee report

"The Committee will focus on continuing to strengthen the composition of the Board."

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 2025. 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 twice 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.

As reported last year, Robert Moorhead stepped down from the Board on 30 November 2024. He remained as an employee of the Company until 28 February 2025 in order to assist with the transition to Max Izzard as Group CFO. Max Izzard joined the Company on 1 September 2024 as CFO Designate and was appointed to the Board on 1 December 2024.

Following receipt of the Deloitte Review, Carl Cowling offered his resignation which the Board accepted. Carl Cowling stepped down as Group Chief Executive and as a Board Director on 19 November 2025. The Board has begun a comprehensive formal search process for a new Group Chief Executive and is committed to appointing the strongest candidate to lead the next phase and guide the Group's long-term growth strategy. Until a permanent appointment is made, Andrew Harrison, CEO of the Group's UK division, was appointed as a director and Interim Group Chief Executive on 19 November 2025. Andrew Harrison has considerable travel retail experience and a deep understanding of the Group and its strategy.

As part of the Company's remediation plan and following discussions with the Company's largest shareholders, the Board has also begun a search process for strengthening the Board, including additional North America retail expertise. The Committee has appointed Russell Reynolds Associates to assist in the identification of potential candidates to replace Carl Cowling as Group Chief Executive and in the appointment of new 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.

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 48 and 49.

Corporate governance report continued
Nominations Committee report continued

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 10 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 49.

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 underrepresented 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, including the Group Chief Executive, from across the Group. The committee met six times during the financial year ended 31 August 2025 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 People section of the Strategic report on pages 48 and 49.

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.

In the coming year, Board composition and effectiveness will be a key focus for the Committee along with ensuring robust succession plans are in place for the longer term to meet the needs of the business.

Annette Court
Chair of the Nominations Committee

19 December 2025

Corporate governance report continued
ESG Committee report

"Following the Company's strategic repositioning to a pure-play travel retailer, we continue to focus on a long-term approach to sustainability, aligned with our purpose, strategy and values."

Situl Jobanputra
Chair of the ESG Committee

Dear Shareholder

As Chair of the ESG Committee, I am pleased to present the report detailing the activities of the ESG Committee for the financial year ended 31 August 2025. Environmental and social sustainability continues to be a fundamental part of how the Company operates and remains a key driver of its long-term success.

The ESG Committee plays a vital role in overseeing the governance of sustainability-related matters, including the review and approval of the Company's ESG strategy, policies and performance.

Committee's responsibilities

The Committee is responsible for ensuring that the Company maintains an ESG strategy that is both appropriate and effective. The aim is to ensure this strategy is fully integrated with the core business objectives and aligned with the Company's purpose, culture and values. The Committee ensures that robust governance structures are in place to support the successful execution of the sustainability strategy, built around the three key pillars of Planet, People, and Community.

In fulfilling its responsibilities, the Committee considered appropriate ESG targets and key performance indicators across short, medium and long-term horizons. It monitors progress against these targets regularly and provides guidance to management on sustainability matters.

The Committee also oversees the Company's sustainability engagement with stakeholders, including customers, colleagues, suppliers, communities, investors and government. It stays informed on external developments in the ESG landscape and approves the Company's sustainability disclosures in the Annual Report, along other relevant information for third parties. The Committee also reviews the Company's compliance with external standards and ensures that its policies and principles remain aligned with ESG best practices.

Membership and attendance

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

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

Work of the Committee during the financial year

Throughout the year ended 31 August 2025, the Committee undertook a thorough review of WHSmith's ESG strategy, assessing priorities, risks and the measures in place to ensure effective management and reporting. The Committee reviewed the Company's approach to materiality and the resulting priority issues to ensure they are incorporated into the Company sustainability strategy and addressed by action plans and appropriate objectives and targets.

Stakeholder engagement is a standing item on the Committee's agenda. This year, discussions focused on feedback received from investors, proxy agencies and key business partners such as landlords, franchisees, and major suppliers. Topics raised included the Company's progress toward net zero; its position on single use plastics and measures being taken to reduce reliance on plastic packaging; progress towards compliance with European legislation on deforestation; and community partnerships. Landlord partner interest in sustainability issues continues to remain high.

WHSmith has committed to achieving net zero by 2050, with interim goals to reduce Scope 1 and 2 emissions by 80 per cent by 2030 (from a 2020 baseline) and to ensure that 75 per cent of supplier emissions are covered by science-based targets by 2027. During the year, the Committee reviewed progress toward these goals and the Company's broader plans for transitioning to a low-carbon economy. Updates were

Corporate governance report continued
ESG Committee report continued

provided by the Group Sustainability Director on carbon-related legislation and standards, including the proposals by the UK Government for adoption of new sustainability reporting standards; changes in the scope and timetable for implementation of the European Union's ("EU") Corporate Sustainability Reporting Directive and evolving carbon reporting legislation in Australia and California.

The Committee assessed climate-related risks and opportunities, both short and long term, and reviewed action plans to reduce Scope 1, 2 and 3 emissions. It also evaluated the Company's efforts to engage suppliers in adopting science-based targets and developing carbon reduction plans. In addition, the Committee monitored the Company's compliance with the Listing Rules and the Companies Act 2006, particularly in relation to climate-related financial disclosures and alignment with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations.

The Company's preparations are well underway for compliance with incoming EU Deforestation Regulations, and the Committee this year has monitored progress on the implementation of controls and supplier engagement activities to meet the necessary requirements. The Committee also received an update on Company compliance with UK Extended Producer Responsibility regulations.

The Company's approach to managing due diligence processes for human rights and labour conditions in the supply chain continues to evolve. The Committee maintained its oversight in this area, reviewing the Company approach to improving standards with own brand suppliers and their supply chain, and due diligence processes for any new third party suppliers and/or products. The Committee also reviewed and endorsed the Group's Modern Slavery statement for Board approval.

The Committee received updates on the Group's Diversity, Equity and Inclusion (DEI) programme, including the activities of DEI employee networks, executive sponsorship, and partnerships with organisations such as Diversity in Retail, Stonewall and the Business Disability Forum. During the year, all employee policies were reviewed, de-biased and updated in consultation with the employee networks to ensure they reflected the Company's equity and inclusion aspirations. The Committee also reviewed the Company's approach to employee wellbeing and the work of the Retail Trust as the Employment Assistance Programme provider in the UK.

During the year, the Committee received an update from the Group Construction Director on store construction and refurbishment and how sustainability considerations are integrated into decision-making. Members reviewed the Company's approach to energy efficiency during construction and maintenance; how life cycle analysis is being used to select better options for fixtures and fittings, including for reuse and recycling of components; and an initiative to promote better mental wellbeing in the construction sector.

The Committee reviewed the Company's community engagement efforts in the UK and internationally. It was briefed on the partnership with the National Literacy Trust and the Young Readers Programme in the UK. The Committee also learned about WHSmith's charitable work in North America with Miracle Flights; and in Australia with the Beyond Blue and Starlight Make a Wish Foundation charities.

Every year, the Committee reviews and approves any updates to ESG-related policies – including those covering environmental management, health and safety, human rights, anti-bribery and corruption, and codes of conduct. Changes this year included a review of country-level risks associated with responsible sourcing, a new Responsible construction policy and further integration of wellbeing measures into the Company DEI policy.

Priorities for the year ending 31 August 2026

For the year ahead, the Committee will maintain its oversight of the Group's ESG agenda and will continue to review emerging issues, materiality assessments, and progress against sustainability objectives and targets. Specific areas of focus will include:

- A review of the Company sustainability strategy with a renewed focus on any ESG issues of relevance to a pure-play travel retailer;
- A review of progress against net zero targets and evolution of carbon transition plans;
- Work on developing metrics to track materials use and waste, particularly in respect of packaging and chilled food;
- Regular updates on progress for compliance with EU Deforestation Regulations;
- Oversight of human rights due diligence in the supply chain, incorporating the activities of North America and the Rest of the World businesses;
- A deep dive on the results of the employee engagement survey to consider how the Company values and ways of working can be further improved and embedded within the culture of the organisation. The Group will complete an assessment of culture and behaviours to create a cultural change programme to mitigate identified risks and embed desired change across all divisions in the Group; and
- An update on community engagement work, including fundraising and donation mechanics in each of the businesses and partnerships with charities and other community entities.

Situl Jobanputra
Chair of the ESG Committee

19 December 2025

Corporate governance report continued

Deloitte and Group Finance Review

As announced on 21 August 2025, in preparation for the Group's year end results for the financial year ended 31 August 2025, information was brought to the Board's attention that indicated that the recognition of supplier income in the North America business was being accelerated. The Board acted immediately and appointed Deloitte to undertake an independent and comprehensive review. The Board also formed a Special Committee comprising of Annette Court, Simon Emeny and Helen Rose, with the support of Ian Houghton, to ensure appropriate transparency and governance over the Deloitte Review and the wider effect of the Deloitte Review on the Group. Deloitte and the Special Committee were supported by the Company's external legal counsel, Freshfields LLP. PwC also reviewed the scope of work and were able to provide input at all stages of the independent review. In summary, the Deloitte Review comprised five workstreams:

- reviewing the Company's methodology and evaluating the evidential support underpinning the identified overstatements in supplier income to consider the accuracy and completeness of the quantum and their accounting and financial impact;
- identifying and reviewing material relevant to the identified overstatements to document the facts and circumstances which gave rise to them, documenting activities which do not follow the Group's relevant policies and procedures with respect to accounting for supplier income and/or which indicate potential management bias towards particular reporting outcomes;
- reviewing systems and controls relevant to the accounting for supplier income in the North America division;
- reviewing and commenting on the methodology adopted by the Group Internal Audit team to evaluate the accuracy and existence of the level of supplier income for the financial year ended 31 August 2025 across the Group, after correction of the identified overstatement in the North America division in FY25; and
- reviewing and commenting on the Quality of Earnings Review analysis performed by the Group's Finance team for the North America business.

The Company announced the findings of the Deloitte Review on 19 November 2025 which included:

- the accounting treatment for supplier income adopted by the North America division was not consistent with the Group's stated accounting policy and the relevant accounting standards;
- supplier income recognition had been overstated in North America;
- the overstatement of supplier income identified in the North America division is substantially a timing rather than an existence issue; and
- the methodology and conclusion of the Internal Audit review of supplier income for the financial year ended 31 August 2025 across the UK and ROW Travel divisions was appropriate and that supplier income had been appropriately recognised in these divisions.

The Deloitte Review identified that this issue had arisen against a backdrop of a target-driven performance culture and decentralised divisional structure, combined with limited level of Group oversight of the finance processes in North America. The following factors in North America also contributed:

- weaknesses in the composition of the finance team; and
- insufficient systems, controls and review procedures for supplier income across Commercial and Finance functions.

Scope of the Group Finance review

Alongside the Deloitte Review, the Group finance team undertook an extensive year-end review process for the North America business. The process was designed to provide assurance that financial information was not materially misstated. The scope of the review comprised specified procedures, including process flow walkthroughs and the reperformance of internal review processes.

The review identified errors in the accounting for inventory cost-related items leading to additional restatements of prior period financial information, as well as several process and control observations, which form part of the remediation actions described below.

Corporate governance report continued
Deloitte and Group Finance Review continued

Remediation actions

The Group appointed a new CEO for the North America division in June 2025 and is currently in the process of reviewing the North America leadership team. The Group has also taken steps to strengthen its Group Finance and Audit and Risk teams, including the appointment of a new Group Finance Director and Director of Audit and Risk. In addition, the Board has put in place a comprehensive remediation plan which will be monitored and governed by the Board and appropriately assured to ensure that any deficiencies are fully mitigated. This includes, but is not limited to:

- A commitment to fostering a culture of integrity, transparency, and accountability; and empowering teams to speak up and embed responsibility at every level, including:
  - steps have already been taken to raise awareness of the Group's external whistleblowing line to ensure that employees, suppliers, and other stakeholders have the ability to raise concerns confidentially; and
  - an assessment of culture and behaviours to create a cultural change programme to mitigate identified risks and embed desired change across all divisions in the Group.
- North America division adoption of the global supplier income policy, new governance and controls frameworks and refreshed mandatory training on supplier income. Mandatory training for all commercial and finance teams across the Group was completed in December 2025;
- Group-wide implementation of a new supplier income management system accelerated to early 2026;
- Finance Transformation programme accelerated to enhance systems, processes, controls and centralise Group Finance oversight, including:
  - A centralised finance structure with global policies, procedures and guidance cascaded by the Group Finance team with appropriate oversight and review; and
  - A Group accounting policy manual codifying methodologies to be deployed consistently across the Group.
- The Group has appointed a third party assurance provider to support internal audit to review and validate the Group's key financial controls and processes;
- The Group is partnering with an external firm to accelerate the workstreams already underway as part of our Provision 29 (2024 Code) readiness programme. This programme focuses on strengthening key financial and other foundational controls across the business;
- Ongoing consideration of actions in respect of individuals which includes the application of malus and clawback to recover excess amounts that had been paid to any relevant executives in the financial years ended 31 August 2023 and 2024 and steps to strengthen the North America finance and commercial teams; and
- Strengthening the Board, including additional North America retail expertise. The Board, with the help of an independent search firm, Russell Reynolds, has commenced a search to identify new members of the Board.

FCA investigation

We confirm that the FCA has commenced an investigation into the Company in respect of its compliance with UK Listing Principles and Rules and the Disclosure and Transparency Rules in relation to the matters announced by the Company on 19 November 2025.

The Group is committed to cooperating fully with any engagement in relation to the North America accounting issue from any regulatory body or other authority.

Directors' remuneration report

"We recognise that it has been a challenging year and have taken appropriate action but also recognise the need to retain and motivate management to rebuild trust and provide sustainable financial returns for our shareholders."

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 2025, which is in line with the Company's approved Directors' remuneration policy ("Policy"). This report covers two areas:

- details of how the Policy was implemented in the financial year ended 31 August 2025 and how it will be implemented in the financial year ending 31 August 2026. This section of the report is set out on pages 96 to 116 and is subject to an advisory vote at our 2026 AGM; and
- a summary of the Policy approved at the 2025 AGM which is set out on pages 116 to 119.

Ahead of the 2025 AGM, the Committee consulted with our largest shareholders and their representative bodies on the Company's approach to remuneration, including the new Policy. I am grateful to all those who took the time to provide feedback, which was, in the most part, supportive of the approach adopted by the Committee. The feedback was informative for the Committee when finalising the Policy. As a result, the Committee made changes to the proposal in respect of bonus deferral requirements where an executive has met their shareholding requirement. We have also received helpful feedback from shareholders in relation to the performance measures used in our incentive plans which has been factored into the revised structure for the next LTIP award (stated below).

The Policy was supported by 99.59 per cent of our shareholders and the Directors' remuneration report (excluding the policy) was supported by 98.63 per cent of our shareholders at our AGM in January 2025.

Financial performance and incentive outturns for the financial year ended 31 August 2025

The Company's performance during the financial year ended 31 August 2025 was disappointing as it was significantly impacted by the North America accounting issue. Further details of the findings of the Deloitte Review are set out on pages 94 to 95.

The Group made a Headline profit before tax and non-underlying items[1] of £108m. This was below the annual bonus threshold target and, as a result, the executive directors will not receive a bonus under the Company's annual bonus plan.

The 2022 LTIP vesting percentage was determined by growth in the Company's Headline earnings per share[1] (before tax) ("EPS"), relative Total shareholder return ("TSR") and ESG metrics over the three-year performance period which ended on 31 August 2025. The Company did not meet the Headline EPS[1] threshold target and the Company's TSR ranked below median in the comparator group. Although the Company substantially achieved the ESG metrics which would have resulted in 19.4 per cent of the award vesting, the Committee determined that this outturn would not be appropriate in the circumstances and it was accordingly agreed with Carl Cowling that his 2022 LTIP award would lapse in full.

1 Alternative performance measure defined and explained in the Glossary on page 209

Directors' remuneration report continued

Prior year incentive adjustments following restatement of financial statements

The Deloitte Review of supplier income in the Group's North America division identified expected supplier income adjustments of c.£13m for 2024 and c.£5m for 2023. In addition, the Group has identified further adjustments in respect of North America of c.£7m for 2024 and c.£4m for 2023. These adjustments were subsequently audited by the Group's auditors and restatements have been made to the 2023 and 2024 financial statements as set out in Note 1b on pages 148 to 152.

Based on the restated financial statements, executive director incentive outturns were recalculated as follows:

- 2024 annual bonus (based on Headline profit before tax and non-underlying items[1]): original outturn was 82.5 per cent of maximum; recalculated outturn is nil.
- 2023 annual bonus (based on Headline profit before tax and non-underlying items[1]): original outturn was 100 per cent of maximum; recalculated outturn is 79 per cent of maximum.
- 2021 LTIP (based partially on EPS): original outturn was 71 per cent of maximum; recalculated outturn is 59 per cent of maximum.

The Committee carefully considered the facts of the North America accounting issue and deemed it appropriate to apply the relevant malus and clawback provisions to recover the excess amounts that had been paid to any relevant executives in the financial years ended 31 August 2023 and 2024. The excess amount originally awarded to Carl Cowling and former Group CFO/COO, Robert Moorhead, in aggregate, was £887,512 in cash and 103,921 deferred bonus/LTIP shares. To implement this decision, the Committee has resolved that any erroneously awarded deferred bonus or LTIP shares will be cancelled and that it will recover the excess amount that was received in cash by cancelling additional deferred bonus and, if necessary, LTIP shares. Further details are provided on page 106.

Board changes

Former directors

Following the Deloitte Review on 19 November 2025, Carl Cowling resigned as Group Chief Executive with immediate effect. He remains a Group employee until 28 February 2026 to ensure an orderly handover of his duties and, thereafter, monthly salary payments subject to mitigation will be made for the remainder of his 12-month contractual notice period.

Carl Cowling will not receive an annual bonus in respect of the financial year ended 31 August 2026 nor will he receive a 2025 LTIP award. His outstanding deferred bonus shares are expected to be cancelled in full following the application of malus and clawback as outlined above.

The Committee gave careful consideration as to the treatment of Carl Cowling's outstanding LTIP awards. While recognising the seriousness of the situation that led to Carl's resignation, the Committee also took into account his significant contribution to the Group over the last 11 years, including successful navigation of the Group through the global pandemic and his role in the strategic repositioning of the Group as a pure-play travel retailer. The Committee's conclusion was that Carl Cowling should retain his outstanding LTIP awards (post application of malus and clawback as outlined on page 106) time pro-rated up to the end of his employment and subject to performance testing on the original dates. Any vested shares will remain subject to a two-year holding period and Carl Cowling will be required to maintain a minimum shareholding of 300 per cent of base salary (or his actual holding if less) for a period of two years after he leaves the Group.

In light of the need for prior year restatements and based on his accountability for the Group Finance function, the Committee also revisited its previous decision to treat Robert Moorhead as a good leaver for the purpose of his LTIP awards and, after due consideration, concluded that this decision no longer remained appropriate for unvested LTIP awards. Accordingly, all of Robert Moorhead's outstanding unvested LTIP awards will lapse. Further details are provided on page 106.

Current directors

Following Carl Cowling's resignation, the Committee determined the remuneration arrangements for the interim management team. These arrangements, which are consistent with our Policy, are designed to fairly reflect the scope and responsibilities of the individuals' roles, their criticality to the business and to ensure they are both appropriately aligned with the goal of delivering long-term financial and share price growth.

- Andrew Harrison's salary as interim Group Chief Executive has been set at £500,000 with an annual bonus opportunity of 150 per cent of salary and a 2025 LTIP award worth 300 per cent of salary.
- Max Izzard's role as Group CFO has been expanded to encompass responsibility for the remediation plan for the North America division. Max's remuneration has accordingly been adjusted to reflect his expanded role and will comprise a salary of £500,000, annual bonus opportunity of 150 per cent of salary and a 2025 LTIP award worth 350 per cent of salary.

Directors' remuneration report continued

Other key remuneration decisions by the Committee during the year

- 2025 salary review – Following the annual salary review in March 2025, the majority of the Group's employees (who are based in stores) received a 6.5 per cent pay increase, support centre employees received either a 2 or 2.5 per cent pay increase and senior executives, including Max Izzard, received a 1.5 per cent pay increase with effect from 1 April 2025. Carl Cowling's base salary was increased by 6 per cent.
- Adjustment of bonus/LTIP targets following the sale of the WHSmith High Street and Funky Pigeon businesses – Following the sale of the High Street and Funky Pigeon businesses during the financial year, the Committee agreed to adjust the original targets set for the 2025 bonus by excluding the budgeted profit before tax for the High Street and Funky Pigeon businesses in determining the bonus outturn for the year. The Committee also adjusted the original targets for the 2023 and 2024 LTIP awards by excluding the budgeted contributions for the sold businesses. The Committee, in exercising its discretion in this manner, has tried to ensure that the new targets are not materially easier or harder to achieve than the original targets. More details on the new targets can be found on pages 111 and 113. The Committee decided not to adjust the targets originally set for the 2022 LTIP as the vast majority of its three-year performance period had already elapsed at the point that the businesses were sold.
- Performance measures for 2025 LTIP award – Over the last few years, the performance measures for the LTIP have been based on EPS, relative TSR and ESG metrics. Given the importance of this forthcoming award cycle to the Company's strategic development and in the context of share price performance in the past year, the Committee has determined that the LTIP metrics for the 2025 LTIP award should be more strongly linked to our longer-term financial targets and absolute returns to shareholders. Accordingly, for the LTIP grant in December 2025, the performance measures are:

Proportion of award	40 per cent	30 per cent	30 per cent
Measure	Growth in pre-tax EPS	Growth in absolute TSR	Return on capital employed

Although no longer an LTIP measure, management remains incentivised to deliver the Group's ambitious ESG strategy through a combination of the ESG element of previously granted in-flight LTIP awards and personal targets within the 2026 annual bonus plan.

- 2025 LTIP award and windfall gains – The Committee considered whether the LTIP grant in December 2025 should be adjusted for windfall gains given the recent fall in the Company's share price. Given the specific share price fact-pattern experienced by the Group and importantly the need to retain and incentivise the new senior executive team going forward, the Committee concluded that this should be reviewed prior to the vesting of this award in 2028.
- New plan rules – The Committee agreed to submit a new LTIP and an extension of the Sharesave Scheme for approval by the Company's shareholders at the 2026 AGM as the existing schemes will expire in 2026. Although the LTIP will continue to be operated in line with the Policy approved by shareholders at the 2025 AGM, the Committee has taken the opportunity to review the rules to ensure they reflect current market practice and shareholder guidance and retain appropriate flexibility. A full summary of the rules is provided in the Notice of Meeting for the 2026 AGM.

Stakeholder alignment

Notwithstanding the disappointing financial performance, the Company has continued to support our colleagues, local communities and charitable activities – you can read more about the Company's work on pages 34 to 41.

The directors have proposed a final dividend of 6p per share, which, together with the interim dividend of 11.3p per share paid in July 2025, makes a total dividend of 17.3p per share for the financial year ended 31 August 2025 (2024: 33.6p).

During FY26 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 business growth for the benefit of all stakeholders.

Conclusion

It has been a particularly challenging year and the Committee has been very mindful of the difficult stakeholder experience. I hope you will agree that this is reflected in the decisions reached by the Committee as outlined in this report to take appropriate action in light of the stakeholder experience whilst ensuring we are able to retain and incentivise the new senior executive team. The Committee also intends to undertake a review of its approach to remuneration in light of the findings of Deloitte that the the North America accounting issues arose against a backdrop of a target-driven performance culture in the North America division.

Finally, this is my last letter to you as Chair of the Committee as I have decided not to stand for re-election as a director at the 2026 AGM. I wish the Company well for the future.

Nicky Dulieu
Chair of the Remuneration Committee

19 December 2025

Directors' remuneration report continued

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 2.5 – Summary of non-executive directors' remuneration 2025;

Section 2.6 – Summary of executive directors' remuneration 2025;

Section 2.8 – Payments made to former directors;

Section 2.9 – Payments for loss of office;

Section 2.11 – Annual bonus targets;

Section 2.15 – Share plans; and

Section 2.18 – Directors' interests in shares.

2. 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 96 to 98, will be put to shareholders as an advisory vote at the forthcoming Annual General Meeting.

2.1 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. At the invitation of the Committee, the Chair, Group Chief Executive, 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 77 in the Corporate governance report shows the number of meetings held during the year ended 31 August 2025 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.

During the year, the Committee continued to receive advice from Deloitte LLP, an independent firm of remuneration consultants who were appointed in March 2024. 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, independent from the compensation advisory practice, have provided support in respect of the independent review of the recognition of supplier income accounting issue which was identified in the Group's North America division, 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 £101,000 (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.

Directors' remuneration report continued

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. Agreed to submit an extension to the Sharesave Scheme for approval by the Company's shareholders at the 2026 AGM.
Shareholder engagement	The Committee Chair and Company Secretary met with major shareholders and discussed the proposed new Directors' remuneration Policy. The Committee considered investor feedback on remuneration, including the introduction of a new financial performance measure for the LTIP related to return on capital.
LTIP	The Committee agreed that it should replace the ESG metrics with ROCE and the relative TSR metric with absolute TSR given the importance of the forthcoming period to the Company's strategic development and its focus on improving returns for shareholders. Agreed to submit new LTIP scheme rules for approval by the Company's shareholders at the 2026 AGM.
Pay for performance	Assessed performance against bonus targets set for the financial year ended 31 August 2025 and LTIP awards granted in the financial year ended 31 August 2023. Reviewed and approved targets for the 2025 annual bonus and LTIP awards made in November 2024.
Governance	Reviewed the application of malus and clawback. Reviewed the progress of the executive directors against shareholding requirements. Approved the 2024 Directors' remuneration report. Reviewed proxy agent commentary. Agreed to vary the performance targets for the in-flight 2023 and 2024 LTIPs following the sale of the High Street and Funky Pigeon businesses.
Pay/fees	Approved pay rises for the Chair, Carl Cowling, Max Izzard and the senior leadership team.

Directors' remuneration report continued

As part of its last review of the Policy, the Committee considered the factors set out in Provision 40 of the Code. The Committee believes that the 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 the 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 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 further helps to ensure incentive schemes drive behaviours consistent with Company purpose, values and strategy.

Directors' remuneration report continued

2.2 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 reward the delivery of superior returns for shareholders. 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 outturn 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
ESG	Management have personal objectives for the delivery of the Group's ambitious ESG strategy.	Customers and communities, colleagues, suppliers, shareholders and investors
LTIP		
EPS	EPS indicates how we are creating long-term value for our shareholders.	Shareholders and investors
Absolute TSR	Aligns management directly with returns for our shareholders.	Shareholders and investors
ROCE	Demonstrates how well management uses capital to generate profits and returns for our 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, colleagues, suppliers, shareholders and investors

2.3 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 48 and 49.

1 Alternative performance measure described and explained in the Glossary on page 209

Directors' remuneration report continued

2.4 Implementation of Policy in the financial year ending 31 August 2026

The Policy will be applied in respect of the executive directors as follows during the financial year ending 31 August 2026:

Element of pay	Implementation of Policy
Executive directors	
Base salary	Carl Cowling resigned as Group Chief Executive on 19 November 2025. Andrew Harrison was appointed as Interim Group Chief Executive on 19 November 2025. Max Izzard's role as Group CFO has been expanded as outlined in the Committee Chair's statement and his remuneration has been adjusted accordingly. Current salaries effective as of 19 November 2025 are as follows: Andrew Harrison £500,000 and Max Izzard £500,000. Andrew Harrison and Max Izzard will not be eligible for any increase in salary from 1 April following the March 2026 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 3 per cent, in line with the wider workforce.
Annual bonus	The bonus opportunity for Andrew Harrison will be 150 per cent of annual salary and for Max Izzard it will remain at 150 per cent of annual salary. It is envisaged that the bonus metrics will continue to 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 300 per cent of salary for Andrew Harrison and 350 per cent of salary for Max Izzard. The increase for Max Izzard recognises his outstanding contribution in respect of delivering robust prior year financial statements and his expanded role in delivering the remediation plan in North America. Vesting of LTIP awards will be determined based on the following measures: 40 per cent based on EPS growth, 30 per cent based on absolute TSR and 30 per cent based on ROCE. The EPS performance targets will be based on the growth in Headline pre-tax earnings per share. The absolute TSR performance measure will be based on the returns received by shareholders over the performance period. The ROCE performance targets will be based on how effectively the Company generates profits from its capital. More details on the targets are set out in section 2.15 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 fails to deliver on the Company's overall ESG expectations.

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 2026:

- Benefits 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 2026.

1 Alternative performance measure described and explained in the Glossary on page 209

Directors' remuneration report continued

2.5 Summary of non-executive directors' remuneration 2025 (audited)

The Chair received a pay increase of 1.5 per cent with effect from 1 April 2025. The current fee of the Chair of the Board is £332,920.

The fees of the non-executive directors were increased by 1.5 per cent with effect from 1 April 2025.

The current fees are £64,919 for the role of non-executive director with additional fees of:

(i) £16,230 payable for the role of Senior Independent Director ("SID"); and

(ii) £16,230 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 2025. 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	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024
Annette Court	**330**	318	**–**	–	**1**	–	**331**	318
Colette Burke	**64**	63	**–**	–	**1**	1	**65**	64
Nicky Dulieu[b]	**64**	63	**20**	25	**–**	–	**84**	88
Simon Emeny	**64**	63	**16**	16	**–**	1	**80**	80
Situl Jobanputra[c]	**64**	32	**16**	8	**1**	–	**81**	40
Helen Rose[d]	**64**	11	**12**	–	**–**	–	**76**	11
Directors who resigned during 2024								
Kal Atwal[e]	**–**	2	**–**	–	**–**	–	**–**	2
Marion Sears[f]	**–**	27	**–**	13	**–**	–	**–**	40
Total £'000s	**650**	579	**64**	62	**3**	2	**717**	643

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) Nicky Dulieu was appointed Chair of the Remuneration Committee on 7 February 2024. She stepped down as Chair of the Audit Committee on 30 November 2024
c) Situl Jobanputra was appointed as a non-executive director and Chair of the ESG Committee on 1 March 2024
d) Helen Rose was appointed as a non-executive director on 1 July 2024 and as Chair of the Audit Committee on 1 December 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

1 Alternative performance measure described and explained in the Glossary on page 209

Directors' remuneration report continued

2.6 Summary of executive directors' remuneration 2025 (audited)

The table below summarises the total remuneration for executive directors as a single figure for the financial year ended 31 August 2025:

	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	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
Carl Cowling[g]	**688**	644	**15**	14	**21**	19	**724**	677	**–**	884	**–**	1,146	**–**	2,030	**724**	2,707
Max Izzard	**340**	–	**10**	–	**1**	–	**351**	–	**–**	–	**–**	–	**–**	–	**351**	–
Director who resigned during 2025																
Robert Moorhead[f]	**121**	476	**5**	14	**4**	14	**130**	504	**–**	637	**–**	811	**–**	1,448	**130**	1,952
Total £'000s	**1,149**	1,120	**30**	28	**26**	33	**1,205**	1,181	**–**	1,521	**–**	1,957	**–**	3,478	**1,205**	4,659

a) As explained in the Committee Chair's annual statement, with effect from 1 April 2025, Carl Cowling received a salary increase of six per cent to £711,000 and Max Izzard, in line with other senior executives, received a pay increase of 1.5 per cent to £456,750
b) Benefits relate to the provision of a car allowance, private medical insurance and life assurance
c) The pension figures in the table above for Carl Cowling and Robert Moorhead are the salary supplement received in lieu of any pension contribution into the Company's defined contribution pension scheme. Max Izzard participates in the Company's defined contribution pension scheme and received a three per cent pension contribution
d) The performance measures for the annual bonus, and achievement against them are set out on pages 108 and 109. The Company did not achieve the threshold profit target for the financial year ended 31 August 2025 and no bonuses were paid to the executive directors under the annual bonus plan
e) The performance measures for the LTIP, and achievement against them, are set out on page 111. The awards granted in November 2022 for Carl Cowling and Robert Moorhead lapsed and were cancelled respectively. Values for 2024 have been updated for the actual share price on the date of vesting (1,267p)
f) Robert Moorhead resigned as a director of the Company on 30 November 2024. His remuneration in the table above relates to the period to that date
g) Carl Cowling resigned as a director of the Company on 19 November 2025
h) Figures for 2024 are stated before the application of malus and clawback provisions exercised by the Committee in FY 2026

The total aggregate emoluments (excluding LTI) paid to the Board in the financial year ended 31 August 2025 was £1,922,000 and in the financial year ended 31 August 2024 was £3,345,000.

Directors' remuneration report continued

2.7 Application of malus/clawback to recover overpayment

Based on the restated financial statements, executive director incentive outturns were recalculated as follows:

- 2024 annual bonus (based on Headline profit before tax and non-underlying items[1]): original outturn was 82.5 per cent of maximum; recalculated outturn is nil.
- 2023 annual bonus (based on Headline profit before tax and non-underlying items[1]): original outturn was 100 per cent of maximum; recalculated outturn is 79 per cent of maximum.
- 2021 LTIP (based partially on EPS): original outturn was 71 per cent of maximum; recalculated outturn is 59 per cent of maximum.

This resulted in a total overpayment to Carl Cowling of £516,000 in cash and 60,182 deferred bonus/LTIP shares and to Robert Moorhead of £372,000 in cash and 43,739 deferred bonus/LTIP shares.

The methodology for the application of malus/clawback will be as follows:

i. Where overpayment is in the form of shares, the excess number of shares will be cancelled.

ii. Where overpayment is in the form of cash, the net of tax excess cash value will be recovered by cancellation of shares of an equivalent value, initially outstanding deferred bonus shares followed by outstanding LTIP shares that are in their holding period. The share price that will be used to value the shares will be the three-day average used to calculate the number of shares awarded in the December 2025 LTIP award as opposed to the grant price at which they were issued.

More details of how malus and clawback has been applied will be set out in the Directors' Remuneration Report for the financial year ending 31 August 2026.

2.8 Payments made to former directors (audited)

No payments were made in the financial year ended 31 August 2025 to former directors of the Company other than to Robert Moorhead, as disclosed in the Summary of executive directors' remuneration table on page 105 and the Directors' remuneration report for the financial year ended 31 August 2024.

2.9 Payments for loss of office (audited)

Robert Moorhead stepped down as a director and Group CFO/COO on 30 November 2024 but remained as an employee of the Company until 28 February 2025 in order to assist with the transition to Max Izzard as Group CFO. His outstanding deferred bonus shares are expected to be cancelled in full following the application of malus and clawback provisions exercised by the Committee in FY 2026, as outlined above. In light of the requirement for prior year adjustments and based on his accountability for the Group Finance function, the Committee revisited its previous decision to treat Robert Moorhead as a good leaver for the purpose of his unvested LTIP awards and, after due consideration, concluded that this decision no longer remained appropriate for unvested LTIP awards. Accordingly, all of Robert Moorhead's outstanding in-flight unvested LTIP awards will lapse.

No payments were made in respect of any other director's loss of office in the financial year ended 31 August 2025.

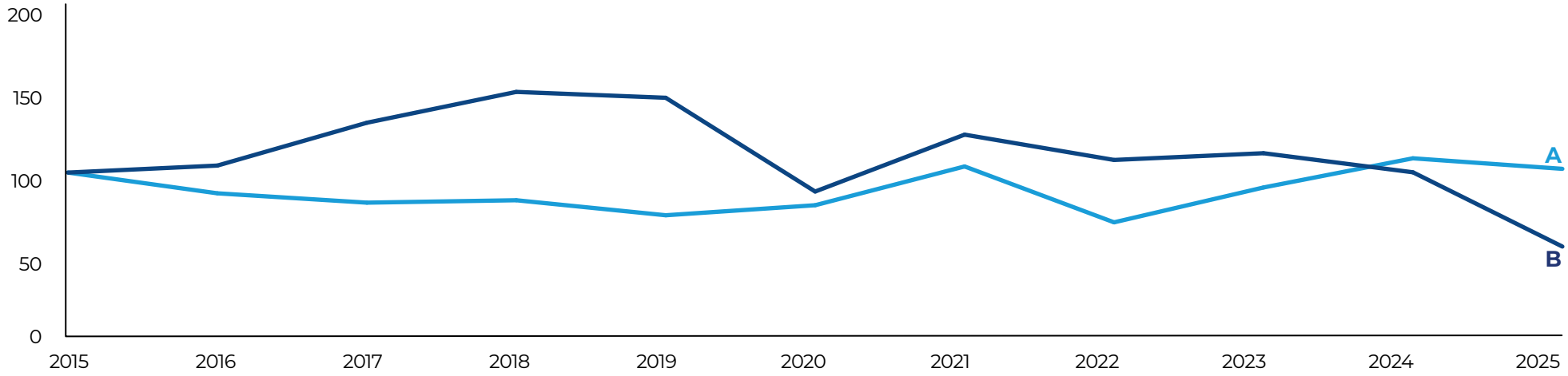
1 Alternative performance measure described and explained in the Glossary on page 209

Directors' remuneration report continued

2.10 Assessing pay and performance

The Company's TSR performance compared to the FTSE All Share Retailers Index since 2015 is set out in the graph below.

Total shareholder return performance since 31 August 2015



Accounting year end

A FTSE All Share Retailers Index B WH Smith PLC

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

Directors' remuneration report continued

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	Group Chief Executive	Single figure of total remuneration £'000	Annual bonus (vesting versus maximum opportunity) %	Long-term incentive (vesting versus maximum opportunity) %
2025	Carl Cowling	724	–	–
2024	Carl Cowling	2,707	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

Figures for 2023 and 2024 are stated before the application of malus and clawback provisions exercised by the Committee in FY 2026

2.11 Annual bonus for the financial year ended 31 August 2025 (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 2025 should be based on Headline profit before tax and non-underlying items[1]. As explained on page 98, the Committee varied the Company's normal approach to determining the executive bonus outturns this year given that the Headline profit before tax[1] targets included the High Street and Funky Pigeon businesses. Following the sale of these businesses, the Committee adjusted the original targets set for the 2025 bonus by excluding the budgeted profit before tax for the High Street and Funky Pigeon businesses in determining the bonus outturn for the year.

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 2025, 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 for Carl Cowling was 160 per cent of salary and for Max Izzard was 150 per cent for the financial year ended 31 August 2025. 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.

Bonuses for the financial year ended 31 August 2025 could be earned according to the following scale (as a percentage of each executive's respective maximum), which is consistent with prior years. The Committee adjusted the original targets set for the 2025 bonus by excluding the budgeted profit before tax for the High Street and Funky Pigeon businesses in determining the bonus outturn for the year.

1 Alternative performance measure defined and explained in the Glossary on page 209

Directors' remuneration report continued

Financial performance against Headline Group profit before tax and non-underlying items[1] target	Role model	Outstanding	Strong	Developing	Underachiever
Max: £152.25m	100%	80%	60%	40%	0%
Target: £145m	80%	64%	48%	32%	0%
Threshold: £137.75m	40%	32%	24%	16%	0%

Interpolation between points in the matrix is permitted

The Group's Headline profit before tax and non-underlying items[1] for the financial year ended 31 August 2025 was below threshold. This performance resulted in no bonus being paid to Carl Cowling and Max Izzard under the Company's annual bonus plan.

2.12 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 2025 compared with the percentage changes in the average of those components of pay for UK employees employed by the WH Smith Group 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	**2025**	2024	2023	2022	2021	**2025**	2024	2023	2022	2021	**2025**	2024	2023	2022	2021
Carl Cowling[(a)]	**7**	6	4	6	14	**(100)**	(11)	4	75	100	**7**	(7)	7	10	–
Max Izzard[(b)]	**–**	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Annette Court	**4**	25	–	–	–	**n/a**	n/a	n/a	n/a	n/a	**100**	–	–	–	–
Colette Burke	**2**	530	–	–	–	**n/a**	n/a	n/a	n/a	n/a	**–**	100	–	–	–
Nicky Dulieu	**(5)**	14	9	15	–	**n/a**	n/a	n/a	n/a	n/a	**–**	(100)	(100)	100	–
Simon Emeny	**1**	5	9	4	14	**n/a**	n/a	n/a	n/a	n/a	**(100)**	100	–	–	–
Situl Jobanputra[(c)]	**100**	–	–	–	–	**n/a**	n/a	n/a	n/a	n/a	**100**	–	–	–	–
Helen Rose[(d)]	**591**	–	–	–	–	**n/a**	n/a	n/a	n/a	n/a	**–**	–	–	–	–
UK employees[(e)]	**34**	9	11	8	5	**(100)**	(2)	(4)	47	100	**28**	3	15	(16)	3

a) Carl Cowling resigned as a director of the Company on 19 November 2025
b) Max Izzard was appointed as a director of the Company on 1 December 2024
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) No bonus was payable under the Annual Bonus plan for the financial year ended 31 August 2025

1 Alternative performance measure defined and explained in the Glossary on page 209

Directors' remuneration report continued

2.13 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 108) 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 across the Group.

Group Chief Executive pay ratios

Financial year ended 31 August	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2025	**Option A**	30:1	27:1	18:1
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

Figures for 2023 and 2024 are based on the Group Chief Executive single figure before the application of malus and clawback provisions exercised by the Committee in FY 2026

The Company 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 2025 has been calculated in line with the single figure methodology and reflects their actual earnings received in the financial year ended 31 August 2025 (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	£23,863	£26,535	£38,914
Total pay and benefits	£24,267	£27,173	£40,888

The Company believes the median pay ratio for the year ended 31 August 2025 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 79 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 2025 as compared to 2024 is attributable to the reduction in variable remuneration received by the Group Chief Executive.

2.14 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 2025. On 11 September 2024, the Company announced a £50m share buyback programme. During the year ended 31 August 2025, the Company purchased and subsequently cancelled 4,463,789 of its own shares of 22$\frac{6}{67}$p, representing 3.53 per cent of the issued share capital, at an average price of £11.18. All shares purchased by the Company were cancelled.

Total cost of remuneration			Distributions to shareholders		
2025 £m	2024 £m	% change	**2025 £m**	2024 £m	% change
362	386	(6)	**43**	41	5

Directors' remuneration report continued

2.15 Share plans (audited)

As explained on page 98, following the sale of the High Street and Funky Pigeon businesses, the Committee adjusted the original targets for the 2023 and 2024 LTIP awards by excluding the originally budgeted contributions for the sold businesses. The Committee decided not to adjust the targets originally set for the 2022 LTIP as the vast majority of its three-year performance period had already elapsed at the point that the businesses were sold.

In the financial year ended 31 August 2025, LTIP awards were set at 350 per cent of salary for Carl Cowling and 300 per cent of salary for Max Izzard.

The adjusted performance measures for awards granted under the LTIP in November 2024 were based on the following conditions, each measured at the end of the three financial years to 31 August 2027:

- 45 per cent based on Headline pre-tax earnings per share (calculated on a pre-IFRS 16 basis) of 113.7p to 135.2p with 25 per cent of this component vesting at threshold, increasing on a straight-line basis to 100 per cent at maximum;
- 45 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
- 10 per cent based on the Company's ESG strategy as set out in the following table, with five 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%

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. As set out below, given the importance of this forthcoming period to the Company's strategic development, the Committee has determined that the LTIP metrics for the next award cycle should be more strongly linked to our longer-term financial targets and returns to shareholders. 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 2028:

- 40 per cent based on Headline pre-tax earnings per share (calculated on a pre-IFRS 16 basis) of 101p to 122p 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;
- 30 per cent based on absolute TSR growth over the performance period with nil of this component vesting at threshold and increasing on a straight-line basis to 100 per cent at maximum. The absolute TSR targets will be set by reference to the one month average following the publication of the findings of the Deloitte Review on 19 November 2025 and will require 10 per cent per annum TSR growth at threshold increasing to 25 per cent per annum TSR growth at maximum; and
- 30 per cent based on the Company's ROCE of 19.5 per cent to 22 per cent with 25 per cent of this component vesting at threshold, increasing on a straight-line basis to 100 per cent at maximum.

Outstanding awards

The 2022 LTIP vesting percentage was determined by the growth in the Company's Headline earnings per share[1] (before tax) ("EPS"), relative Total shareholder return ("TSR") and ESG metrics over the three-year performance period which ended on 31 August 2025. The Company did not meet the Headline EPS[1] (before tax) targets and the Company's TSR ranked below median in the comparator group. The Company substantially achieved the ESG metrics which would have resulted in 19.4 per cent of the award vesting in December 2025. However, the Committee determined that the formulaic out-turn under the LTIP was not appropriate in the context of the Company's performance and stakeholder experience over the performance period and agreed that the 2022 LTIP awards received by Carl Cowling would lapse.

Directors' remuneration report continued

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. Details are stated as at 31 August 2025 which is before the application of malus and clawback provisions and before application of the revised leaver treatment for Robert Moorhead's LTIP awards, which were exercised by the Committee in FY 2026:

	Number of shares subject to awards at 31 August 2024[a] (or date of appointment)	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 2025[b] (or date of leaving)	Share price at date of grant (pence)[c]	Face value of award at date of grant £'000	Exercise period
Carl Cowling[k]									
LTIP 2020	82,067	–	–	–	–	**82,067**	1459.33	1,843	19.11.25 – 19.11.30
LTIP 2021[e]	122,769	–	–	–	35,603	**87,166**	1569.00	1,926	19.11.26 – 19.11.31
DBP 2021[d]	2,741	–	71	2,812	–	**–**	1569.00	128	19.11.22 – 19.11.31
LTIP 2022[f]	146,430	–	–	–	–	**146,430**	1372.67	2,010	21.11.27 – 21.11.32
DBP 2022[d]	24,516	–	633	12,575	–	**12,574**	1372.67	499	21.11.23 – 21.11.32
LTIP 2023[g]	160,061	–	–	–	–	**160,061**	1306.00	2,090	16.11.28 – 16.11.33
DBP 2023[d]	39,753	–	1,026	13,593	–	**27,186**	1306.00	519	16.11.24 – 16.11.33
LTIP 2024[h]	–	185,744	–	–	–	**185,744**	1264.00	2,348	21.11.29 – 21.11.34
DBP 2024[d]	–	29,103	–	–	–	**29,103**	1264.00	368	21.11.25 – 21.11.34
Total	**578,337**	**214,847**	**1,730**	**28,980**	**35,603**	**730,331**			
Max Izzard[j]									
LTIP 2024	9,003	–	–	–	–	**9,003**	1274.33	115	21.11.25 – 16.11.33
LTIP 2024[h]	106,804	–	–	–	–	**106,804**	1264.00	1,350	21.11.29 – 21.11.34
Total	**115,807**	**–**	**–**	**–**	**–**	**115,807**			
Robert Moorhead[i]									
LTIP 2020	60,754	–	–	–	–	**60,754**	1459.33	1,364	19.11.25 – 19.11.30
LTIP 2021[e]	86,934	–	–	–	25,211	**61,723**	1569.00	1,364	19.11.26 – 19.11.31
DBP 2021[d]	1,781	–	47	1,828	–	**–**	1569.00	83	19.11.22 – 19.11.31
LTIP 2022[f]	102,349	–	–	–	17,058	**85,291**	1372.67	1,405	21.11.27 – 21.11.32
DBP 2022[d]	18,698	–	483	9,591	–	**9,590**	1372.67	381	21.11.23 – 21.11.32
LTIP 2023[g]	111,877	–	–	–	55,939	**55,938**	1306.00	1,461	16.11.28 – 16.11.33
DBP 2023[d]	30,026	–	776	10,267	–	**20,535**	1306.00	392	16.11.24 – 16.11.33
DBP 2024[d]	–	20,960	–	–	–	**20,960**	1264.00	265	21.11.25 – 21.11.34
Total	**412,419**	**20,960**	**1,306**	**21,686**	**98,208**	**314,791**			

Directors' remuneration report continued

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 2025 and 19 December 2025

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, 2,812 shares were exercised with a total exercise value of £35,593.42 (1,265.77p per ordinary share). In respect of the award granted on 19 November 2021 held by Robert Moorhead, 1,828 shares were exercised with a total exercise value of £23,138.26 (1,265.77p per ordinary share).

In respect of the award granted on 21 November 2022 held by Carl Cowling, 12,575 shares were exercised with a total exercise value of £159,170.45 (1,265.77p per ordinary share). In respect of the award granted on 21 November 2022 held by Robert Moorhead, 9,591 shares were exercised with a total exercise value of £121,399.90 (1,265.77p per ordinary share)

In respect of the award granted on 16 November 2023 held by Carl Cowling, 13,593 shares were exercised with a total exercise value of £172,055.98 (1,265.77p per ordinary share). In respect of the award granted on 16 November 2023 held by Robert Moorhead, 10,267 shares were exercised with a total exercise value of £129,956.50 (1,265.77p per ordinary share)

e) The performance condition for awards granted in November 2021 under the LTIP were:

(i) 50 per cent based on the Company's TSR performance against the FTSE All Share Retailers Index constituents. Vesting occurred 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 occurred 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 was determined by reference to fully diluted EPS before exceptional items and excluded 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 originally vesting. As a result, the total number of shares originally vesting for Carl Cowling was 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. Malus and clawback has been applied and as a result the level of vesting will be reduced to 59 per cent. For further details see page 106

f) The performance condition for awards granted in November 2022 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

The performance conditions were partially met with 19.4 per cent of the shares subject to awards vesting. As set out on page 111 Carl Cowling's and Robert Moorhead's 2022 LTIP awards have lapsed

g) The adjusted performance condition for awards granted in November 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 104p to 125.4p 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 November 2024 under the LTIP will only vest to the extent that the performance targets as set out on page 111 are satisfied

i) Robert Moorhead resigned as a director of the Company on 30 November 2024. He was treated as a good leaver under the rules of the WH Smith LTIP and retained a number of awards. In light of the findings of the Deloitte review, the Committee revisited its previous decision to treat Robert Moorhead as a good leaver for the purpose of his LTIP awards and, after due consideration, concluded that this decision no longer remained appropriate in respect of unvested LTIP awards. Accordingly, all of Robert Moorhead's outstanding unvested LTIP awards have lapsed

j) Max Izzard was appointed as Group CFO designate on 1 September 2024. He was appointed as a director of the Company on 1 December 2024. As part of his recruitment, he received restricted share awards forfeited from his previous employer when he joined WH Smith. Share awards were granted to Max Izzard on 12 September 2024 using the three-day average of Burberry and WH Smith 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; and 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

k) Carl Cowling resigned as a director of the Company on 19 November 2025. See page 75 for further details.

Directors' remuneration report continued

2.16 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 23,816 shares in the financial year ended 31 August 2025, the number of WH Smith PLC shares held in the Trust at 31 August 2025 was 1,758,319. The Group's accounting policy with respect to the Trust is detailed within Note 1 to the financial statements (see page 144) and movements are detailed in the Group statement of changes in equity on page 142.

2.17 Dilution limits

Awards under the LTIP are currently satisfied using market purchased shares, which may be acquired by the Trust as described in the paragraph above. WH Smith's share plans comply with recommended guidelines on dilution limits, and the Company has always operated within these limits.

2.18 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 2025 (or date of leaving)	31 August 2024 (or date of appointment)	**31 August 2025 (or date of leaving)**	31 August 2024 (or date of appointment)	**31 August 2025 (or date of leaving)**	31 August 2024 (or date of appointment)	**31 August 2025 (or date of leaving)**	31 August 2024 (or date of appointment)
Colette Burke	**–**	–	**–**	–	**–**	–	**–**	–
Annette Court	**7,990**	6,900	**–**	–	**–**	–	**–**	–
Carl Cowling	**61,271**	45,913	**68,863**	67,010	**169,233**	82,067	**492,235**	429,260
Nicky Dulieu	**2,500**	2,500	**–**	–	**–**	–	**–**	–
Simon Emeny	**4,427**	4,427	**–**	–	**–**	–	**–**	–
Max Izzard[c]	**–**	–	**–**	–	**3,625**	3,625	**112,182**	112,182
Situl Jobanputra	**1,250**	–	**–**	–	**–**	–	**–**	–
Helen Rose	**–**	–	**–**	–	**–**	–	**–**	–
Director who resigned during the year								
Robert Moorhead[d]	**221,237**	209,745	**51,085**	50,506	**122,477**	60,754	**141,229**	301,160

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 111 and 113
c) Max Izzard was appointed as Group CFO Designate on 1 September 2024 and was appointed to the Board on 1 December 2024
d) Robert Moorhead stepped down as a director and Group CFO/COO on 30 November 2024 and left the Company on 28 February 2025

Directors' remuneration report continued

As outlined elsewhere in this report, the Committee has made determinations applying to directors' interests in the form of malus and clawback provisions and removal of good leaver status as a result of its assessment of the treatment of LTIP awards for departing executives.

There has been no further change in the directors' interests shown above between 1 September 2025 and 19 December 2025.

Carl Cowling is required to hold 300 per cent of salary in shares. Max Izzard is required to hold 250 per cent of salary in shares. In accordance with the Policy, a director is expected to achieve compliance with the shareholding requirement within six years of them joining the Board.

As at 31 August 2025, Carl Cowling held 187,461 shares, including shares subject to a holding period (net of tax), with a value of £1,293,481 (approximately 182 per cent of salary) and Max Izzard does not currently hold any shares as detailed below. As at his date of leaving the Board on 30 November 2024, Robert Moorhead held 313,225 shares, including shares subject to a holding period (net of tax), with a value of £2,161,252 (approximately 447 per cent of salary).

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 2025. Calculations are based on a share price of 690p (being the closing share price of a WH Smith PLC share on 29 August 2025).

	Shares held	**Awards over nil-cost options**			
	Number of shares held outright at 31 Aug 2025 (or date of leaving)	Vested but not exercised at 31 Aug 2025[1, 4]	**Unvested and subject to performance measures and continued employment[2, 4]**	Shareholding requirement (% of base salary)[3]	**Shareholding as at 31 Aug 2025 (% of base salary)[4, 5]**
Carl Cowling[6]	**61,271**	238,096	**492,235**	300%	**182%**
Max Izzard[7]	**nil**	nil	**115,807**	250%	**–**
Robert Moorhead[8]	**221,237**	173,562	**141,229**	250%	**447%**

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, these awards include the 2020 LTIP which vested in 2023 and the 2021 LTIP which vested in 2024 which remained subject to a two-year holding period and the 2022, 2023 and 2024 DBP awards which are subject to a holding period as set out on page 113
2 These awards include nil-cost options granted to Carl Cowling under the 2023 and 2024 LTIP and Max Izzard under the 2024 LTIP
3 Shareholding requirement as at 31 August 2025
4 The figures above are before the application of malus and clawback provisions exercised by the Committee in FY 2026
5 Between 1 September 2025 and the date of this report, there were no other changes in the beneficial interests of the executive directors' shareholdings
6 Carl Cowling resigned as a director of the Company on 19 November 2025. See page 75 for further details
7 Max Izzard was appointed as a director of the Company on 1 December 2024
8 Robert Moorhead resigned as a director of the Company on 30 November 2024

Directors' remuneration report continued

2.19 Voting at the Annual General Meeting

Statement of voting at 2025 AGM

The table below shows the voting outcome at the Annual General Meeting on 29 January 2025 for approval of the Policy and the annual directors' remuneration report:

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of Policy	**94,678,938**	99.59%	**391,699**	0.41%	**95,070,637**	**14,499**
Approval of directors' remuneration report	**93,660,064**	98.63%	**1,301,970**	1.37%	**94,962,034**	**123,102**

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.

3. The directors' remuneration policy: extract

The directors' remuneration policy was approved by shareholders at the Annual General Meeting held on 29 January 2025 and applies from that date. The directors' remuneration policy table is set out below for information only. The full directors' remuneration policy is set out on pages 90 to 98 of the 2024 Annual Report and Accounts which is available in the investor relations section of the Company's website at **whsmithplc.co.uk/investors**.

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 support centre 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.

Directors' remuneration report continued

Element and purpose	Operation and opportunity	Performance measures
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.
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 three per cent of salary but subject to periodic review.	None.

Directors' remuneration report continued

Element and purpose	Operation and opportunity	Performance measures
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. Malus and clawback provisions apply to the annual bonus plan. 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. 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 outturn. 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.
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. 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. 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 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.

Directors' remuneration report continued

Element and purpose	Operation and opportunity	Performance measures
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 Scheme, 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

On behalf of the Board

Nicky Dulieu
Chair of the Remuneration Committee

19 December 2025

Directors' report

The directors present their report and the audited consolidated financial statements for the financial year ended 31 August 2025. The Company is the ultimate parent company of the WH Smith 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	6 to 33
Branches outside the UK	26
Disclosures concerning greenhouse gas emissions and energy consumption	42 to 64
Employment of disabled persons	49
Employee engagement	47 to 49
Engagement with external stakeholders	34 to 41

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	74 to 95
Directors' biographies	72 and 73
Statement of directors' responsibilities	125
Information on use of financial instruments	186 to 189

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 WHSmith employee share incentive plans	119 Directors' remuneration report/ Note 25 on page 190 of the financial statements
Arrangement under which the WH Smith Employee Benefit Trust has waived or agreed to waive dividends/ future dividends	114 Directors' remuneration report

Dividends

The directors recommend the payment of a final dividend for the financial year ended 31 August 2025 of 6p per ordinary share on 12 February 2026 to members on the Register at the close of business on 23 January 2026. The final dividend and the interim dividend of 11.3p per ordinary share paid on 31 July 2025 make a total dividend of 17.3p per ordinary share for the financial year ended 31 August 2025 (2024: 33.6p).

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 25 to the financial statements on page 190.

The issued share capital of the Company as at 31 August 2025 was 126,453,145 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.

Directors' report continued

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.

Purchase of own shares

At the 2025 AGM, authority was given for the Company to purchase, in the market, up to 13,049,998 ordinary shares of 22$\frac{6}{67}$p each, renewing the authority granted at the 2024 AGM. 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 year ended 31 August 2025, the Company purchased and subsequently cancelled 4,463,789 of its own shares of 22$\frac{6}{67}$p, representing 3.53 per cent of the issued share capital, at an average price of £11.18. All shares purchased by the Company were cancelled.

Issue of new ordinary shares

During the financial year ended 31 August 2025, 4,481 ordinary shares of the Company were issued under the Sharesave Scheme at a price of 1,400p.
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 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 last extension option was exercised during the year, taking the maturity to 13 June 2030. 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 also has a committed £120m three-year bank term loan ("Term Loan") with two uncommitted extension options of one year each, which would, subject to lender approval, extend the tenor of the new bank loan to four and five years, if exercised. The Term Loan is provided by Fifth Third Bank National Association, HSBC UK Bank PLC, Banco Santander SA, London PUBL. The Company has not drawn down under the Term Loan. 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.

Directors' report continued

The Company also has a £200m issue of US private placement ("USPP") notes. The USPP notes, which represent WHSmith's debut issue in the USPP market, have a maturity of seven, ten and 12 years and have been issued on investment grade terms. The Company has not drawn down under the terms of the USPP notes. 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. The Company's convertible bond is due for redemption in May 2026.

The Company also has a committed 12-month bank facility (from 19 November 2025) of up to £200m with two extension options of six months and circa four months which could, at the Company's option, extend the tenor of the facility up to 31 August 2027. The Term Loan is provided by BNP Paribas, JP Morgan Chase Bank, N.A., PNC Bank, National Association and Skandinaviska Enskilda Banken AB (PUBL) for the refinancing of the Company's convertible bond if the Company's USPP facility is not available for that purpose (and noting that the term loan can only be drawn in an amount equal to the amount not available for drawing under the Company's USPP facility). 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 (if drawn) for that lender, together with accrued interest, shall on 30 days' notice to the Company, be payable. In addition, if an event of default (such events of default being customary for this type of facility) is outstanding, the majority lenders may cancel the commitments under the facility and all outstanding utilisations (if drawn), together with accrued interest, shall be immediately payable.

Directors' service contracts

Max Izzard's service contract provides for notice of 12 months from either party. 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. Carl Cowling resigned as Group Chief Executive and as a director on 19 November 2025. He will remain employed by the Company until 28 February 2026 to ensure an orderly handover. Andrew Harrison was appointed as a director and Interim Group Chief Executive on 19 November 2025. His service contract provides for notice of six months from either party.

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 2025 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.

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 2025, the following information had been received, in accordance with DTR 5, 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.

Directors' report continued

Holder	Number	% as at date of notification	Nature of holding
Artemis Investment Management LLP	6,929,902	5.34	Indirect
Causeway Capital Management LLC	19,963,476	15.79	Direct
Boston Partners FKA Robeco Investment Management Inc.	6,511,894	4.98	Direct
FMR LLC	6,428,750	4.91	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	6,515,804	4.0154	Indirect
Morgan Stanley & Co. International plc	8,056,541	6.37	Indirect
Royal London Asset Management Ltd	6,539,691	4.99	Direct
Wellington Management Group LLP	3,591,763	2.84	Indirect
Wellington Management International Ltd	3,591,763	2.84	Indirect

1 On 11 September 2025, Causeway Capital Management LLC notified the Company of a holding of 20,336,423 shares (16.08 per cent Direct holding)
2 On 2 September 2025, Morgan Stanley notified the Company of a holding of 7,354,692 shares (5.81 per cent Indirect holding)
3 On 9 September 2025, Morgan Stanley notified the Company of a holding of 6,438,317 shares (5.09 per cent Indirect holding)
4 On 10 September 2025, Morgan Stanley notified the Company of a holding of 6,462,619 shares (5.11 per cent Indirect holding)
5 On 12 September 2025, Morgan Stanley notified the Company that their total applicable holding had dropped below 5 per cent
6 On 25 September 2025, Morgan Stanley notified the Company of a holding of 6,637,413 shares (5.24 per cent Indirect holding)
7 On 29 September 2025, Morgan Stanley notified the Company of a holding of 6,534,429 shares (5.16 per cent Indirect holding)
8 On 7 October 2025, Causeway Capital Management LLC notified the Company of a holding of 21,668,772 shares (17.14 per cent Direct holding)
9 On 10 October 2025, Morgan Stanley notified the Company of a holding of 6,537,017 shares (5.16 per cent Indirect holding)
10 On 16 October 2025, M&G Plc notified the Company of a holding of 6,303,525 shares (4.98 per cent Indirect holding)
11 On 31 October 2025, Causeway Capital Management LLC notified the Company of a holding of 22,833,856 shares (18.06 per cent Direct holding)
12 On 12 November 2025, Morgan Stanley notified the Company of a holding of 6,425,676 shares (5.08 per cent Indirect holding)
13 On 13 November 2025, Morgan Stanley notified the Company that their total applicable holding had dropped below 5 per cent

The Company received no other notifications in the period between 31 August 2025 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 (2024: £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 1 to 71. The Financial review on pages 27 to 33 of the Strategic report also describes the Group's financial position, cash flows and borrowing facilities, further information on which is detailed in Notes 20 to 23 of the financial statements on pages 183 to 189.

As at 31 August 2025, the Group is in a net current liability position. In addition, Note 23 of the financial statements on pages 186 to 189 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 65 to 71 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 144.

The longer-term viability statement is in the Strategic report on pages 70 and 71.

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.

Directors' report continued

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 ought to 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 Kramer LLP, Exchange House, Primrose Street, London EC2A 2EG on 2 February 2026 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 19 December 2025.

By order of the Board

Ian Houghton
Company Secretary

19 December 2025

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and 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 income statement 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 financial statements, 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.

Andrew Harrison
Interim Group Chief Executive

Max Izzard
Group Chief Financial Officer

19 December 2025

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 2025 and of the Group's loss 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 2025 (the "Annual Report"), which comprise: the Group and Company balance sheets as at 31 August 2025; 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 continuing Group audit, we have identified two financially significant components which required a full scope audit; WH Smith Travel Limited and North America;
- We also performed a full scope audit on WH Smith Hospitals Limited and audited specific account balances within WH Smith Spain S.L., WH Smith Group Limited and the Company based on the size or risk profile of those accounts. For the discontinued operations, we performed a full scope audit over the High Street division profit and loss and the net assets and audited specific accounts for funkypigeon.com;
- Specific audit procedures in relation to various Group activities, including over the consolidation, leases, share based payments, taxation, and the carrying value of both goodwill and assets attributable to stores, were performed by the Group team centrally;
- The audit of the North America component was performed by a component team in the United States. The component team in the United States has also performed specified procedures in relation to selected account balances and classes of transactions;

Independent auditors' report to the members of WH Smith PLC continued

- Our audit scoping gave us coverage of approximately 80% of Group revenue; and
- We performed a full statutory audit of the Company.

Key audit matters

- Independent review and supplier income (group).
- Impairment of store property, plant and equipment, software assets and right-of-use assets (group).
- Impairment of goodwill in North America and Rest of World (group) and impairment of investments in subsidiaries (Company).
- Classification and disclosure of non-underlying items (group).
- High Street and funkypigeon.com disposals (group).

Materiality

- Overall group materiality: £6,200,000 (2024: £8,400,000) based on professional judgement considering a number of potential benchmarks (specifically revenue and profit based benchmarks across the last 3 years).
- Overall Company materiality: £8,400,000 (2024: £8,790,000) based on 1 per cent of total assets.
- Performance materiality: £4,650,000 (2024: £6,300,000) (Group) and £6,300,000 (2024: £6,590,000) (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.

Independent review and Supplier Income, impairment of North America and Rest of World Goodwill and the High Street and funkypigeon.com disposals are new key audit matters this year. Inventory valuation, which was a key audit matter last year, is no longer included as this matter was specific to the High Street business only, which has been disposed of. Inventory valuation has been considered in the context of the independent review in relation to matters arising in the North America component. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report to the members of WH Smith PLC continued

Key audit matter	How our audit addressed the key audit matter
Independent Review and supplier income (Group) Refer to pages 6 to 7, 35, 65 and 94 to 95 of the Strategic Report for details of the 'Independent Review'. Refer to Note 1b (Restatement of prior year financial statements), Note 1d (Material accounting policies – Supplier income) and Note 16 (Supplier income) in the financial statements. In the year ended 31 August 2025, management identified accelerated recognition of supplier income in its North America division, which it anticipated would have a material impact on the Group's expected financial reporting for FY25. The Board formed a Special Committee to respond to the matter, which instructed an independent expert to undertake a review (the 'Independent Review'). This confirmed that the accounting for the recognition of supplier income was not in accordance with relevant accounting standards and Group policies and culminated in a revision to the level of supplier income to be recognised in FY25 and the identification of similar practices in FY24 and FY23. The Board also instructed the Group Internal Audit team to evaluate the accuracy and existence of the level of supplier income for the current financial year across the Group, which was reviewed by the independent expert. The Board concluded that there was an over-statement of supplier income due to accelerated recognition in the North America division only, resulting in a reduction to Group trading profit from continuing operations of £13m for the year ended 31 August 2024 and £5m for the year ended 31 August 2023, with a mounts principally subsequently deferred into the year ended 31 August 2025 and future years. The outcomes of the Independent Review, including the revisions to the books and records of the North America division for the accounting of supplier income in FY25, FY24 and FY23, were fully accepted and adopted by the Board and management, with amendments made as a consequence of immaterial errors identified through our subsequent audit procedures.	We engaged our own independent internal forensic and external legal experts to support in assessing the scope, the information obtained and provided to us and subsequent conclusions of the Independent Review. We had ongoing interaction with members of the Special Committee, management, Internal Audit, and management's experts and advisors throughout the year end audit process. We requested certain actions be taken by the Board as the Independent Review progressed, to enhance that process and support us in conducting our audit. Our audit was performed on the North America books and records that were updated for the restatements to supplier income arising from the Independent Review and following the adjustments from the Group Finance team review of the other financial information. The results of these adjustments supported in mitigating the risk of management bias in the underlying financial information subject to audit. We additionally decreased the materiality allocated to the North America component and directed the team to perform further specific additional specified procedures. **Supplier income** Our North America component team performed specified procedures under our direction on supplier income for each of FY25, FY24 and FY23. We increased the extent of our oversight of these procedures, which included performing multiple site visits during the year end audit. Our procedures for FY25 on the other components in scope for our Group audit were conducted by the Group engagement team. The audit procedures focused on the cut-off assertion for the fixed value of supplier contracts, verifying the appropriateness of recognition of supplier income and the associated deferred income, aligning to the timing of recognition, and the valuation of associated receivables and accrued income. These procedures included a combination of the following: • Understanding the methodology used by management's expert, which was adopted by the Group, to determine the appropriate amounts of supplier income to be recognised; • Evaluating the design and implementation of controls associated with supplier income; • Target testing certain contracts based on their size and risk profile; • Performing haphazard sampling and testing over the remaining population;

Independent auditors' report to the members of WH Smith PLC continued

Key audit matter	How our audit addressed the key audit matter
Continued As a result of the matters identified by management and through the Independent Review, our audit considered there to be a significant risk specifically related to the cut-off assertion for the fixed value supplier contracts only which impacts the timing of recognition of supplier income in the income statement and to deferred income and the valuation of associated receivables and accrued income. We assessed this risk to be relevant to all components in scope for our Group audit. The Group Finance team also conducted a detailed review of the financial records of the North America division to provide the Board with assurance that risks of further material misstatements were identified and corrected. This resulted in additional restatements to the Group trading profit of £7m for the year ended 31 August 2024 and £4m for the year ended 31 August 2023, primarily in relation to inventory related items. The Independent Review also included the consideration of matters additional to the quantum of supplier income restatement, including the facts and circumstances which led to the overstatement, with consideration of indications of potential management bias towards particular reporting outcomes, and reviewing the systems and controls relevant to the accounting for supplier income in the North America division.	Continued • Testing included obtaining the contracts and assessing whether the income recognition was in line with the contract terms, obtaining confirmations from suppliers to validate the terms of the arrangements and, as required, the value of the income to be recognised. We evaluated all responses received to determine if the income recognised was appropriate, including any disputes or variances identified, if applicable. The confirmations process was controlled by us. Where confirmations were not received, we evaluated other evidence to support the recognition of the supplier income; • Testing the supplier income related balance sheet accounts for accounts receivable, accrued income and deferred income, validating subsequent invoicing and cash receipts; and, • Inspecting credit notes issued both during the financial year and after the year end to determine the appropriateness of historical supplier income recognised. Our work involved interactions with those outside the finance function, in particular the commercial teams who negotiate and monitor supplier income arrangements to understand the nature of arrangements, the processes relevant to the recognition of supplier income, and to identify if there are any disputes or other issues that would warrant further investigation. To confirm the completeness and accuracy of the prior year adjustments relating to supplier income in North America, a combination of the above procedures was also performed for arrangements recorded in prior years as considered necessary. Certain adjustments were identified through our procedures which were assessed and adjusted by management where required. **Additional prior year restatements in North America** We instructed our component auditors in North America to perform additional specified procedures to assess the accuracy of the identified prior year restatements. We also assessed the risk of further restatements being required by considering other audit evidence including the assessments performed by management. For the items which were identified by management we obtained their assessment of whether they should or should not be treated as a prior year item and either confirmed that they were indicative of errors or changes to accounting policies or methodologies or that they were a changes in estimate and so the impact was recognised in the current year that was appropriate. We also assessed whether such items were material to the prior year financial statements from both a quantitative and qualitative perspective, and whether this warranted restatement. Given the overall findings of management's experts and the Special Committee, we concluded that the impact of the prior year errors were both quantitatively and qualitatively material to the users of the financial statements and thus required restatement. We also considered the impact of the findings, including consideration of management bias, on our wider audit. With the support of our own forensics' experts, we further evaluated our risk assessment and audit approach performing additional procedures as necessary.

Independent auditors' report to the members of WH Smith PLC continued

Key audit matter	How our audit addressed the key audit matter
Impairment of store property, plant and equipment, software assets and right-of-use assets (group) Refer to Note 1(a), Basis of preparation, Non-underlying items and 1(q) Critical accounting judgements and key sources of estimation uncertainty and Notes 11, 12 and 13 (Intangible assets, Property, plant & equipment and Right-of-use assets). The Group has a material operational retail asset base which may be vulnerable to impairment in the event of trading performance being below expectations. For the purposes of impairment testing, each retail store is either considered to be a separate Cash Generating Unit (CGU), or a group of stores is considered to be a CGU where the stores do not generate largely independent cash flows. Management performed an impairment trigger assessment and specific impairment indicators were identified for certain CGUs. The subsequent value-in-use-models resulted in the recognition of a £53m impairment charge from continuing operations, with £32m of the charge related to the North America division. This is the division we focussed on the most in our audit procedures, and is the basis of this key audit matter. This is due to: the scale of investment in store assets in North America in recent years, which is greater than that in other divisions; • the value of the identified impairment relative to other divisions; • the value of the store asset base that was identified as triggering from management's impairment assessment exercise; and • the trend of the underlying profitability of this division. Inherent judgement is involved in determining the factors that may indicate that a CGU should be assessed for impairment.	We obtained management's impairment trigger assessment and assessed its methodology for reasonableness through the following procedures: • We considered the indicators of impairment set by management and their effectiveness in identifying at risk retail store assets. • We verified the underlying data points and their consistency with our other audit work performed through a sample-based approach. • We challenged the definition of CGUs and verified that this is appropriate based on underlying lease contract evidence on a sample basis. • We assessed the appropriateness of specific qualitative and quantitative factors that management considered in determining that that a CGU would not be subject to a detailed impairment assessment. We were satisfied that through the above procedures management's impairment trigger assessment was reasonable. We obtained management's value in use assessments for those CGUs where an impairment trigger had been identified and audited these on a sample basis through the following procedures: • We assessed whether management's impairment models were in line with IAS 36. • We verified the mathematical accuracy and integrity of the models. • We obtained an understanding of how management had developed its forecast for the future trading for those CGUs subject to our testing, including obtaining a detailed understanding of the key assumptions made in developing these forecasts. • We verified the consistency of the projections with historical performance of those CGUs as well as management's historical accuracy in forecasting that performance. • We assessed the appropriateness of management's revenue growth assumptions, verifying this to third party evidence where available. • With the assistance of our valuations experts, we developed an independent expectation of a reasonable range of the discount rate and compared this to management's rate. • We determined whether other assumptions were reasonable and supportable to evidence provided by management. We were satisfied through the above procedures that the value in use models were appropriate and complete and that assumptions used were reasonable and had been prepared with appropriate Board involvement. As a result, we determined that the impairment charges had been appropriately calculated. 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. We were satisfied that management's trigger assessment was appropriate to conclude that no further impairment assessment was required.

Independent auditors' report to the members of WH Smith PLC continued

Key audit matter	How our audit addressed the key audit matter
Impairment of Goodwill in North America and Rest of World (group) and impairment of investments in subsidiaries (Company) Refer to Note 1(q) Critical accounting judgements and key sources of estimation uncertainty and Note 11 (Intangible assets). As at 31 August 2025, the group held a material goodwill balance of £402m (2024: £426m) which is reviewed for impairment at least annually or where there is an indication that goodwill may be impaired. For the purposes of impairment testing, each segment, being North America, Rest of World ('RoW') and UK is considered a separate Cash Generating Unit (CGU) for which a value in use model is prepared to determine the recoverable amount. Goodwill may be vulnerable to impairment in the event of trading performance being below expectations and there is inherent judgement involved in determining the factors that may indicate that a CGU should be impairment. We focussed our audit procedures on the North American and Rest of World CGUs, and therefore this is the basis of this key audit matter. This is due to both segments being sensitive to changes in certain key assumptions, namely revenue growth. The value in use model for both segments evidenced that the recoverable amount of these CGUs exceeded their carrying value and therefore no impairment was recorded by management. The Company had an £835m investment in subsidiary undertakings. There is a risk that the value of the subsidiary undertakings is not sufficient to support the carrying value of the investment and the asset may be impaired.	We obtained management's value in use models for the North America and RoW CGUs and audited each model through the following procedures. • We assessed whether management's impairment models were in line with IAS 36. • We verified the mathematical accuracy and integrity of the models. • We obtained an understanding of how management had developed its forecast for the future trading of these two CGUs, including obtaining a detailed understanding of the key assumptions made in developing these forecasts, including revenue growth assumptions, verifying to third party evidence where available. • We verified the consistency of the projections with historical performance of those CGUs as well as management's historical accuracy in forecasting their performance, including the degree to which variances noted could have been forecast in advance. • With the assistance of our valuations experts, we developed an independent expectation of a reasonable range of the discount rate and compared this to management's rate. • We determined whether other assumptions were reasonable and supportable to evidence provided by management. We found that the group's impairment model supported the carrying value of the North America and RoW goodwill balance and was based on reasonable assumptions. We note that the headroom in the impairment model is sensitive to changes in a number of assumptions in the model, but primarily revenue growth. We also evaluated the group's disclosures and sensitivity analysis in note 11 to the group financial statements which states that any reasonable possible change to the revenue and EBITDA growth assumptions in RoW could result in an impairment. We consider these disclosures to be appropriate. For the Company investments in subsidiary undertakings, we evaluated management's trigger assessment, with specific consideration given to the market capitalisation of the Group, which is significantly in excess of the net assets of the group which therefore did not indicate an impairment trigger. We also considered those other factors that management had identified as potential indicators of impairment. We were satisfied that management's trigger assessment was appropriate to conclude that no further impairment assessment was required.

Independent auditors' report to the members of WH Smith PLC continued

Key audit matter	How our audit addressed the key audit matter
Classification and disclosure of non-underlying items (group) Refer to Note 1(a), Basis of preparation, Non-underlying items and 1(q) 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 £108m (2024 restated: £114m) which is derived from statutory Group profit before tax of £2m (2024 restated: £65m) adjusted to remove the impact of IFRS 16 of £14m (2024 restated: £8m) and non-underlying items of £92m (2024 restated: £41m). Management considers that these items meet their definition of a 'non-underlying item'. We focused on this area during our audit, and consider it a key audit matter, due to the quantum and number of categories of non-underlying items in the year driven primarily by the store impairments, and the continuation and expansion 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 to test the accuracy of the costs as well as their nature. We assessed the nature and completeness of management's disclosures within the financial statements to verify that they accurately reflected the types of costs included in each category. 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.
High Street and funkypigeon.com disposal (group) Refer to Note 8 Discontinued operations. On 30 June 2025, the group completed the sale of its High Street division to Modella Capital for cash consideration of £10m and additional contingent consideration measured at fair value through profit and loss. There were two elements to the contingent consideration; one related to a share of future cash flows generated by the divested business through to 31 August 2026 and the other is dependent on the timing and realisation of deferred tax assets within the disposed business. Subsequently, on 15 August 2025, the group completed the sale of funkypigeon.com to Card Factory for cash consideration of £25m. Given the judgement involved in calculating the contingent consideration for the High Street, we have identified a heightened risk over the valuation of this consideration. Given the significance of the High Street division to the overall group and the level of disclosure in the financial statements, significant audit effort has been spent in this area and was, therefore, determined to be a key audit matter.	We tested the cash consideration by verifying the cash received to bank statements. For the contingent consideration, we tested this by • reading the signed sale and purchase agreements ("SPAs"); • verifying that management's calculation for this estimate was in line with IFRS3; • testing these amounts back to supporting documentation where possible; • assessing management's assumptions for reasonableness when estimating this balance; and • assessing events after the balance sheet date which impact management's estimate. We audited the carrying amount of the High Street net assets disposed as included and disclosed in note 8 to the financial statements as well as the High Street profit included in the profit from discontinued operations within the Group income statement. We tested associated transaction costs. We also considered the adequacy of the group's disclosures in respect of the disposed operations. Based on the procedures performed, we consider the estimated value of the contingent consideration to be reasonable and the disclosures to be appropriate.

Independent auditors' report to the members of WH Smith PLC continued

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 continuing Group audit we have performed a full scope audit on two financially significant components (WH Smith Travel Limited and North America) and one other component (WH Smith Hospital Limited). All full scope audits were performed by the UK Group team, except for North America, which was audited by a component auditor in the United States operating under our instruction. The United States component team also performed specified procedures over supplier income, provisions within inventory, accounts receivable and accounts payable balances (including procedures to validate the impact on prior periods) and tax in the North America component. The UK Group team assessed and concluded on the appropriateness of management's judgements within supplier income, provisions within inventory, accounts payable and accounts receivable balances (considering the results of the specified procedures). Audit work was performed over the consolidation process, tax (considering the results of the specified procedures), impairment, leases, share based payments and going concern at a UK 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 multiple site visits, in person review of the work performed, update calls on the progress of their fieldwork and by attending the clearance meetings with management. The components where we performed audit work accounted for approximately 80% of revenue from continuing operations. We performed audit procedures over specific financial statement line items within WH Smith Spain S.L., WH Smith Group Limited and the Company components based on the size or risk profile of those accounts. For the discontinued operations, we performed a full scope audit over the disposed High Street division's profit and loss and the net assets and audited specific accounts for funkypigeon.com based on relative value to the consolidated balances. 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, goodwill, investments 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.

Independent auditors' report to the members of WH Smith PLC continued

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	£6,200,000 (2024: £8,400,000).	£8,400,000 (2024: £8,790,000).
How we determined it	professional judgement considering a number of potential benchmarks (specifically revenue and profit based benchmarks across the last 3 years).	1 per cent of total assets
Rationale for benchmark applied	As noted above, we considered a range of benchmarks for determining materiality. We selected a level of materiality that was within a range of outcomes suggested by these benchmarks and reflected an appropriate adjustment given the reduced profitability in the current year as well as the sale of the High Street business.	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 £3.45 million and £5.6 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

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% (2024: 75%) of overall materiality, amounting to £4,650,000 (2024: £6,300,000) for the group financial statements and £6,300,000 (2024: £6,590,000) 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.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £310,000 (group audit) (2024: £420,000) and £420,000 (Company audit) (2024: £439,000) 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:

- assessing the historical accuracy of management's forecasts and performing a sensitivity on the revenue and EBITDA growth assumptions to erode the covenant headroom;
- obtaining and reviewing the Group's financing agreements including any waivers in place as a result, engaging our experts as part of the assessment of the sufficiency of these waivers;
- inquiring with management and its experts on the impact of any potential breach in laws and regulations on the financing arrangements;
- considering the assumptions made regarding the extent of an economic downturn in the severe but plausible downside case to historical actuals and external sources;
- assessing management's reverse stress test; and
- confirming 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.

Independent auditors' report to the members of WH Smith PLC continued

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 2025 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

Independent auditors' report to the members of WH Smith PLC continued

- 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 in respect of the financial statements, 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, whistleblowing reports and minutes of meetings of those charged with governance;
- Engaging with management's experts and considering the findings of the independent review;
- Challenging management on their application of the relevant accounting standards with regards to recognition of fixed supplier income as noted in our key audit matter;
- 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 11 years, covering the years ended 31 August 2015 to 31 August 2025.

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 Sturges (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors London

19 December 2025

Group income statement

For the year ended 31 August 2025

£m	Note	2025 Before non-underlying items[2]	2025 Non-underlying items[3]	2025 Total	2024 (restated[1]) Before non-underlying items[2]	2024 (restated[1]) Non-underlying items[3]	2024 (restated[1]) Total
Revenue	2	**1,553**	**–**	**1,553**	1,473	–	1,473
Group operating profit/(loss) – continuing operations	2, 3	**148**	**(99)**	**49**	154	(41)	113
Finance costs	6	**(46)**	**(1)**	**(47)**	(48)	–	(48)
Profit/(loss) before tax – continuing operations		**102**	**(100)**	**2**	106	(41)	65
Income tax (expense)/credit	7	**(44)**	**18**	**(26)**	(27)	5	(22)
Profit/(loss) for the year – continuing operations		**58**	**(82)**	**(24)**	79	(36)	43
Profit/(loss) for the year – discontinued operations	8	**24**	**(137)**	**(113)**	27	(10)	17
Profit/(loss) for the year – total operations		**82**	**(219)**	**(137)**	106	(46)	60
Attributable to equity holders of the parent		**75**	**(219)**	**(144)**	100	(46)	54
Attributable to non-controlling interests		**7**	**–**	**7**	6	–	6
		82	**(219)**	**(137)**	106	(46)	60
(Loss)/earnings per share – continuing operations							
Basic	10			**(24.4)**			28.7
Diluted	10			**(24.4)**			28.2
(Loss)/earnings per share – total operations							
Basic	10			**(113.4)**			41.9
Diluted	10			**(113.4)**			41.2

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 1a and Note 8 for further details)

2 Alternative performance measure. The Group has defined and explained the purpose of its alternative performance measures in the Glossary on page 209

3 See Note 4 for an analysis of non-underlying items. See Glossary on page 209 for a definition of alternative performance measures

Group statement of comprehensive income

For the year ended 31 August 2025

£m	Note	2025	2024 (restated[1])
(Loss)/profit for the year		**(137)**	60
Other comprehensive (loss)/income:			
Items that will not be reclassified subsequently to the income statement:			
– Remeasurement of the recoverability of retirement benefit surplus	28	**–**	87
– Actuarial gains on defined benefit pension schemes		**–**	2
		–	89
Items that may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations		**(9)**	(15)
		(9)	(15)
Other comprehensive (loss)/income for the year, net of tax		**(9)**	74
Total comprehensive (loss)/income for the year		**(146)**	134
Attributable to equity holders of the parent		**(150)**	129
Attributable to non-controlling interests		**4**	5
		(146)	134
Total comprehensive (loss)/income arising from:			
– Continuing operations		**(33)**	117
– Discontinued operations		**(113)**	17
		(146)	134

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 1a and Note 8 for further details)

Group balance sheet

As at 31 August 2025

£m	Note	2025	2024 (restated[1])	2023 (restated[1])
Non-current assets				
Goodwill	11	**402**	426	436
Other intangible assets	11	**45**	64	69
Property, plant and equipment	12	**254**	316	270
Right-of-use assets	13	**367**	505	444
Investments in joint ventures		**2**	2	2
Non-current investments		**4**	–	–
Retirement benefit surplus	28	**1**	–	–
Deferred tax assets	19	**16**	37	45
Trade and other receivables	14	**25**	24	19
		1,116	1,374	1,285
Current assets				
Inventories		**148**	209	201
Trade and other receivables	14	**102**	126	101
Retirement benefit surplus	28	**–**	87	–
Derivative financial asset		**–**	–	1
Current tax receivable		**23**	2	3
Cash and cash equivalents	20	**71**	56	56
		344	480	362
Total assets		**1,460**	1,854	1,647
Current liabilities				
Trade and other payables	15	**(318)**	(361)	(344)
Bank overdrafts and other borrowings	20	**(461)**	(117)	(84)
Lease liabilities	17	**(90)**	(125)	(116)
Derivative financial liabilities		**–**	–	(1)
Current tax payable		**(1)**	(1)	(1)
Short-term provisions	18	**(1)**	(4)	(1)
		(871)	(608)	(547)

£m	Note	2025	2024 (restated[1])	2023 (restated[1])
Non-current liabilities				
Bank loans and other borrowings	20	**–**	(310)	(301)
Long-term provisions	18	**–**	(13)	(16)
Lease liabilities	17	**(394)**	(501)	(450)
Deferred tax liabilities	19	**(7)**	–	–
		(401)	(824)	(767)
Total liabilities		**(1,272)**	(1,432)	(1,314)
Total net assets		**188**	422	333
Shareholders' equity				
Called up share capital	24	**28**	29	29
Share premium		**316**	316	316
Capital redemption reserve	27	**14**	13	13
Translation reserve		**(15)**	(9)	5
Other reserves	27	**(254)**	(268)	(255)
Retained earnings		**69**	315	202
Total equity attributable to the equity holders of the parent		**158**	396	310
Non-controlling interests		**30**	26	23
Total equity		**188**	422	333

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division and to reclassify certain receivables from current to non-current assets (refer to Note 1b for further details)

The consolidated financial statements of WH Smith PLC, registered number 5202036, on pages 138 to 203 were approved by the Board of Directors and authorised for issue on 19 December 2025 and were signed on its behalf by:

Andrew Harrison
Interim Group Chief Executive

Max Izzard
Chief Financial Officer

Group cash flow statement

For the year ended 31 August 2025

£m	Note	2025	2024 (restated[1])
Operating activities			
Cash generated from continuing operations	22	**330**	249
Interest paid[2]		**(32)**	(35)
Financing arrangement fees		**(3)**	(1)
Income taxes paid		**(28)**	(18)
Net cash inflow from operating activities – discontinued operations		**9**	71
Net cash inflow from operating activities		**276**	266
Investing activities			
Purchase of property, plant and equipment		**(77)**	(97)
Purchase of intangible assets		**(4)**	(9)
Receipt from settlement of financial instruments		**7**	9
Acquisition of subsidiaries, net of cash acquired		**–**	(6)
Proceeds received from investments		**8**	–
Net cash outflow from investing activities – discontinued operations		**(3)**	(25)
Net cash outflow from investing activities		**(69)**	(128)
Financing activities			
Dividends paid	9	**(43)**	(41)
Purchase of own shares for employee share schemes		**–**	(12)
Purchase of own shares for cancellation		**(50)**	–
Distributions to non-controlling interests		**(7)**	(6)
Net drawdown on borrowings	20	**24**	33
Capital repayments of obligations under leases[3]	20	**(86)**	(73)
Net cash outflow from financing activities – discontinued operations		**(30)**	(39)
Net cash outflow from financing activities		**(192)**	(138)
Net increase in cash and cash equivalents in the year		**15**	–
Opening cash and cash equivalents		**56**	56
Closing cash and cash equivalents	20	**71**	56

1 Comparative periods have been restated to separately disclose results from discontinued operations (refer to Note 8 for further details) and to reclassify the Receipt from settlement of financial instruments from Operating activities to Investing activities (refer to Note 1b for further details)

2 Includes interest payments of £16m on lease liabilities (2024: £18m) for continuing operations. Interest payments on lease liabilities for discontinued operations were £4m (2024: £6m)

3 Capital repayments of obligations under leases for discontinued operations were £30m (2024: £39m)

Group statement of changes in equity

For the year ended 31 August 2025

£m	Called up share capital and share premium	Capital redemption reserve[2]	Translation reserve	Other reserves[2]	Retained earnings	Total equity attributable to the equity holders of the parent	Non-controlling interests	Total equity
Balance at 1 September 2024 – restated[1]	**345**	**13**	**(9)**	**(268)**	**315**	**396**	**26**	**422**
(Loss)/profit for the year – total operations	**–**	**–**	**–**	**–**	**(144)**	**(144)**	**7**	**(137)**
Other comprehensive loss:								
Exchange differences on translation of foreign operations	**–**	**–**	**(6)**	**–**	**–**	**(6)**	**(3)**	**(9)**
Total comprehensive (loss)/income for the year	**–**	**–**	**(6)**	**–**	**(144)**	**(150)**	**4**	**(146)**
Employee share schemes	**–**	**–**	**–**	**–**	**5**	**5**	**–**	**5**
Dividends paid (Note 9)	**–**	**–**	**–**	**–**	**(43)**	**(43)**	**–**	**(43)**
Share repurchase	**(1)**	**1**	**–**	**–**	**(50)**	**(50)**	**–**	**(50)**
Distributions to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**(7)**	**(7)**
Non-cash movement on non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**7**	**7**
Disposals of businesses	**–**	**–**	**–**	**14**	**(14)**	**–**	**–**	**–**
Balance at 31 August 2025	**344**	**14**	**(15)**	**(254)**	**69**	**158**	**30**	**188**

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details)

2 For further explanation and analysis of Capital redemption reserve and Other reserves, see Note 27

Group statement of changes in equity continued

For the year ended 31 August 2024

£m	Called up share capital and share premium	Capital redemption reserve[2]	Translation reserve	Other reserves[2]	Retained earnings	Total equity attributable to the equity holders of the parent	Non-controlling interests	Total equity
Balance at 1 September 2023 – restated[1]	345	13	5	(255)	202	310	23	333
Profit for the year – total operations[1]	–	–	–	–	54	54	6	60
Other comprehensive income:								
Remeasurement of the recoverability of retirement benefit surplus (Note 28)	–	–	–	–	87	87	–	87
Actuarial gains on defined benefit pension schemes (Note 28)	–	–	–	–	2	2	–	2
Exchange differences on translation of foreign operations	–	–	(14)	–	–	(14)	(1)	(15)
Total comprehensive (loss)/income for the year[1]	–	–	(14)	–	143	129	5	134
Employee share schemes	–	–	–	(13)	12	(1)	–	(1)
Dividends paid (Note 9)	–	–	–	–	(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[1]	345	13	(9)	(268)	315	396	26	422

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details)

2 For further explanation and analysis of Capital redemption reserve and Other reserves, see Note 27

Notes to the financial statements

1. Material 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 and Company financial statements have been prepared on a going concern basis.

The directors are required to assess whether the Group and Company 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 23 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 15-month period to February 2027, including expenditure commitments, capital expenditure and available borrowing facilities. The Group's borrowing facilities are described in the Strategic report on page 31 and Note 20. The covenants on the Group's facilities are tested half-yearly and are based on fixed charges cover and leverage. 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. We received legal advice, and waivers were obtained where required, for the facilities in place as at 31 August 2025 to allow for any potential impact as a result of the North America accounting issues. We are not aware of any other events within the going concern period which could trigger a breach of covenants associated with the facilities.

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. These forecasts fully reflect the updated view of the Group following resolution of the North America accounting issues and the correction of prior year restatements. 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 relating to an economic downturn of a magnitude and profile in line with previous experience. These assumptions include an increasing reduction to revenue assumptions of up to ten per cent, phased over the assessment period, versus the base case, together with a decrease in variable costs, including turnover-based rents. Under this downside scenario, after Management mitigations of reducing capex and suspending purchases of shares for Employee Share Option Plans, the Group would continue to have significant liquidity headroom on its existing facilities and complies with all covenant tests throughout the assessment period.

A reverse stress test scenario has also been conducted to understand the level of revenue downside that could be absorbed before covenants are breached. Under this scenario in addition to Management's mitigating actions in the severe but plausible scenario a further assumption has been made that, post the payment of the final dividend for the year ended 31 August 2025, no dividends would be paid in the assessment period. In this reverse stress test scenario, a covenant breach occurs upon revenue decreasing by 12.3% on a phased basis.

Based on the above analysis, the directors have concluded that the Group and Company is able to adequately manage its financing and principal risks, and that the Group and Company 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.

Notes to the financial statements continued

1. Material accounting policies continued

a) Basis of preparation continued

New standards adopted by the Group

The Group has adopted the following standards and interpretations which became mandatory for the year ended 31 August 2025:

Amendments to IAS 1	Classification of liabilities as current or non-current and non-current liabilities with covenants
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The Group has considered the above new standards and amendments and has concluded, with the exception of the IAS 1 amendments, that they are either not relevant to the Group or they do not have a material impact on the Group's consolidated financial statements.

The IAS 1 amendments in respect of current and non-current classification of liabilities remove the requirement that the right to defer settlement be unconditional. Under the amended standard, in order to classify liabilities as non-current, the right to defer settlement must have substance and exist at the reporting date.

The Group considers in respect of its revolving credit facility, which has a maturity date of 13 June 2030 and carries financial covenants, there is not a right to defer settlement for at least 12 months from the reporting date following announcement of the accelerated supplier income recognition in the North America division. Whilst waivers were subsequently agreed with lenders, these were not in place at 31 August 2025. As a result, the amounts drawn down under the facility (£141 million) are presented as a current liability. As the accelerated supplier income recognition issue also impacts prior periods, the Group has concluded that the right to defer settlement did not exist in prior periods and has therefore presented amounts drawn down under the facility as a current liability for the years ended 31 August 2024 and 31 August 2023 as previously reported. The Group anticipates that such amounts may be reclassified to non-current liabilities in future reporting periods.

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:

IFRS 18	Presentation and disclosure in financial Statements
IFRS 19	Subsidiaries without public accountability: disclosures
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 21	Lack of exchangeability

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.

Notes to the financial statements continued

1. Material accounting policies continued

a) Basis of preparation continued

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, return on capital employed and leverage. These APMs are set out in the Glossary on page 209 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 that excludes certain items, which are considered non-underlying and exceptional due to their size, nature or incidence, or 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.

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.

Discontinued operations
A discontinued operation is a component of the Group that (i) either has been disposed of or is classified as held for sale; and (ii) represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

The results of discontinued operations are presented as a single amount of profit or loss after tax in the consolidated income statement, separate from the results of continuing operations. Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation of such assets ceases once they are classified as held for sale.

Details relating to the discontinued operations of the Group's High Street and funkypigeon.com businesses, which were disposed of during the financial year, are provided in Note 8 to the financial statements.

Below shows the Group income statement for the year ended 31 August 2024 as previously reported along with the impact of discontinued operations.

Notes to the financial statements continued

1. Material accounting policies continued

a) Basis of preparation continued

Group income statement

	2024 as previously reported			Reclassification of discontinued operations			**2024 after reclassification of discontinued operations**		
£m	Before non-underlying items	Non-underlying items	Total	Before non-underlying items	Non-underlying items	Total	**Before non-underlying items**	**Non-underlying items**	**Total**
Revenue	1,918	–	1,918	(445)	–	(445)	**1,473**	**–**	**1,473**
Group operating profit/(loss)	213	(55)	158	(39)	14	(25)	**174**	**(41)**	**133**
Finance costs	(52)	–	(52)	4	–	4	**(48)**	**–**	**(48)**
Profit/(loss) before tax – continuing operations	161	(55)	106	(35)	14	(21)	**126**	**(41)**	**85**
Income tax (expense)/credit	(38)	9	(29)	8	(4)	4	**(30)**	**5**	**(25)**
Profit/(loss) for the year – continuing operations	123	(46)	77	(27)	10	(17)	**96**	**(36)**	**60**
Profit/(loss) for the year – discontinued operations	–	–	–	27	(10)	17	**27**	**(10)**	**17**
Profit/(loss) for the year – total operations	123	(46)	77	–	–	–	**123**	**(46)**	**77**
Attributable to equity holders of the parent	113	(46)	67	–	–	–	**113**	**(46)**	**67**
Attributable to non-controlling interests	10	–	10	–	–	–	**10**	**–**	**10**
	123	(46)	77	–	–	–	**123**	**(46)**	**77**
Total comprehensive income			151			–			**151**

Notes to the financial statements continued

1. Material accounting policies continued

a) Basis of preparation continued

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.

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. Results of subsidiary undertakings disposed of during the financial year are included in the financial statements up to the effective date of disposal.

Non-controlling interests represent equity interests in legal entities established to comply with U.S. Disadvantaged Business Enterprise requirements. The Group typically retains control over these entities, which operate a store or group of stores and hold assets and liabilities primarily consisting of right-of-use assets, property, plant and equipment, inventories and lease liabilities. The cash flows into the legal entities relate to revenue for the sale of goods and contributions from the equity holders. Non-controlling interests are generally stated at the non-controlling interests' proportion of the value of the property, plant and equipment recognised. The share of profit or loss attributable to non-controlling interests is disclosed separately in the consolidated income statements.

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) Restatement of prior year financial statements

In August 2025, the Group identified that the recognition of supplier income was being accelerated in the North America division. Further investigation of the financial information for the years ended 31 August 2023 and 31 August 2024 identified that similar practices existed in these prior reporting periods.

The Group also identified additional one-off costs regarding inventory-related items in the year ended 31 August 2025, including in respect of the completeness of inventory provisions and liabilities related to goods received but not invoiced. Certain of these costs should have been recorded in prior reporting periods.

As a result, prior year consolidated financial statements have been restated. Amendments to the previously reported consolidated primary financial statements for the year ended 31 August 2024 are shown below, after taking into account the adjustments for discontinued operations arising from the sale of the High Street and Funky Pigeon businesses in the year. The reclassification of discontinued operations within the Group income statement have been presented in Note 1 (a).

Certain other reclassification restatements to primary financial statements have also been identified and are set out below, including the reclassification of certain receivables from current to non-current assets and the reclassification of certain cash flows from operating cash flows to investing cash flows.

A third Balance sheet, as of 1 September 2023, has also been disclosed.

Notes to the financial statements continued

1. Material accounting policies continued

b) Restatement of prior year financial statements continued

Group income statement

£m	2024 after reclassification of discontinued operations			Restatement			**2024 restated**		
	Before non-underlying items	Non-underlying items	Total	Before non-underlying items	Non-underlying items	Total	**Before non-underlying items**	**Non-underlying items**	**Total**
Revenue	1,473	–	1,473	–	–	–	**1,473**	**–**	**1,473**
Group operating profit/(loss)[1]	174	(41)	133	(20)	–	(20)	**154**	**(41)**	**113**
Finance costs	(48)	–	(48)	–	–	–	**(48)**	**–**	**(48)**
Profit/(loss) before tax – continuing operations	126	(41)	85	(20)	–	(20)	**106**	**(41)**	**65**
Income tax (expense)/credit	(30)	5	(25)	3	–	3	**(27)**	**5**	**(22)**
Profit/(loss) for the year – continuing operations	96	(36)	60	(17)	–	(17)	**79**	**(36)**	**43**
Profit/(loss) for the year – discontinued operations	27	(10)	17	–	–	–	**27**	**(10)**	**17**
Profit/(loss) for the year – total operations	123	(46)	77	(17)	–	(17)	**106**	**(46)**	**60**
Attributable to equity holders of the parent	113	(46)	67	(13)	–	(13)	**100**	**(46)**	**54**
Attributable to non-controlling interests	10	–	10	(4)	–	(4)	**6**	**–**	**6**
	123	(46)	77	(17)	–	(17)	**106**	**(46)**	**60**
Total comprehensive income			151			(17)			**134**

1 All restatements impacting Group operating profit/(loss) relate to Cost of sales

£m	2024 as previously reported[1]				Restatement				**2024 restated**			
	Headline before non-underlying items (pre-IFRS 16)	Headline non-underlying items (pre-IFRS 16)	IFRS 16	Total	Headline before non-underlying items (pre-IFRS 16)	Headline non-underlying items (pre-IFRS 16)	IFRS 16	Total	**Headline before non-underlying items (pre-IFRS 16)**	**Headline non-underlying items (pre-IFRS 16)**	**IFRS 16**	**Total**
UK	122	–	4	126	–	–	–	–	**122**	**–**	**4**	**126**
North America	54	–	4	58	(20)	–	–	(20)	**34**	**–**	**4**	**38**
Rest of the World and Other[1]	14	–	4	18	–	–	–	–	**14**	**–**	**4**	**18**
Group trading profit – continuing operations	190	–	12	202	(20)	–	–	(20)	**170**	**–**	**12**	**182**

1 Restated for the revision to operating segments following the sale of the High Street and Funky Pigeon businesses in 2025 (refer to Note 2 and Note 8 for further details)

Notes to the financial statements continued

1. Material accounting policies continued

b) Restatement of prior year financial statements continued

Group income statement – disaggregation of restatement

	Accelerated supplier income recognition			Inventory-related items			**Total restatement**		
£m	Before non-underlying items	Non-underlying items	Total	Before non-underlying items	Non-underlying items	Total	**Before non-underlying items**	**Non-underlying items**	**Total**
Revenue	–	–	–	–	–	–	**–**	**–**	**–**
Group operating loss[1]	(13)	–	(13)	(7)	–	(7)	**(20)**	**–**	**(20)**
Finance costs	–	–	–	–	–	–	**–**	**–**	**–**
Loss before tax – continuing operations	(13)	–	(13)	(7)	–	(7)	**(20)**	**–**	**(20)**
Income tax credit	2	–	2	1	–	1	**3**	**–**	**3**
Loss for the year – continuing operations	(11)	–	(11)	(6)	–	(6)	**(17)**	**–**	**(17)**
Profit/(loss) for the year – discontinued operations	–	–	–	–	–	–	**–**	**–**	**–**
Loss for the year – total operations	(11)	–	(11)	(6)	–	(6)	**(17)**	**–**	**(17)**
Attributable to equity holders of the parent	(8)	–	(8)	(5)	–	(5)	**(13)**	**–**	**(13)**
Attributable to non-controlling interests	(3)	–	(3)	(1)	–	(1)	**(4)**	**–**	**(4)**
	(11)	–	(11)	(6)	–	(6)	**(17)**	**–**	**(17)**
Total comprehensive loss			(11)			(6)			**(17)**

1 All restatements impacting Group operating loss relate to Cost of sales

Group earnings per share

£m	2024 as previously reported	Reclassification of discontinued operations	2024 after reclassification of discontinued operations	Accelerated supplier income recognition	Inventory-related items	**2024 restated**
Basic earnings per share – continuing operations	51.9p	(13.2p)	38.7p	(6.2p)	(3.8p)	**28.7p**
Diluted earnings per share – continuing operations	51.1p	(13.0p)	38.1p	(6.1p)	(3.8p)	**28.2p**
Basic earnings per share – total operations	51.9p	–	51.9p	(6.2p)	(3.8p)	**41.9p**
Diluted earnings per share – total operations	51.1p	–	51.1p	(6.1p)	(3.8p)	**41.2p**

Notes to the financial statements continued

1. Material accounting policies continued

b) Restatement of prior year financial statements continued

Group cash flow statement extract – year ended 31 August 2024

£m	2024 as previously reported	Classification of financial instrument settlements[1]	**2024 restated**
Net cash inflows from operating activities	275	(9)	**266**
Net cash outflows from investing activities	(137)	9	**(128)**
Net cash outflows from financing activities	(138)	–	**(138)**
Net increase in cash in the period	–	–	**–**

1 Reclassification of cash flows linked to the settlement of financial instruments from operating to investing activities

Group balance sheet extract – as at 31 August 2024

£m	2024 as previously reported	Accelerated supplier income recognition	Inventory-related items	Other receivables: current vs non-current[1]	**2024 restated**
Deferred tax assets	33	4	–	–	**37**
Trade and other receivables	12	–	–	12	**24**
Total non-current assets	1,358	4	–	12	**1,374**
Inventories	217	(3)	(5)	–	**209**
Trade and other receivables	150	(12)	–	(12)	**126**
Current tax receivable	1	1	–	–	**2**
Total current assets	511	(14)	(5)	(12)	**480**
Trade and other payables	(352)	(4)	(5)	–	**(361)**
Total current liabilities	(599)	(4)	(5)	–	**(608)**
Total non-current liabilities	(824)	–	–	–	**(824)**
Total net assets	446	(14)	(10)	–	**422**
Retained earnings	335	(11)	(9)	–	**315**
Non-controlling interests	30	(3)	(1)	–	**26**
Total equity	446	(14)	(10)	–	**422**

1 Reclassification of certain receivables related to joint venture arrangements in North America from current to non-current (see Note 14 for further details). In addition, within Trade and other receivables all receivables related to joint venture arrangements have been reclassified from Trade receivables to Other receivables (£15m)

Notes to the financial statements continued

1. Material accounting policies continued

b) Restatement of prior year financial statements continued

Group balance sheet extract – as at 31 August 2023

£m	2023 as previously reported	Accelerated supplier income recognition restatement	Inventory-related items	Other receivables: current vs non-current[1]	**2023 restated**
Deferred tax assets	43	2	–	–	**45**
Trade and other receivables	9	–	–	10	**19**
Total non-current assets	1,273	2	–	10	**1,285**
Inventories	205	(1)	(3)	–	**201**
Trade and other receivables	112	(1)	–	(10)	**101**
Total current assets	377	(2)	(3)	(10)	**362**
Trade and other payables	(340)	(3)	(1)	–	**(344)**
Total current liabilities	(543)	(3)	(1)	–	**(547)**
Total non-current liabilities	(767)	–	–	–	**(767)**
Total net assets	340	(3)	(4)	–	**333**
Retained earnings	209	(3)	(4)	–	**202**
Total equity	340	(3)	(4)	–	**333**

1 Reclassification of certain receivables related to joint venture arrangements in North America from current to non-current (see Note 14 for further details). In addition, within Trade and other receivables all receivables related to joint venture arrangements have been reclassified from Trade receivables to Other receivables (£10m)

Notes to the financial statements continued

1. Material accounting policies continued

c) Revenue

Revenue comprises sales of goods to customers outside the Group at the transaction price less an appropriate deduction for actual and expected returns and discounts, and is stated net of value added tax 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. Such variable amounts are recognised when it is highly probable that a significant reversal in the amount of income recognised will not occur.

d) Supplier income

The Group receives income from its suppliers in the form of supplier incentives and discounts. This income is generally recognised as a deduction against cost of sales on an accruals basis.

Supplier income that has been invoiced but not received at the year-end is recognised in Trade receivables or offset against Trade payables where the Group has a right and intention to settle net. Income contractually agreed and invoiced but not yet earned is recorded in Deferred income. Income that has been earned but not yet invoiced is accrued and recorded in Accrued income. Where the income relates to inventories that are held by the Group at the reporting date, the income is included within the cost of inventories and recognised in cost of sales upon sale of those inventories.

The types of supplier income recognised by the Group, and the recognition policies are detailed below.

Retrospective discounts
Retrospective discounts are earned based on sales or purchase volume triggers set by the supplier for specific products over specific periods. Income is calculated and invoiced throughout the year in accordance with the specific supplier terms based upon actual sales or purchases over the period set out in the supplier agreement. Where the period of an agreement spans an accounting period, income is accrued based on forecasts for expected sales or purchase volumes, informed by current performance, trends, and the terms of the supplier agreement. This income is recognised in cost of sales when the product to which the discount relates is 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 and is invoiced or accrued in accordance with those agreements. Income is recognised in cost of sales over the period to which the agreement and/or activity relates. As these agreements do not generally identify specific inventory purchases, this approach is used to reflect the best estimate of how the income should be attributed to cost of sales.

e) 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.

Notes to the financial statements continued

1. Material accounting policies continued

f) 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.

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 20 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.

Notes to the financial statements continued

1. Material accounting policies continued

g) 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.

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.

h) 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(g) 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.

Notes to the financial statements continued

1. Material accounting policies continued

h) Leasing continued

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.

i) 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. The assessment of what costs are necessary to bring inventories to the present location and condition requires judgment but includes certain distribution costs that are considered an unavoidable part of the supply chain. Costs that are capitalised into inventory are recognised in cost of sales when the goods are sold. Other distribution costs are expensed as incurred and recognised in distribution costs. 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.

j) 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.

k) 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).

l) 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 or does not give rise to equal and opposite temporary differences.

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.

Notes to the financial statements continued

1. Material accounting policies continued

m) Financial instruments

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.

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.

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.

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.

Notes to the financial statements continued

1. Material accounting policies continued

m) Financial instruments continued

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.

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 23.

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 liabilities 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.

Notes to the financial statements continued

1. Material accounting policies continued

n) 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.

o) 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.

p) 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 27.

q) 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.

Critical accounting judgements and key 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.

Critical accounting judgements relate to:

- non-underlying items (Note 4): the classification of items as non-underlying;
- store impairment indicator assessment (Note 12): use of indicators to assess those stores (or groups of stores) where the carrying amount of store non-current assets may not be recoverable, and should be tested for impairment; and
- lease accounting (Note 17): determining whether certain retail concession contracts meet the definition of a lease under IFRS 16; and determining the lease term for contracts where both an IFRS 16 lease exists and contains options to extend or terminate early.

Key sources of estimation uncertainty relate to:

- goodwill impairment assessment (Note 11): revenue growth assumptions in Rest of the World and other segments.

Management also considers that estimation uncertainty exists over the following areas, but with a limited risk of material change to amounts recognised within the next 12 months:

- discontinued operations (Note 8): measurement of contingent consideration in relation to the sale of the High Street business;
- valuation of inventory: 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; and
- supplier income (Note 16): the amount and timing of recognition of supplier income.

Notes to the financial statements continued

1. Material accounting policies continued

q) Critical accounting judgements and key sources of estimation uncertainty continued

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 52 to 62 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 52 to 62) 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 12, and on goodwill in Note 11.

The Group's initial quantitative scenario analysis (as described on pages 52 to 62) 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.

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.

Following the sale of the High Street and funkypigeon.com businesses during the year, for management and financial reporting purposes, the continuing operations of the Group are organised into three divisions and reportable segments – UK, North America and Rest of the World and Other, all of which relate to the Group's Travel businesses with the exception of Cult Pens which was previously reported as part of the High Street segment and is now presented within the renamed Rest of the World and Other segment. The results of the discontinued operations of the High Street segment are presented in Note 8.

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 209 (Note A2).

a) Revenue

£m	2025	2024 (restated[1])
UK	**834**	795
North America	**413**	401
Rest of the World and Other	**306**	277
Revenue – continuing operations	**1,553**	1,473
Revenue – discontinued operations (Note 8)	**358**	445
Revenue – total operations	**1,911**	1,918

1 Comparative periods have been restated to separately disclose results from discontinued operations (refer to Note 8 for further details)

Rest of the World revenue includes revenue from Australia of £85m (2024: £83m), Ireland £64m (2024: £53m) and Spain £59m (2024: £55m). No other country has individually material revenue in the context of total Group revenue.

Notes to the financial statements continued

2. Segmental analysis of results continued

b) Group results

	2025				2024 (restated[1])			
£m	**Headline before non-underlying items[2] (pre-IFRS 16)**	**Headline non-underlying items[2] (pre-IFRS 16)**	**IFRS 16**	**Total**	Headline before non-underlying items[2] (pre-IFRS 16)	Headline non-underlying items[2] (pre-IFRS 16)	IFRS 16	Total
UK	**130**	**–**	**1**	**131**	122	–	4	126
North America	**15**	**–**	**7**	**22**	34	–	4	38
Rest of the World and Other	**14**	**–**	**6**	**20**	14	–	4	18
Group trading profit – continuing operations	**159**	**–**	**14**	**173**	170	–	12	182
Unallocated central costs	**(25)**	**–**	**–**	**(25)**	(28)	–	–	(28)
Group operating profit before non-underlying items – continuing operations	**134**	**–**	**14**	**148**	142	–	12	154
Non-underlying items (Note 4)	**–**	**(91)**	**(8)**	**(99)**	–	(41)	–	(41)
Group operating profit – continuing operations	**134**	**(91)**	**6**	**49**	142	(41)	12	113
Finance costs	**(26)**	**–**	**(20)**	**(46)**	(28)	–	(20)	(48)
Non-underlying finance costs (Note 4)	**–**	**(1)**	**–**	**(1)**	–	–	–	–
Profit before tax – continuing operations	**108**	**(92)**	**(14)**	**2**	114	(41)	(8)	65
Income tax expense	**(45)**	**18**	**1**	**(26)**	(29)	5	2	(22)
Profit/(loss) for the year – continuing operations	**63**	**(74)**	**(13)**	**(24)**	85	(36)	(6)	43
Profit/(loss) for the year – discontinued operations	**11**	**(146)**	**22**	**(113)**	25	(12)	4	17
Profit/(loss) for the year – total operations	**74**	**(220)**	**9**	**(137)**	110	(48)	(2)	60

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

2 Presented on a pre-IFRS 16 basis. Alternative performance measures are defined and explained in the Glossary on page 209

Notes to the financial statements continued

2. Segmental analysis of results continued

c) Other segmental items

	2025				
	Non-current assets[1]			Right-of-use assets	
£m	Capital additions	Depreciation and amortisation	Impairment	Depreciation	Impairment
UK	27	(22)	–	–	–
North America	48	(20)	–	–	–
Rest of the World and Other	12	(9)	–	–	–
Headline, before non-underlying items (pre-IFRS 16) – continuing operations	87	(51)	–	–	–
Headline non-underlying items (pre-IFRS 16)	–	(3)	(24)	–	–
Headline, after non-underlying items (pre-IFRS 16) – continuing operations	87	(54)	(24)	–	–
Impact of IFRS 16	–	–	–	(80)	–
Non-underlying items (IFRS 16)	–	–	–	–	(29)
Group – continuing operations	87	(54)	(24)	(80)	(29)
Group – discontinued operations	16	(10)	(76)	(18)	(62)
Group – total operations	103	(64)	(100)	(98)	(91)

1 Non-current assets including property, plant and equipment and intangible assets, but excluding right-of-use assets

Notes to the financial statements continued

2. Segmental analysis of results continued

c) Other segmental items continued

	2024 (restated[1])				
	Non-current assets[2]			Right-of-use assets	
£m	Capital additions	Depreciation and amortisation	Impairment	Depreciation	Impairment
UK	35	(20)	–	–	–
North America	60	(16)	–	–	–
Rest of the World and Other	20	(8)	–	–	–
Headline, before non-underlying items (pre-IFRS 16) – continuing operations	115	(44)	–	–	–
Headline non-underlying items (pre-IFRS 16)	–	(3)	(14)	–	–
Headline, after non-underlying items (pre-IFRS 16) – continuing operations	115	(47)	(14)	–	–
Impact of IFRS 16	–	–	2	(80)	–
Non-underlying items (IFRS 16)	–	–	–	–	(10)
Group – continuing operations	115	(47)	(12)	(80)	(10)
Group – discontinued operations	22	(17)	(8)	(32)	–
Group – total operations	137	(64)	(20)	(112)	(10)

1 Comparative periods have been restated to separately disclose results from discontinued operations (refer to Note 8 for further details)
2 Non-current assets including property, plant and equipment and intangible assets, but excluding right-of-use assets

Notes to the financial statements continued

2. Segmental analysis of results continued

d) Non-current assets by geographical location

Non-current assets include property, plant and equipment, intangible assets and right-of-use assets.

£m	2025	2024 (restated[1])
UK	**496**	668
USA	**426**	483
Spain	**87**	102
Australia	**22**	19
Other international	**37**	39
Total	**1,068**	1,311

1 Comparative periods have been restated to present the geographical split of goodwill in accordance with the allocation to segmental businesses disclosed in Note 11

3. Group operating profit

	2025			2024 (restated[1])		
£m	Before non-underlying items	Non-underlying items	Total	Before non-underlying items	Non-underlying items	Total
Revenue	**1,553**	**–**	**1,553**	1,473	–	1,473
Cost of sales	**(664)**	**–**	**(664)**	(621)	–	(621)
Gross profit – continuing operations	**889**	**–**	**889**	852	–	852
Distribution costs	**(611)**	**–**	**(611)**	(572)	–	(572)
Administrative expenses	**(135)**	**–**	**(135)**	(135)	–	(135)
Other income	**5**	**–**	**5**	9	–	9
Non-underlying items (Note 4)	**–**	**(99)**	**(99)**	–	(41)	(41)
Group operating profit – continuing operations	**148**	**(99)**	**49**	154	(41)	113

1 Comparative periods have been restated a) to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details), totalling a £20m reduction to previously reported cost of sales; b) to reclassify certain income amounting to £5m from cost of sales to other income for consistency with the current period; c) to reclassify certain costs amounting to £43m from distribution costs to cost of sales for consistency with the current period; and d) to separately disclose results from discontinued operations (refer to Note 8 for further details)

Notes to the financial statements continued

3. Group operating profit continued

£m from continuing operations	2025	2024 (restated[1])
Cost of inventory recognised as an expense[2]	**624**	592
Write-down of inventory in the year[2]	**40**	29
Depreciation of property, plant and equipment	**45**	38
Depreciation of right-of-use assets	**80**	80
Amortisation of intangible assets	**9**	9
Impairment of property, plant and equipment	**24**	11
Impairment of right-of-use assets	**29**	10
Impairment of intangible assets	–	1
Expenses relating to leases:		
– Expense relating to short-term leases	**15**	14
– Expense relating to variable lease payments not included in the measurement of the lease liability	**40**	38
Other occupancy costs	**24**	21
Staff costs (Note 5)	**268**	271

1 Comparative periods have been restated a) to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details), totalling a £20m reduction to previously reported cost of sales; b) to reclassify certain income amounting to £5m from cost of sales to other income for consistency with the current period; c) to reclassify certain costs amounting to £43m from distribution costs to cost of sales for consistency with the current period; and d) to separately disclose results from discontinued operations (refer to Note 8 for further details)

2 Write-down of inventories in the year are reported within Cost of sales in the Income statement and have been presented separately to Cost of inventories recognised as an expense above. Prior period amounts have been restated to reflect this separate presentation

£m	2025	2024
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	**3.2**	1.2
– Fees payable to the Group's auditors for other services to the Group, including the audit of the Company's subsidiaries	**0.5**	0.4
Total audit and audit-related services	**3.7**	1.6
Non-audit services		
Fees payable to the Group's auditors for other services:		
– All other non-audit services	**0.2**	0.1
Non-audit fees including taxation and other services	**0.2**	0.1
Total auditors' remuneration	**3.9**	1.7

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.

4. Non-underlying items

Critical accounting judgement: Classification of non-underlying items

The Group has chosen to present a measure of profit and earnings per share that excludes certain items, which are considered non-underlying and exceptional due to their size, nature or incidence, or 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) and is applied consistently year on year. The classification of items as non-underlying requires management judgement.

The charge is mainly non-cash. A tax credit of £18m (2024: £5m) has been recognised in relation to non-underlying items from continuing operations.

Notes to the financial statements continued

4. Non-underlying items continued

£m	2025	2024 (restated[1])
Amortisation of acquired intangible assets	**3**	3
Impairment of non-current assets:		
– Property, plant and equipment	**24**	11
– Intangible assets	**–**	1
– Right-of-use assets	**29**	10
Provisions for onerous contracts	**3**	4
Transformation programmes – IT	**11**	4
Transformation programmes – supply chain	**3**	3
Transformation programmes – operational efficiencies	**11**	–
Costs associated with the investigation into accelerated recognition of supplier income in North America	**10**	–
Impairment of other receivables	**3**	–
Costs relating to M&A activity and Group legal entity structure	**1**	4
Costs associated with pensions	**–**	2
IFRS 16 remeasurement gains	**–**	(3)
Other non-underlying costs	**1**	2
Non-underlying items, included in operating profit – continuing operations	**99**	41
Finance costs associated with onerous contracts	**1**	–
Non-underlying items, before tax – continuing operations	**100**	41
Tax credit on non-underlying items	**(18)**	(5)
Non-underlying items, after tax – continuing operations	**82**	36
Non-underlying items, after tax – discontinued operations	**137**	10
Non-underlying items, after tax – total operations	**219**	46

1 Comparative periods have been restated to separately disclose results from discontinued operations (refer to Note 8 for further details)

Amortisation of acquired intangible assets

Amortisation of acquired intangible assets primarily relates to the MRG and InMotion brands (see Note 11).

Impairment of non-current assets

The Group has carried out an assessment for indicators of impairment of non-current assets across the store 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, aligned with the latest Board-approved budget and three-year plan, to the carrying value of the cash-generating unit as at 31 August 2025.

As a result of this exercise, a non-cash charge of £53m (2024: £22m) was recorded within non-underlying items for impairment of non-current assets, of which £24m (2024: £11m) relates to property, plant and equipment, £nil (2024: £1m) relates to intangible assets and £29m (2024: £10m) relates to right-of-use assets.

Of the total impairment charge, £5m (2024: £2m) is attributable to the UK operating segment, £32m (2024: £10m) to North America and £16m (2024: £10m) to Rest of World and Other. Impairment charges in the North America and Rest of World and Other operating segments have principally arisen due to a lower trading outlook in certain individual stores across these regions, in addition to localised labour cost pressures in one particular grouping of stores.

Refer to Notes 11, 12 and 13 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 209.

Provisions for onerous contracts

A charge of £3m (2024: £4m) has been recognised in the income statement to provide for the unavoidable costs of continuing to service a number of non-cancellable supplier and property 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 in line with the profile of the contracts to which they relate, which is typically less than one year. 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 – IT

Administrative expenses of £11m (2024: £4m) have been classified as non-underlying in relation to a Board-approved IT transformation programme.

Notes to the financial statements continued

4. Non-underlying items continued

Transformation programmes – IT continued
The IT transformation programme includes one-off 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 and, due to the significance of the programme, will span several years.

Transformation programmes – supply chain
Distribution costs of £3m (2024: £3m) have been classified as non-underlying in relation to a Board-approved programme relating to supply chain. The supply chain transformation programme includes costs of reconfiguration of the Group's UK distribution centres following the outsourcing of operations to a third party (GXO), in order to generate a more efficient and productive supply chain to support the performance and growth of the Group's UK businesses. The UK project concluded in 2025.

Transformation programmes – operational efficiencies
Costs of £11m (2024: £nil) have been classified as non-underlying in relation to Board-approved programmes relating to operational efficiencies. This programme commenced in the year and includes £6m of distribution costs associated with the restructuring of store and field management structures within the UK segment, and £5m of administrative expenses related to head office restructuring and other transformation costs across all segments. This programme will deliver a more efficient operating model to support the Group's strategic objectives. The implementation of certain of these projects will continue into next financial year.

Costs associated with the investigation into accelerated recognition of supplier income in North America
Administrative expenses incurred during the year include £10m (2024: £nil) of professional fees in relation to the investigation into accelerated recognition of supplier income in North America.

Impairment of other receivables
The Group's other receivables include amounts due from non-controlling interest equity shareholders in certain of the Group's US subsidiaries which relate to contributions owed towards property, plant and equipment construction for stores and are received in accordance with the cash requirements of the subsidiary. Certain of these contributions are no longer considered to be recoverable based on the expected credit loss that considers the counterparty's ability to pay, which reflects the financial outlook of the associated stores.

Such expected credit losses of £3m (2024: £nil) are recognised within non-underlying items where an impairment charge for store non-current assets has also been recognised within non-underlying items.

Cost relating to M&A activity and Group legal entity structure
Costs of £1m (2024: £4m) have been incurred arising from professional and legal fees in relation to a reorganisation of the Group's legal entity structure.

Non-underlying items – discontinued operations
Refer to Note 8 for further details.

5. Staff costs and employees

a) Staff costs

The aggregate remuneration of employees was:

£m	2025	2024 (restated[1])
Wages and salaries	**239**	236
Social security costs	**23**	20
Other pension costs	**5**	4
Share-based payments	**1**	11
Total Group – continuing operations	**268**	271
Total Group – discontinued operations	**94**	115
Total Group	**362**	386

1 Comparative periods have been restated to separately disclose results from discontinued operations (refer to Note 8 for further details)

b) Employee numbers

The monthly average total number of employees (including executive directors) was:

No. of employees	2025[1]	2024
Retailing (including retailing support functions)	**14,172**	13,867
Central support functions	**63**	54
Total Group	**14,235**	13,921

1 Employee numbers are presented for total operations. The current year employee numbers include the average for 10 months to the date of disposal of High Street and the average for 12 months to the date of disposal of Funky Pigeon

Notes to the financial statements continued

6. Finance costs

£m	2025	2024 (restated[1])
Interest payable on bank loans and overdrafts	**11**	14
Interest on convertible bonds	**15**	14
Interest on lease liabilities	**20**	20
Non-underlying finance costs	**1**	–
Total Group – continuing operations	**47**	48
Total Group – discontinued operations	**3**	4
Total Group	**50**	52

1 Comparative periods have been restated to separately disclose results from discontinued operations (refer to Note 8 for further details)

Interest on convertible bonds includes £5m (2024: £5m) coupon interest, £9m (2024: £8m) non-cash debt accretion charges and £1m (2024: £1m) fee amortisation.

7. Income tax expense

£m	2025	2024 (restated[1])
Tax on profit	**23**	31
Standard rate of UK corporation tax 25% (2024: 25%)		
Adjustment in respect of prior years	**(6)**	(1)
Total current tax expense	**17**	30
Deferred tax – current year (Note 19)	**27**	–
Deferred tax – prior year (Note 19)	**2**	(5)
Deferred tax – change in tax rates (Note 19)	**(2)**	2
Tax on profit before non-underlying items	**44**	27
Tax on non-underlying items – current tax	**(10)**	–
Tax on non-underlying items – deferred tax (Note 19)	**(8)**	(5)
Total tax on profit – continuing operations	**26**	22
Total tax on (loss)/profit – discontinued operations	**(3)**	4
Total tax on profit – total operations	**23**	26

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

Reconciliation of the taxation charge

£m	2025	2024 (restated[1])
Tax on profit at standard rate of UK corporation tax 25% (2024: 25%)	**1**	17
Tax effect of items that are not deductible or not taxable in determining taxable profit	**5**	3
Derecognition of deferred tax balances	**31**	2
Differences in overseas tax rates	**1**	3
Adjustment in respect of prior years – current tax	**(6)**	(1)
Adjustment in respect of prior years – deferred tax	**2**	(5)
Group relief for nil payment	**(6)**	–
Adjustment due to change in tax rates	**(2)**	3
Total income tax expense – continuing operations	**26**	22

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

The effective tax rate[1] from continuing operations before non-underlying items is 42 per cent (2024: 26 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% minimum rate. The rules are 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 this assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15% 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%. There is not 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.

1 Presented on a pre-IFRS 16 basis. Alternative performance measures are defined and explained in the Glossary on page 209

Notes to the financial statements continued

8. Discontinued operation

Other estimates: Measurement of contingent consideration in relation to the sale of the High Street business

The fair value of the contingent consideration receivable from the sale is subject to estimation uncertainty. Its measurement depends on assumptions about future cash flows, the probability of different performance scenarios, and discount rates. The worst-case scenario results in the Group receiving no additional consideration and in adopting a cautious approach to the measurement basis, the Group has valued the contingent consideration using this scenario. Changes in these estimates over time could have an upside impact to the valuation.

During the year, the Group disposed of the High Street business and funkypigeon.com, both of which were part of the High Street segment. These disposals are classified as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Sale of High Street business

Overview of disposal

On 28 March 2025, the Group agreed to sell its UK High Street business comprising approximately 480 stores to Modella Capital. The transaction excluded the WHSmith brand, which was retained by the Group. The High Street business represented a separate major line of business and geographical area of operations. Accordingly, the results of this business have been classified as discontinued operations in accordance with IFRS 5. The related assets and liabilities were derecognised on completion of the sale.

The sale was completed on 28 June 2025. Under the terms of the agreement, the Group received an upfront cash payment of £10m at completion, with the remainder of the proceeds comprising contingent consideration. One element of the contingent consideration entitles the Group to a share in the future cash flows generated by the divested business through to 31 August 2026, while the other is dependent on the timing and realisation of deferred tax assets within the disposed business.

The total consideration has been measured at fair value at the date of disposal. The carrying value of the net assets disposed was compared to the fair value of the total consideration receivable, net of estimated costs to sell of £27m. This comparison resulted in the recognition of an impairment of £87m, which has been allocated to the non-current assets within the disposal group and recognised within discontinued operations in the consolidated income statement.

Contingent consideration receivable

The fair value at initial recognition was determined using a discounted cash flow model, incorporating management's best estimates of future cash flows of the disposed business, timing of deferred tax realisation, probability-weighted scenarios, and a market-based discount rate. These inputs reflect management's judgement using information available at the reporting date.

The valuation involves estimation uncertainty. The Group has performed sensitivity analysis on key unobservable inputs, including variations in scenario probabilities and discount rates.

No fair value changes have been recorded in profit or loss during the period. Future changes in the fair value of the contingent consideration will be recognised in profit or loss within non-underlying items. There were no transfers between levels of the fair value hierarchy during the reporting period.

Sale of funkypigeon.com

On 14 August 2025, the Group completed the sale of its online personalised greeting cards business, funkypigeon.com Ltd, to Card Factory plc for total consideration of £25m. The associated cost of sale amounted to £3m. funkypigeon.com Ltd was reported within the High Street segment, represented a major line of business that the Group exited as part of its strategic shift to become a travel-focused retailer and has therefore been classified as a discontinued operation in accordance with IFRS 5. One of the factors in concluding that funkypigeon.com Ltd constitutes a major line of business was its inclusion within the High Street segment, which the Group has exited as part of its strategic shift to become a travel-focused retailer. Its results are presented within discontinued operations, together with those of the High Street business. The assets and liabilities of funkypigeon.com Ltd were derecognised from the Group's consolidated statement of financial position upon completion of the sale.

Notes to the financial statements continued

8. Discontinued operation continued

Financial Impact

The statutory results of the discontinued operations were as follows:

£m	2025	2024
Revenue	**358**	445
Operating expenses	**(334)**	(406)
Operating profit	**24**	39
Finance cost	**(3)**	(4)
Non-underlying items	**(137)**	(14)
(Loss)/profit before tax	**(116)**	21
Income tax credit/(expense)	**3**	(4)
(Loss)/profit for the year – discontinued operation	**(113)**	17

Non-underlying items principally include the following items:

- An impairment loss of £87m was recognised on the measurement of the High Street business at the lower of its carrying amount and fair value less costs to sell. This loss was allocated on a pro-rata basis to the non-current assets within the High Street business, resulting in no gain or loss on disposal being recognised in the Group's income statement. In addition, an impairment charge of £51m was recognised earlier in the year in relation to non-current assets, including goodwill, following an impairment review triggered by indicators of impairment in the first half of the financial year. Taken together, the total impairment of £138m recognised across non-current assets during the year comprised £57m relating to property, plant and equipment, £62m to right-of-use assets, £15m to goodwill, and £4m to other intangible assets;
- The charge further includes £6m in respect of dilapidation liabilities, £5m relating to store closure costs of High Street stores and £4m of other costs;
- The total charge to the non-underlying items outlined above amounts to £153m that is partially offset by a gain on the sale of the funkypigeon.com, amounting to £16m, resulting in the net charge of £137m in this financial year; and
- A tax credit of £nil (2023: £4m) has been recognised in relation to the above items.

The carrying amounts of assets and liabilities of the High Street business and funkypigeon.com at the point of disposal were as follows:

£m	2025
Non-current assets	**49**
Current assets	**98**
Non-current liabilities	**(111)**
Current liabilities	**(58)**
Current and deferred tax	**11**
Carrying amount of net liabilities disposed	**(11)**

9. Dividends

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

£m	2025	2024
Final dividend for the year ended 31 August 2024 of 22.6p per ordinary share	**29**	–
Interim dividend for the year ended 31 August 2025 of 11.3p per ordinary share	**14**	–
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
	43	41

The Board has proposed a final dividend of 6.0p per share, amounting to a final dividend of c.£8m, which is not included as a liability in these financial statements and, subject to shareholder approval, will be paid on 12 February 2026 to shareholders registered at the close of business on 23 January 2026.

Notes to the financial statements continued

10. Earnings per share

a) Earnings

£m	2025	2024 (restated[1])
Profit for the year before non-underlying items, attributable to equity holders of the parent – continuing operations	**51**	73
Non-underlying items, after tax (Note 4)	**(82)**	(36)
(Loss)/profit for the year, attributable to equity holders of the parent – continuing operations	**(31)**	37
(Loss)/profit for the year – discontinued operations	**(113)**	17
Total (loss)/profit for the year, attributable to equity holders of the parent	**(144)**	54

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

b) Weighted average share capital

Number (millions)	2025	2024
Weighted average ordinary shares in issue	**129**	131
Less weighted average ordinary shares held in ESOP Trust	**(2)**	(2)
Weighted average shares in issue for earnings per share	**127**	129
Add weighted average number of ordinary shares under option	**2**	2
Weighted average ordinary shares for diluted earnings per share	**129**	131

c) Basic and diluted earnings per share

Pence	2025	2024 (restated[1])
Basic earnings per share before non-underlying items – continuing operations	**40.2**	56.6
Adjustment for non-underlying items	**(64.6)**	(27.9)
Basic (loss)/earnings per share – continuing operations	**(24.4)**	28.7
Basic (loss)/earnings per share – discontinued operations	**(89.0)**	13.2
Basic (loss)/earnings per share – total operations	**(113.4)**	41.9

Pence	2025	2024 (restated[1])
Diluted earnings per share before non-underlying items – continuing operations	**39.5**	55.7
Adjustment for non-underlying items	**(63.6)**	(27.5)
Impact of antidilutive potential shares	**(0.3)**	–
Diluted (loss)/earnings per share – continuing operations	**(24.4)**	28.2
Diluted (loss)/earnings per share – discontinued operations	**(89.0)**	13.0
Diluted (loss)/earnings per share – total operations	**(113.4)**	41.2

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

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.

When the numerator in the earnings per share calculation is a loss, the weighted average number of ordinary shares applied is the basic value, rather than the diluted value, as the inclusion of potentially dilutive shares would improve the loss per share. As at 31 August 2025, the convertible bond has no dilutive effect as the inclusion of these potentially dilutive shares would improve earnings per share (2024: no dilutive effect).

The calculation of earnings per share on a pre-IFRS 16 basis is provided in the Glossary on page 209.

Notes to the financial statements continued

11. Intangible assets

Key source of estimation uncertainty: Short-term revenue growth assumptions adopted for Rest of the World and Other segment in impairment testing for indefinite-lived intangible assets, including goodwill

When an impairment test is performed, the recoverable amount is determined based on value-in-use calculations. The key assumptions that underpin the value-in-use calculations comprise revenue growth in the initial forecast period, the pre-tax discount rate and the long-term growth rate. For the Rest of the World and Other operating segment, reasonably possible changes to revenue growth assumptions may result in the recoverable amount being equal to the carrying value. Refer to information set out below for further detail, including sensitivity analysis.

Goodwill of US$52m (£38m) (2024: US$58m/£44m) relating to the acquisition of the InMotion Entertainment Group of companies in 2018 is expected to be deductible for tax purposes in the future.

The carrying value of goodwill is allocated to the segmental businesses as follows:

£m	2025	2024
UK	**256**	262
North America	**115**	117
Rest of the World and Other	**31**	32
Group – continuing operations	**402**	411
High Street	**–**	15
Group – total operations	**402**	426

Included within Tenancy rights are certain assets that are considered to have an indefinite life of £4m (2024: £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.

£m	Goodwill	Brands and franchise contracts	Tenancy rights	Software	Total
Cost					
At 1 September 2024	**426**	**44**	**12**	**144**	**626**
Additions	**–**	**–**	**–**	**7**	**7**
Disposals	**–**	**–**	**–**	**(1)**	**(1)**
Disposals of businesses	**(15)**	**–**	**(1)**	**(92)**	**(108)**
Foreign exchange	**(9)**	**(1)**	**–**	**–**	**(10)**
At 31 August 2025	**402**	**43**	**11**	**58**	**514**
Accumulated amortisation					
At 1 September 2024	**–**	**16**	**8**	**112**	**136**
Amortisation charge	**–**	**3**	**–**	**10**	**13**
Impairment charge	**15**	**–**	**–**	**4**	**19**
Disposals	**–**	**–**	**–**	**(1)**	**(1)**
Disposals of businesses	**(15)**	**–**	**(1)**	**(83)**	**(99)**
Foreign exchange	**–**	**(1)**	**–**	**–**	**(1)**
At 31 August 2025	**–**	**18**	**7**	**42**	**67**
Net book value at 31 August 2025	**402**	**25**	**4**	**16**	**447**

Notes to the financial statements continued

11. Intangible assets continued

£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

Impairment of goodwill and other indefinite lived intangible assets
The Group tests goodwill and other indefinite-lived intangible assets, including tenancy rights, for impairment annually or where there is an indication that goodwill might be impaired. Other intangible assets, including acquired brand and software, have been assessed for indicators of impairment during the year.

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.

Goodwill and acquired brands have been tested for impairment by comparing the carrying amount of each group of CGUs (considered to be the Group's three continuing operating segments), 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, "the initial forecast period".

Cash flows beyond the initial forecast period are extrapolated for up to two further years using estimated mid-term growth rates, and then into perpetuity using estimated long-term growth rates.

The key assumptions that underpin the value-in-use calculations comprise revenue growth in the initial forecast period, the pre-tax discount rate and the long-term growth rate.

Revenue growth assumptions over the initial forecast period (and other non-key assumptions, including gross margin and cost inflation) are expected to exceed long-term growth rate assumptions and were determined based on management's best estimates of market conditions and future achievable growth, giving consideration to the extrapolation of historical trends within the Group and external information on expected future trends.

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 12.6 per cent (2024: 10.7 per cent).

Notes to the financial statements continued

11. Intangible assets continued

The long-term growth rate assumption is two per cent (2024: two per cent for the Travel businesses), having considered a variety of external and industry data points.

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 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 for these segments (2024: £nil).

Management has considered a range of sensitivities for these segments in applying reasonably possible changes to each of the key assumptions. Reasonably possible changes to the long-term growth rate and discount rate, individually and in combination, do not result in the recoverable amount reducing below the carrying value.

Reasonably possible changes to revenue growth, in isolation or combined with reasonably possible changes to other assumptions, could result in the recoverable amount reducing below the carrying value for the Rest of World and Other segment. The recoverable amount currently exceeds the carrying value by £36m for this segment, but would be equal, if, in isolation, with approximately one third of the impact mitigated by lower variable costs, revenues were to miss forecasts in each year of the initial forecast period and the terminal value year by two per cent, or if headline EBITDA were to miss forecasts by 13 per cent. In the UK and North America segments, the recoverable amount would be equal to the carrying value if revenues were to miss forecasts by 15 per cent and seven per cent respectively, which is not considered reasonably possible.

Furthermore, outputs of the quantitative climate change scenario analysis as described on pages 52 to 62 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.

Impairment of goodwill and other intangibles – discontinued operations
At the interim reporting period, following a period of challenging trading conditions, a strategic review of the High Street business was undertaken and, as a result, an impairment review of the goodwill associated with the High Street business was performed. The recoverable amount was calculated using value-in-use calculations of all CGUs that make up the High Street segment, based on management's assumptions regarding likely future trading performance. This was compared to the carrying value of all CGUs, including goodwill, as at 28 February 2025. As a result of this exercise, a non-cash charge of £15m (2024: £nil) was recorded within non-underlying items for impairment of goodwill. Impairment to software assets of £4m (2024: £4m) has been recorded within discontinued operations during the year as a result of the Board-approved transformation programmes.

Notes to the financial statements continued

12. Property, plant and equipment

Critical accounting judgement: Store impairment reviews

Property, plant and equipment and right-of-use assets with definite useful lives at a store level are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. For impairment testing purposes, the Group has determined that each store is a separate cash-generating unit ('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 determination of indicators requires judgement. Such indicators may include, but are not limited to: loss-making stores; planned store closures; stores that are marginally profitable but with a significant asset base; and stores that have experienced a significant deterioration in performance in the year.

	Land and buildings				
£m	Freehold properties	Leasehold improvements	Fixtures and fittings	Equipment and vehicles	Total
Cost or valuation:					
At 1 September 2024	18	433	295	152	898
Additions	1	32	39	24	96
Disposals	–	(1)	(1)	(2)	(4)
Disposals of businesses	(19)	(193)	(120)	(66)	(398)
Foreign exchange	–	(4)	(2)	–	(6)
At 31 August 2025	–	267	211	108	586
Accumulated depreciation:					
At 1 September 2024	10	282	179	111	582
Depreciation charge	–	24	12	15	51
Impairment charge	5	42	27	7	81
Disposals	–	(1)	(1)	–	(2)
Disposals of businesses	(15)	(188)	(112)	(62)	(377)
Foreign exchange	–	(2)	(1)	–	(3)
At 31 August 2025	–	157	104	71	332
Net book value at 31 August 2025	–	110	107	37	254

Notes to the financial statements continued

12. Property, plant and equipment continued

£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

Impairment of store-based property, plant and equipment and right-of-use assets
For impairment testing purposes, the Group has determined that each store is a separate cash-generating unit ("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. Grouping is limited to stores at the same airport and with the same landlord, being the level at which decisions are made regarding the continuing or disposing of store operations.

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 in a consistent manner with and underpinned by the same key assumptions as those described in note 11 for the goodwill impairment assessment. Cash flows have been included for the remaining lease life for the specific store.

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.

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. The Group has recognised an impairment charge of £81m (2024: £15m) to property, plant and equipment and £91m (2024: £10m) to right-of-use assets.

Of the total impairment of property, plant and equipment and right-of-use assets described above, £5m (2024: £2m) is attributable to the UK operating segment, £32m (2024: £10m) to North America, £16m (2024: £9m exclusive of a £1m impairment of intangible assets) to Rest of World and Other and £119m to the High Street business, described further in Note 8. Impairment charges in the North America and Rest of World and Other operating segments have principally arisen due to a lower trading outlook in certain individual stores across these regions.

Notes to the financial statements continued

12. Property, plant and equipment continued

Of the total impairment, £17m in North America relates to a full impairment of one grouping of stores at Los Angeles airport, in-part from localised labour cost pressures, of which £10m is attributable to property, plant and equipment and £7m is attributable 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. Assets have been impaired where their use is planned to be discontinued as a result of these programmes.

Management has considered a range of sensitivities in applying reasonably possible changes to each of the key assumptions, both individually and in combination. The sensitivities include increases in the discount rate by one per cent, and a reduction in expected future cash flows of one 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 209.

13. Right-of-use assets

£m	Land and buildings	Equipment	Total
At 1 September 2024	**503**	**2**	**505**
Additions	**74**	**1**	**75**
Modifications and remeasurements	**1**	**–**	**1**
Disposals	**(3)**	**–**	**(3)**
Disposals of businesses	**(21)**	**(1)**	**(22)**
Depreciation charge	**(98)**	**–**	**(98)**
Impairment charge	**(90)**	**(1)**	**(91)**
Net book value at 31 August 2025	**366**	**1**	**367**

£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

Information on the Group's leasing activities is included in Note 17, Lease liabilities.

Impairment of right-of-use assets
Right-of-use assets of £91m (2024: £10m) have been impaired in the year. This impairment charge has been presented in non-underlying items (see Note 4 and Note 8). The approach to impairment testing and results are described in detail in Note 12, Property, plant and equipment.

Notes to the financial statements continued

14. Trade and other receivables

£m	2025	2024 (restated[1])
Current receivables		
Trade receivables	**55**	66
Other receivables[2]	**7**	10
Prepayments	**17**	17
Accrued income	**23**	33
	102	126
Non-current receivables		
Other receivables[2]	**18**	19
Prepayments	**7**	5
Total trade and other receivables	**127**	150

1 Comparative periods have been restated: i) to correct the accelerated supplier income recognition in the North America division (refer to Note 1b for further details); and ii) for consistency with the current period to reclassify certain receivables from Trade receivables to Other receivables and from current to non-current

2 Other receivables include £17m (2024: £15m) due from non-controlling interest equity shareholders in certain of the Group's US subsidiaries that relate to contributions owed towards property, plant and equipment construction for stores and are received in accordance with the cash requirements of the subsidiary

Included in trade and other receivables are amounts related to supplier arrangements. See Note 16 for details.

The ageing of the Group's trade and other receivables is as follows:

£m	2025	2024
Trade and other receivables gross	**91**	100
Expected credit losses	**(11)**	(5)
Trade and other receivables net	**80**	95
Of which:		
– Amounts neither impaired nor past due on the reporting date	**64**	71
Amounts past due but not impaired:		
– Less than one month old	**4**	17
– Between one and three months old	**5**	3
– Between three and six months old	**3**	3
– Between six months and one year old	**4**	1
Trade and other receivables net carrying amount	**80**	95

An allowance has been made for lifetime expected credit losses from receivables at 31 August 2025 of £11m (2024: £5m). 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.

Notes to the financial statements continued

14. Trade and other receivables continued

Ageing analysis of bad and doubtful debt provisions:

£m	2025	2024
Amounts not past due but impaired	**4**	–
Less than one month old	**–**	–
Between one and three months old	**–**	–
Between three and six months old	**–**	1
Between six months and one year old	**3**	4
Over one year overdue	**4**	–
	11	5

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.

15. Trade and other payables

£m	2025	2024 (restated[1])
Trade payables	**102**	153
Other tax and social security	**25**	34
Other payables	**77**	83
Accruals	**92**	69
Deferred income	**22**	22
	318	361

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 55 days (2024: 59 days). The directors consider that the carrying amount of trade and other payables approximates their fair value.

Trade payables are stated net of amounts receivable from suppliers in relation to supplier income. See Note 16 for details.

16. Supplier income

Other estimates: Supplier income

Management is required to make estimates in determining the amount and timing of recognition of supplier income for some transactions with suppliers. In determining the amount of volume-related allowances recognised in any period, management estimates the probability that the Group will meet contractual target volumes, based on historical and forecast performance. The Group considers that while there is inherent estimation, which has contributed towards the accelerated recognition of supplier income and associated restatement of prior period financial information in the North America division, there is limited risk of a material change in the amounts recognised or disclosed in the next financial year. This in-part reflects a high volume of low-value contracts with suppliers, with varying terms of agreement.

Management considers the best indicator of the estimation undertaken is by reference to supplier income balances not settled at the balance sheet date and has therefore provided additional disclosures of supplier income amounts reflected in the Group balance sheet.

Amounts related to supplier income held on the Balance Sheet are as follows:

£m	2025	2024 (restated[1])
Within inventories	**(8)**	(9)
Within trade and other receivables		
Trade receivables	**44**	55
Accrued income	**23**	33
Within trade and other payables		
Trade payables[2]	**14**	7
Deferred income	**(20)**	(15)

1 Comparative periods have been restated to correct the accelerated supplier income recognition in the North America division (refer to Note 1b for further details)

2 Trade payables is stated net of £14m (2024: £7m) 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

Notes to the financial statements continued

17. Lease liabilities

Critical accounting judgement: 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.

Critical accounting judgement: 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 includes consideration of the length of time remaining before the option is exercisable, performance of the individual store and the trading forecasts.

£m	Land and buildings	Equipment	Total
At 1 September 2024	**625**	**1**	**626**
Additions	**74**	**1**	**75**
Modifications and remeasurements	**(2)**	**–**	**(2)**
Disposals	**(3)**	**–**	**(3)**
Disposals of businesses	**(96)**	**(1)**	**(97)**
Interest	**23**	**–**	**23**
Payments	**(136)**	**–**	**(136)**
Effect of movements in foreign exchange rates	**(2)**	**–**	**(2)**
At 31 August 2025	**483**	**1**	**484**

£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	2025	2024
Analysis of total lease liabilities:		
Non-current	**394**	501
Current	**90**	125
Total	**484**	626

The Group leases land and buildings for its retail stores, distribution centres, storage locations and office property. 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 assesses 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. The Group's average remaining lease term is five years.

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.

Notes to the financial statements continued

17. Lease liabilities continued

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 13. Interest expense incurred on lease liabilities is presented in Note 6. The maturity of undiscounted future lease liabilities are set out in Note 23.

Cash outflows for leases related to the Group's continuing operations in the financial year was £156m (2024: £134m). This includes cash outflow for short-term leases of £14m (2024: £11m) and variable lease payments (not included in the measurement of lease liability) of £40m (2024: £32m).

18. Provisions

£m	Property provisions	Other provisions	Total
At 1 September 2024	**15**	**2**	**17**
Charge in the year	**9**	**–**	**9**
Released in the year	**(3)**	**–**	**(3)**
Utilised in year	**(8)**	**–**	**(8)**
Unwinding of discount	**1**	**–**	**1**
Reclassifications to creditors	**(3)**	**–**	**(3)**
Disposals of businesses	**(10)**	**(2)**	**(12)**
At 31 August 2025	**1**	**–**	**1**

£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

Total provisions are split between current and non-current liabilities as follows:

£m	2025	2024
Included in current liabilities	**1**	4
Included in non-current liabilities	**–**	13
	1	17

Property provisions principally relate to reinstatement liabilities for stores and certain onerous property contracts. 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.

Notes to the financial statements continued

19. 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	(Charged)/ credited to income[2]	Charged to equity	Disposals of businesses	Closing balance 31 August
Accelerated tax depreciation	**(10)**	**–**	**(3)**	**–**	**(7)**	**(20)**
IFRS 16 transitional adjustment	**3**	**–**	**(1)**	**–**	**(2)**	**–**
Share-based payments	**6**	**–**	**(6)**	**–**	**–**	**–**
Intangible assets	**(13)**	**–**	**(1)**	**–**	**–**	**(14)**
Losses carried forward	**14**	**2**	**(9)**	**–**	**(2)**	**5**
Unutilised interest expense	**14**	**–**	**(5)**	**–**	**–**	**9**
Other temporary differences	**23**	**–**	**6**	**–**	**–**	**29**
Year ended 31 August 2025	**37**	**2**	**(19)**	**–**	**(11)**	**9**
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[1]	32	(2)	(16)	–	–	14
Unutilised interest expense	8	–	6	–	–	14
Other temporary differences	19	–	4	–	–	23
Year ended 31 August 2024	45	(2)	(5)	(1)	–	37

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

2 Includes £2m credit to income (2024: £15m charge to income) in relation to discontinued operations

£m	2025	2024
Capital losses	**5**	81
Trading losses	**125**	48
	130	129

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.

Notes to the financial statements continued

19. Deferred tax continued

At 31 August 2025, deferred tax assets have been recognised in respect of tax losses and US unutilised interest expense. The deferred tax assets on losses of £26m (2024: £60m) 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 amounting to £130m (2024: £129m) and US unutilised interest expense amounting to £53m (2024: £23m) 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 £29m (2024: £31m), with an offsetting deferred tax liability of £34m (2024: £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	2025	2024 (restated[1])
Deferred tax liabilities (non-current liabilities)	**(7)**	–
Deferred tax assets	**16**	37
	9	37

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details)

20. Analysis of net debt

Movements in net debt can be analysed as follows:

£m	Convertible bonds	Revolving credit facility	Leases	Sub-total liabilities from financing activities	Cash and cash equivalents	Net debt
At 1 September 2024	**(310)**	**(117)**	**(626)**	**(1,053)**	**56**	**(997)**
Business disposals	**–**	**–**	**97**	**97**	**–**	**97**
Bond accretion and fee amortisation	**(10)**	**–**	**–**	**(10)**	**–**	**(10)**
Lease additions, disposals, modifications and interest	**–**	**–**	**(93)**	**(93)**	**–**	**(93)**
Cash movements	**–**	**(24)**	**136**	**112**	**15**	**127**
Currency translation	**–**	**–**	**2**	**2**	**–**	**2**
At 31 August 2025	**(320)**	**(141)**	**(484)**	**(945)**	**71**	**(874)**

£m	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, disposals, 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)

Notes to the financial statements continued

20. Analysis of net debt

An explanation of alternative performance measures, including net debt on a pre-IFRS 16 basis, is provided in the Glossary on page 209.

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, measurements and interest in the year. Cash movements on leases include principal repayments of £116m (2024: £112m) and interest paid of £20m (2024: £24m).

Revolving credit facilities

The Group has a £400m committed revolving credit facility ("RCF"). The last extension option was exercised during the year, taking the maturity to 13 June 2030.

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 2025, the Group has drawn down £141m on the RCF (2024: £117m).

Transaction costs of £5m relating to the RCF have been capitalised and are amortised to the Income statement on a straight-line basis.

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 2025 was £23.3660 (2024: £24.3104). 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 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.

New financing in the year

During the year, the Group announced new financing arrangements to diversify the Group's sources of debt financing and to extend the Group's debt maturity profile in advance of the convertible bond maturing on 7 May 2026.

Term loans

The Group entered into a three-year £120m committed term loan. The term loan has two uncommitted extension options of one year, which would, subject to lender approval, extend the maturity date to 24 March 2030.

The term loan is provided by a syndicate of banks: Fifth Third Bank National Association, HSBC UK Bank PLC, Banco Santander SA London Branch and Skandinaviska Enskilda Banken AB (PUBL). Utilisation is interest bearing at a margin over SONIA. As at 31 August 2025, the term loan is undrawn.

Transaction costs of £1m relating to the term loan have been capitalised and are amortised to Income statement on a straight-line basis.

US private placements

The Group entered into £200m of committed US private placement notes ("USPP") which have a tenor of seven, ten and 12 years.

Utilisation is interest bearing at a fixed rate. As at 31 August 2025, the USPP notes are undrawn.

Transaction costs of £1m relating to the USPP have been capitalised and are amortised to Income statement on a straight-line basis.

Backstop facility

In November 2025, the Group entered into a £200m syndicated 12-month term loan. The loan has two extension options, which would, if exercised, extend the maturity date to 31 August 2027. The syndicated loan is undrawn.

Notes to the financial statements continued

20. Analysis of net debt continued

The facility is provided by a syndicate of banks: PNC Capital Markets LLC, J.P. Morgan Securities PLC, BNP Paribas, London Branch and Skandinaviska Enskilda Banken AB (PUBL).

Further information regarding the Group's borrowings and revolving credit facilities is provided in Note 23.

21. Contingent liabilities and capital commitments

£m	2025	2024
Bank guarantees and guarantees in respect of lease agreements	**76**	71

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 £66m (2024: £62m).

£m	2025	2024 (restated[1])
Commitments in respect of property, plant and equipment	**65**	60
Commitments in respect of other intangible assets	**1**	2
	66	62

1 Comparative periods have been restated to correct the previously reported commitments

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 buyout 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 2025, with the probability of an outflow considered possible, rather than probable.

22. Cash generated from continuing operations

£m	2025	2024 (restated[1])
Group operating profit – continuing operations	**49**	113
Depreciation of property, plant and equipment	**45**	38
Impairment of property, plant and equipment	**24**	11
Amortisation of intangible assets	**9**	9
Impairment of intangible assets	**–**	1
Depreciation of right-of-use assets	**80**	80
Impairment of right-of-use assets	**29**	10
Non-cash change in lease liabilities	**–**	(3)
Non-cash movement in pensions	**–**	1
Share-based payments	**3**	9
Gain on remeasurement of leases	**(1)**	(4)
Other non-cash items (incl. foreign exchange)	**(1)**	1
Increase in inventories	**(22)**	(13)
Decrease/(increase) in receivables	**9**	(22)
Increase in payables	**33**	17
Receipt of retirement benefit surplus	**75**	–
Movement on provisions (through utilisation or income statement)	**(2)**	1
Cash generated from continuing operations	**330**	249

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details), to re-present settlement receipts for swap contracts as investing activities (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

Notes to the financial statements continued

23. Financial instruments

Categories of financial instruments:

£m	Carrying value 2025	2024 (restated[1])
Financial assets		
Non-current investments at fair value through profit or loss	**4**	–
Receivables at amortised cost[2]	**103**	128
Cash and cash equivalents	**71**	56
Financial liabilities		
Amortised cost[3]	**(1,216)**	(1,358)

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)
2 Included within receivables held at amortised cost are trade and other receivables (excluding prepayments)
3 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 £320m (2024: £310m). The fair value of the convertible bond has been estimated at £320m (2024: £303m) 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 20 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 issued £327m of guaranteed senior unsecured convertible bonds due in May 2026. 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 2025 is £23.3660 (2024: £24.3104).

Notes to the financial statements continued

23. Financial instruments continued

Capital risk continued

If not previously converted, redeemed or purchased and cancelled, the Bonds will be redeemed at par on 7 May 2026.

The Group has in place a £400m committed multi-currency revolving credit facility and during the year, the Group entered into a £120m term loan as well as £200m of US private placement notes ("USPP") which have a tenor of seven, ten or 12 years. The new financing arrangements are to diversify the Group's sources of debt financing and to extend the Group's debt maturity profile in advance of the convertible bond maturity.

In November 2025, the Group entered into a £200m syndicated 12-month term loan. The loan has two extension options, which would, if exercised, extend the maturity date to 31 August 2027. The facility is provided by a syndicate of banks: PNC Capital Markets LLC, J.P. Morgan Securities PLC, BNP Paribas, London Branch and Skandinaviska Enskilda Banken AB (PUBL).

The majority of the Group's debt facilities have covenants, tested half-yearly, which are based on fixed charges cover and leverage.

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 2030. 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.

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows of the Group's financial liabilities:

2025 (£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	**473**	**–**	**–**	**–**	**473**
Trade and other payables	**271**	**–**	**–**	**–**	**271**
Lease liabilities	**108**	**100**	**202**	**151**	**561**
Total cash flows	**852**	**100**	**202**	**151**	**1,305**

2024 restated[1] (£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[1]	305	–	–	–	305
Lease liabilities	146	123	273	186	728
Total cash flows	573	454	273	186	1,486

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details)

Notes to the financial statements continued

23. Financial instruments continued

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 90 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 credit ratings.

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 products.

At 31 August 2025, the Group had drawn down £141m (2024: £117m) from its £400m committed revolving credit facility. When the Group draws on this facility, it does not view any drawdown 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.

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 sales in Euros and to minimise foreign exchange risk in movements of the USD/GBP and EUR/GBP exchange rates. These are designated as cash flow hedges. At 31 August 2025 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 £nil (2024: £nil).

At 31 August 2025, the total notional amount of outstanding forward foreign exchange contracts to which the Group has committed is US$9m (2024: US$30m) and EUR23m (2024: EUR23m). These instruments will be used to hedge cash flows occurring up to one year from the balance sheet date.

Notes to the financial statements continued

23. Financial instruments continued

Gains of £nil (2024: £nil) have been transferred to the income statement and gains of £nil (2024: £nil) have been transferred to inventories in respect of contracts that matured during the year ended 31 August 2025. In the year to 31 August 2025, the fair value loss on the Group's currency derivatives that are designated and effective as cash flow hedges amounted to £nil (2024: £nil).

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 2025

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 1.3497/1 (2024: 1.3167/1), EUR/GBP 1.1570/1 (2024: 1.1887/1) and AUD/GBP 2.0653/1 (2024: 1.9352/1).
- Group debt and hedging activities reflect the positions at 31 August 2025 and 31 August 2024 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.

	2025		2024 (restated[1])	
£m	**Income (loss)/gain**	**Equity (loss)/gain**	Income (loss)/gain	Equity (loss)/gain
GBP SONIA/base rate interest rates 1bp increase	**(1)**	**–**	(1)	–
USD/GBP exchange rates 10% increase	**3**	**(13)**	(1)	(34)
EUR/GBP exchange rates 10% increase	**(1)**	**–**	(1)	–
AUD/GBP exchange rates 10% increase	**–**	**(1)**	–	(1)
GBP SONIA/base rate interest rates 1bp decrease	**1**	**–**	1	–
USD/GBP exchange rates 10% decrease	**(4)**	**15**	1	46
EUR/GBP exchange rates 10% decrease	**2**	**(4)**	1	(3)
AUD/GBP exchange rates 10% decrease	**–**	**1**	–	1

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

Notes to the financial statements continued

24. Called up share capital

Allotted and fully paid

Ordinary shares of 22⁶⁄₆₇p	Number of shares (millions)	Nominal value £m
At 1 September 2024	**131**	**29**
Purchase of own shares for cancellation	**(5)**	**(1)**
At 31 August 2025	**126**	**28**
At 1 September 2023 and at 31 August 2024	131	29

There was no effect on share premium from current or prior year allotment of ordinary shares.

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 £25m (2024: £27m) 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 1,758,319 (2024: 1,892,970).

25. 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 2024	**320,316**	**4,357,587**	**707,585**	**42,233**	**5,427,721**
Options and awards granted	**–**	**1,719,025**	**374,417**	**–**	**2,093,442**
Options and awards exercised	**(4,481)**	**–**	**(107,801)**	**(4,455)**	**(116,737)**
Options and awards lapsed/cancelled	**(195,699)**	**(987,832)**	**(158,302)**	**–**	**(1,341,833)**
Outstanding at 31 August 2025	**120,136**	**5,088,780**	**815,899**	**37,778**	**6,062,593**
Exercisable at 31 August 2025	**90**	**10,764**	**65,688**	**841**	**77,383**
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

Notes to the financial statements continued

25. Share-based payments continued

Summary of movements in awards and options continued

Pence	2025	2024
Weighted average exercise price of awards:		
– Outstanding at the beginning of the year	**80.17**	134.87
– Exercised in the year	**53.74**	–
– Lapsed in the year	**200.93**	169.29
– Outstanding at the end of the year	**26.27**	80.17
– Exercisable at the end of the year	**1.63**	1,027.94

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	2025	2024	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	**697,620**	653,125	Nil	Nov 2025 – 19.11.30
19 November 2021	**717,748**	946,424	Nil	Nov 2026 – 19.11.31
21 November 2022	**1,089,173**	1,132,460	Nil	Nov 2027 – 21.11.32
27 April 2023	**49,579**	50,996	Nil	Nov 2027 – 21.11.32
14 September 2023	**–**	179,640	Nil	Nov 2028 – 21.11.32
16 November 2023	**1,150,707**	1,347,425	Nil	Nov 2028 – 16.11.33
1 February 2024	**36,753**	36,753	Nil	Nov 2028 – 16.11.33
12 September 2024	**9,003**	–	Nil	Nov 2028 – 16.11.33
21 November 2024 (a)	**643,227**	–	Nil	Nov 2027 – 21.11.32
21 November 2024 (b)	**684,206**	–	Nil	Nov 2029 – 21.11.34
	5,088,780	4,357,587		

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 may be 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 between November 2018 and September 2024, the holding period applies to 100 per cent of any shares that vest. For awards made in November 2024, the holding period applies only to those shares awarded to the executive directors and certain other senior executives (shown in the table above as 21 November 2024 (b)). The awards will accrue dividends paid over the performance and any holding period. LTIP awards are equity-settled.

Notes to the financial statements continued

25. Share-based payments continued

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 are as follows:

	Number of shares			
Date of grant	**2025**	2024	Exercise price (pence)	Exercise period
9 June 2021 (3 year)	**90**	141,665	1,400.00	01.08.24 – 31.01.25
14 June 2023 (3 year)	**120,046**	178,651	1,325.60	01.08.26 – 31.01.27
	120,136	320,316		

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.

Outstanding awards granted under the PSP are as follows:

	Number of shares			
Date of grant	**2025**	2024	Exercise price (pence)	Exercise period
23 October 2014	**–**	870	Nil	Oct 2017 – 23.10.24
20 October 2016	**2,715**	3,039	Nil	Oct 2019 – 20.10.26
19 November 2020	**26,051**	36,603	Nil	Nov 2021 – 19.11.30
19 November 2021	**36,922**	136,860	Nil	Nov 2024 – 19.11.31
21 November 2022	**199,481**	217,793	Nil	Nov 2025 – 21.11.32
16 November 2023	**261,450**	312,420	Nil	Nov 2026 – 16.11.33
21 November 2024	**289,280**	–	Nil	Nov 2027 – 21.11.34
	815,899	707,585		

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 2025, 123,513 (2024: 117,516) 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 2025 there were 37,778 outstanding nil-cost cash-settled awards (2024: 42,233), 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 (2024: less than £1m).

Notes to the financial statements continued

25. Share-based payments continued

Fair value information

	2025	2024
Weighted average share price at date of exercise of share options exercised during year – pence	**1,209.89**	1,299.63
Weighted average remaining contractual life at end of year – years	**7**	8

Share options and awards granted

The aggregate of the estimated fair value of the options and awards granted in the year is:

£m	2025	2024
	19	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:

	2025	2024
Share price – pence	**1,241.00**	1,287.00
Exercise price – pence	**Nil**	Nil
Expected volatility – per cent	**33**	35–36
Expected life – years	**3.0-5.0**	3.0
Risk-free rate – per cent	**4.14**	4.15–4.19
Dividend yield – per cent	**0%-2.71%**	0%–2.25%
Weighted average fair value of options – pence	**995.15**	972.74

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected life of the option.

26. 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 96 to 119.

£000	2025	2024
Short-term employee benefits	**1,896**	3,315
Post-employment benefits	**26**	33
Share-based payments	**644**	1,907
	2,566	5,255

There are no other transactions with directors.

Notes to the financial statements continued

27. Other reserves

£m	Other reserves	Revaluation reserve	ESOP reserve	Convertible bond reserve	Total
Balance as at 1 September 2024	**(283)**	**2**	**(27)**	**40**	**(268)**
Employee share schemes	**(2)**	**–**	**2**	**–**	**–**
Disposal of businesses	**14**	**–**	**–**	**–**	**14**
Balance at 31 August 2025	**(271)**	**2**	**(25)**	**40**	**(254)**

	Other reserves	Revaluation reserve	ESOP reserve	Convertible bond reserve	Total
Balance as at 1 September 2023	(282)	2	(15)	40	(255)
Employee share schemes	(1)	–	(12)	–	(13)
Balance at 31 August 2024	(283)	2	(27)	40	(268)

The Other reserves at 31 August 2025 include reserves created in relation to historical capital reorganisation and proforma restatement of £(238)m (2024: £(238) m), demerger from Smiths News PLC in 2006 of £69m (2024: £69m) and cumulative amounts relating to employee share schemes of £(102)m (2024: £(114)m).

The convertible bond reserve is a reserve created to recognise the equity component of the convertible bond issued in April 2021 (see Note 20) 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 £14m (2024: £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.

28. 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 one defined benefit scheme, the United News Shops Retirement Benefits Scheme, and a defined contribution scheme, WH Smith Retirement Savings Plan. The Group also previously operated the WHSmith Pension Trust defined benefit scheme.

a) Defined benefit pension schemes

i) United News Shops Retirement Benefit Scheme

The United News Shops Retirement Benefits Scheme ("UNSRBS") 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 2024 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	2025	2024
Present value of the obligations	**(5)**	(5)
Fair value of plan assets	**6**	5
Retirement benefit surplus recognised in the balance sheet	**1**	–

ii) The WHSmith Pension Trust

The WHSmith Pension Trust Final Salary Section was 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.

Notes to the financial statements continued

28. Retirement benefit surplus continued

Accordingly, 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 was recognised through other comprehensive income in the year ended 31 August 2024.

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 (partly converted to cash in 2025) following finalisation of the buyout 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.

b) Defined contribution pension scheme

The pension cost charged to income for the Group's defined contribution schemes amounted to £6m for the year ended 31 August 2025 (2024: £7m) of which £5m (2024: £4m) related to continuing operations.

29. Events after the balance sheet date

The FCA has commenced an investigation into the Company in respect of its compliance with UK Listing Principles and Rules and the Disclosure and Transparency Rules in relation to the matters announced by the Company on 19 November 2025.

Notes to the financial statements continued

30. Subsidiary companies

The subsidiary companies included within the financial statements are disclosed below.

UK subsidiaries

Name	Country of incorporation/ registration	Registered address[1]	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:					
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 1955 Limited	England & Wales	1	Ordinary	100	Holding Company
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 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

1 Registered address details are set out on page 203

Notes to the financial statements continued

30. Subsidiary companies continued

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 2025.

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:	
WH Smith 1955 Limited	00549069
WH Smith Hospitals Holdings Limited	03806896
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 144, 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[1]	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

1 Registered address details are set out on page 203

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 144, the Group has determined that it has control of these entities and has therefore consolidated their results.

Notes to the financial statements continued

30. Subsidiary companies continued

Name	Country of incorporation/ registration	Registered address[1]	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 Germany GmbH	Germany	5	Ordinary	100	Retailing
WH Smith Hungary KFT	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 LLC	Qatar	9	Ordinary	49	Retailing
WH Smith Nederland B.V.	Netherlands	12	Ordinary	100	Retailing
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
WHSmith North America Inc	USA	16	Ordinary	100	Holding Company
InMotion Entertainment Holdings LLC	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
InMotion – SB DC, LLC	USA	16	Ordinary	75	Retailing

1 Registered address details are set out on page 203

Notes to the financial statements continued

30. Subsidiary companies continued

Name	Country of incorporation/ registration	Registered address[1]	Class of shares	Proportion of shares held by Group companies %	Principal activity
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 Philadelphia, LLC	USA	16	Ordinary	70	Dormant
Soundbalance ATL-E, LLC	USA	16	Ordinary	67	Retailing
InMotion ATL, LLC	USA	16	Ordinary	80	Retailing
InMotion ATL-A, LLC	USA	16	Ordinary	64	Retailing

1 Registered address details are set out on page 203

Notes to the financial statements continued

30. Subsidiary companies continued

Name	Country of incorporation/ registration	Registered address[1]	Class of shares	Proportion of shares held by Group companies %	Principal activity
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
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

1 Registered address details are set out on page 203

Notes to the financial statements continued

30. Subsidiary companies continued

Name	Country of incorporation/ registration	Registered address[1]	Class of shares	Proportion of shares held by Group companies %	Principal activity
MRG Portland, LLC	USA	16	Ordinary	75	Retailing
MRG Phoenix 1, LLC	USA	16	Ordinary	65	Retailing
MRG Phoenix II, LL	USA	16	Ordinary	65	Retailing
MRG Newark, LLC	USA	16	Ordinary	74	Retailing
MRG Newark II, 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 T1, LLC	USA	16	Ordinary	80	Retailing
MRG San Francisco T2, LLC	USA	16	Ordinary	85	Retailing
MRG San Francisco T3, 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) 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
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 York, LLC	USA	16	Ordinary	80	Retailing
InMotion Pittsburgh, LLC	USA	16	Ordinary	90	Retailing

1 Registered address details are set out on page 203

Notes to the financial statements continued

30. Subsidiary companies continued

Name	Country of incorporation/ registration	Registered address[1]	Class of shares	Proportion of shares held by Group companies %	Principal activity
WH Smith Travel (Jersey) Ltd	Jersey	8	Ordinary	100	Retailing
WH Smith DCA, LLC	USA	16	Ordinary	75	Retailing
WH Smith Arabia LLC	Saudi Arabia	22	Ordinary	100	Retailing
WH Smith Denmark APS	Denmark	23	Ordinary	100	Retailing
WH Smith Travel SAS	France	4	Ordinary	100	Retailing
IMEG Denver, LLC	USA	16	Ordinary	72	Retailing
MRG Albuquerque LLC	USA	16	Ordinary	60	Retailing
MRG Atlantic City, LLC	USA	16	Ordinary	100	Retailing
MRG Burbank, LLC	USA	16	Ordinary	75	Retailing
MRG Dallas Fort Worth LLC	USA	16	Ordinary	65	Retailing
MRG Dallas Fort Worth II LLC	USA	16	Ordinary	60	Retailing
MRG Detroit, LLC	USA	16	Ordinary	70	Retailing
MRG Detroit II, LLC	USA	16	Ordinary	70	Retailing
MRG Denver V, LLC	USA	16	Ordinary	67	Retailing
MRG Denver IV, LLC	USA	16	Ordinary	75	Retailing
MRG Dulles, LLC	USA	16	Ordinary	65	Retailing
MRG Las Vegas IV, LLC	USA	16	Ordinary	49	Retailing
MRG Las Vegas V, LLC	USA	16	Ordinary	85	Retailing
MRG Las Vegas VII, LLC	USA	16	Ordinary	100	Retailing
MRG Nashville III, LLC	USA	16	Ordinary	80	Retailing
MRG New York T1, LLC	USA	16	Ordinary	65	Retailing
MRG Orlando II, LLC	USA	16	Ordinary	70	Retailing
MRG Philadelphia II, LLC	USA	16	Ordinary	65	Retailing
MRG RDU T1, LLC	USA	16	Ordinary	75	Retailing
MRG Las Vegas III, LLC	USA	16	Ordinary	90	Retailing
MRG Baltimore II, LLC	USA	16	Ordinary	70	Retailing
MRG Salt Lake, LLC	USA	16	Ordinary	80	Retailing
Natalie's MRG, LLC	USA	16	Ordinary	49	Retailing

1 Registered address details are set out on page 203

Notes to the financial statements continued

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 3rd Floor, 44 Esplanade, St. Helier, JE4 9WG, Jersey
9 27 Um Ghwalinah Road, 230 C-ring Road, Doha, Qatar
10 PO Box 3275, PC112, Ruwi, Oman
11 Lot No. 3, Jalan Teknologi 3/1, Seksyen 3, PJU 5, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia
12 Weteringschans 94, 1017 XS, Amsterdam, the Netherlands
13 11 Keng Cheow Street #3–10, The Riverside Piazza, Singapore 059608
14 Calle Serrano, 55, 1ª floor, 28006 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, Sweden
21 1139 Budapest, Vaci ut 99–105, Hungary
22 7534 King Abdul Aziz, 4672 al ghadeer dist., Riyadh, 13311, Saudi Arabia
23 c/o Bird & Bird Advokatpartnerselskab, Kalkbraenderilobskaj 8, 2100 Copenhagen, Denmark

Company balance sheet

As at 31 August 2025

£m	Note	2025	2024
Non-current assets			
Investments	3	**835**	835
		835	835
Current assets			
Cash and cash equivalents		**1**	–
Receivables: amounts falling due within one year	4	**5**	44
		6	44
Current liabilities			
Payables: amounts falling due within one year	5	**(86)**	(130)
Borrowings	6	**(320)**	–
		(406)	(130)
Net current liabilities		**(400)**	(86)
Non-current liabilities			
Borrowings	6	**–**	(310)
		–	(310)
Total net assets		**435**	439
Total shareholders' equity			
Called up share capital	9	**28**	29
Share premium account		**316**	316
Other reserves	10	**40**	40
Capital redemption reserve	10	**14**	13
Profit and loss account[1]		**37**	41
Total equity		**435**	439

1 The profit for the year attributable to shareholders was £89m (2024: loss of £11m). See Note 2

The financial statements of WH Smith PLC, registered number 5202036, on pages 204 to 208 were approved by the Board of Directors and authorised for issue on 19 December 2025 and were signed on its behalf by:

Andrew Harrison
Interim Group Chief Executive

Max Izzard
Chief Financial Officer

Company statement of changes in equity

For the year ended 31 August 2025

£m	Share capital	Share premium	Capital redemption reserve	Other reserves	Profit and loss account	Total
Balance at 1 September 2024	**29**	**316**	**13**	**40**	**41**	**439**
Profit for the financial year	**–**	**–**	**–**	**–**	**89**	**89**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**89**	**89**
Equity dividends paid during the year	**–**	**–**	**–**	**–**	**(43)**	**(43)**
Share buy back	**(1)**	**–**	**1**	**–**	**(50)**	**(50)**
Balance at 31 August 2025	**28**	**316**	**14**	**40**	**37**	**435**
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

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 144.

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 material accounting policies adopted, which have been applied consistently throughout both years, 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 2025, 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 reviewed annually for indicators of 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. Profit 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 profit for the year attributable to shareholders, which is stated on a historical cost basis, was £89m (2024: loss of £11m) comprising dividend income of £100m (2024: £nil) and a tax credit of £4m (2024: £4m), offset by finance costs of £15m (2024: £15m). There were no other recognised gains or losses.

The Company did not have any employees during the year ended 31 August 2025 (2024: 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.

Notes to the Company financial statements continued

3. Investments

A full list of the Company's subsidiary undertakings is included in Note 30 of the Notes to the consolidated financial statements. The registered office of WH Smith Group Limited is Greenbridge Road, Swindon, Wiltshire SN3 3RX.

The investment in subsidiaries balance has been reviewed for indicators of impairment at the balance sheet date. The Company considers the relationship between its market capitalisation, adjusted for any assets or liabilities on the Company's balance sheet, and the carrying value of its investments, among other factors including an assessment of future forecasts, when reviewing for indicators of impairment. There was substantial headroom between the market capitalisation, adjusted for the Company's net liabilities, and the carrying value of investments. Given the analysis performed, the risk of impairment to the investment carrying amount is considered remote. Consequently, no impairment has been recognised in respect of the investment.

4. Receivables: amounts falling due within one year

£m	2025	2024
Amounts owed by subsidiary undertakings	–	40
Prepayments	1	–
Current tax receivable	4	4
	5	44

Amounts receivable from subsidiary undertakings are non-interest bearing and repayable on demand.

5. Payables: amounts falling due within one year

£m	2025	2024
Amounts owed to subsidiary undertakings	85	129
Accruals and deferred income	1	1
	86	130

Amounts owed to subsidiary undertakings are unsecured, non-interest bearing and repayable on demand.

6. Borrowings

£m	2025	2024
Convertible bonds	320	310
	320	310

Refer to further details in Note 20 of the consolidated financial statements.

7. Dividends

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

£m	2025	2024
Final dividend for the year ended 31 August 2024 of 22.6p per ordinary share	29	–
Interim dividend for the year ended 31 August 2025 of 11.3p per ordinary share	14	–
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
	43	41

The Board has proposed a final dividend of 6.0p per share, amounting to a final dividend of c.£8m which is not included as a liability in these financial statements and, subject to shareholder approval, will be paid on 12 February 2026 to shareholders registered at the close of business on 23 January 2026.

Notes to the Company financial statements continued

8. Contingent liabilities

Contingent liabilities of £1m (2024: £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:	
WH Smith 1955 Limited	00549069
WH Smith Hospitals Holdings Limited	03806896
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

Ordinary shares of 22⁶⁄₆₇p	Number of shares (millions)	Nominal value £m
At 1 September 2024	**131**	**29**
Purchase of own shares for cancellation	**(5)**	**(1)**
At 31 August 2025	**126**	**28**
At 1 September 2023 and at 31 August 2024	131	29

During the year there were 4,481 ordinary shares allotted under the terms of the Company's Sharesave Scheme (2024: nil 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.

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 £14m (2024: £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.

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.

Alternative performance measures reflect continuing operations unless otherwise stated.

Non-underlying items

The Group has chosen to present a measure of profit and earnings per share that excludes certain items, which are considered non-underlying and exceptional due to their size, nature or incidence, or 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.

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 has 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 application 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 2025, 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.

Glossary (unaudited) continued

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.

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–A14	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 to A14.
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 138, 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	Excludes items which are considered non-underlying and exceptional due to their size, nature or incidence, or 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. 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.

Glossary (unaudited) continued

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Income statement measures continued			
Earnings per share before non-underlying items	Earnings per share	Non-underlying items, see Note 10 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 10 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 and before non-cash items. See Note A13.
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 Headline EBITDA before fixed charges 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 fixed operating lease rentals stated on a pre-IFRS 16 basis. The calculation of this measure is outlined in Note A5.
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.

Glossary (unaudited) continued

APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
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 30	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 30, as part of the Strategic report.
Return on capital employed ("ROCE")	None	Not applicable	Return on capital employed is calculated as the Headline Group operating 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 32.
Leverage	None	Not applicable	Leverage is calculated as Headline net debt divided by rolling 12-month Headline EBITDA (on a pre-IFRS 16 basis). See Note A14.

Glossary (unaudited) continued

A1. Reconciliation of Headline to Statutory Group operating profit and Group profit before tax

	2025					
	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	1,553	–	1,553	–	–	1,553
Cost of sales	(664)	–	(664)	–	–	(664)
Gross profit - continuing operations	889	–	889	–	–	889
Distribution costs	(625)	–	(625)	14	–	(611)
Administrative expenses	(136)	–	(136)	1	–	(135)
Other income	6	–	6	(1)	–	5
Non-underlying items	–	(91)	(91)	–	(8)	(99)
Group operating profit/(loss) - continuing operations	134	(91)	43	14	(8)	49
Finance costs	(26)	(1)	(27)	(20)	–	(47)
Profit/(loss) before tax - continuing operations	108	(92)	16	(6)	(8)	2
Income tax (charge)/credit	(45)	18	(27)	1	–	(26)
Profit/(loss) for the year – continuing operations	63	(74)	(11)	(5)	(8)	(24)
Profit/(loss) for the year – discontinued operations	11	(146)	(135)	13	9	(113)
Profit/(loss) for the year – total operations	74	(220)	(146)	8	1	(137)
Attributable to:						
Equity holders of the parent	67	(220)	(153)	8	1	(144)
Non-controlling interests	7	–	7	–	–	7
	74	(220)	(146)	8	1	(137)

Glossary (unaudited) continued

A1. Reconciliation of Headline to Statutory Group operating profit and Group profit before tax continued

	2024 (restated[1])					
	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	1,473	–	1,473	–	–	1,473
Cost of sales	(621)	–	(621)	–	–	(621)
Gross profit - continuing operations	852	–	852	–	–	852
Distribution costs	(581)	–	(581)	9	–	(572)
Administrative expenses	(137)	–	(137)	2	–	(135)
Other income	8	–	8	1	–	9
Non-underlying items	–	(41)	(41)	–	–	(41)
Group operating profit/(loss) - continuing operations	142	(41)	101	12	–	113
Finance costs	(28)	–	(28)	(20)	–	(48)
Profit/(loss) before tax - continuing operations	114	(41)	73	(8)	–	65
Income tax (charge)/credit	(29)	5	(24)	2	–	(22)
Profit/(loss) for the year – continuing operations	85	(36)	49	(6)	–	43
Profit/(loss) for the year – discontinued operations	25	(12)	13	2	2	17
Profit/(loss) for the year – total operations	110	(48)	62	(4)	2	60
Attributable to:						
Equity holders of the parent	104	(48)	56	(4)	2	54
Non-controlling interests	6	–	6	–	–	6
	110	(48)	62	(4)	2	60

1 Comparative periods have been restated a) to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details), totalling a £20m reduction to previously reported cost of sales; b) to reclassify certain income amounting to £5m from cost of sales to other income for consistency with the current period; c) to reclassify certain costs amounting to £43m from distribution costs to cost of sales for consistency with the current period; and d) to separately disclose results from discontinued operations (refer to Note 8 for further details)

Glossary (unaudited) continued

A2. Reconciliation of Headline to Statutory segmental trading profit and Group profit from trading operations

	2025				
	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
Trading profit					
UK	**130**	**–**	**130**	**1**	**131**
North America	**15**	**–**	**15**	**7**	**22**
Rest of the World and Other	**14**	**–**	**14**	**6**	**20**
Group profit from trading operations – continuing operations	**159**	**–**	**159**	**14**	**173**
Unallocated central costs	**(25)**	**–**	**(25)**	**–**	**(25)**
Group operating profit before non-underlying items – continuing operations	**134**	**–**	**134**	**14**	**148**
Non-underlying items	**–**	**(91)**	**(91)**	**(8)**	**(99)**
Group operating profit/(loss) – continuing operations	**134**	**(91)**	**43**	**6**	**49**

	2024 (restated[1])				
	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
Trading profit					
UK	122	–	122	4	126
North America	34	–	34	4	38
Rest of the World and Other	14	–	14	4	18
Group profit from trading operations – continuing operations	170	–	170	12	182
Unallocated central costs	(28)	–	(28)	–	(28)
Group operating profit before non-underlying items – continuing operations	142	–	142	12	154
Non-underlying items	–	(41)	(41)	–	(41)
Group operating profit/(loss) – continuing operations	142	(41)	101	12	113

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

Glossary (unaudited) continued

A3. Reconciliation of Headline to Statutory tax expense

£m	2025 Headline (pre-IFRS 16)	2025 IFRS 16 adjustments	2025 IFRS 16	2024 (restated[1]) Headline (pre-IFRS 16)	2024 (restated[1]) IFRS 16 adjustments	2024 (restated[1]) IFRS 16
Profit before tax and non-underlying items	**108**	**(6)**	**102**	114	(8)	106
Tax on profit – Standard rate of UK corporation tax (25%; 2024: 25%)	**24**	**(1)**	**23**	33	(2)	31
Adjustment in respect of prior years	**(6)**	**–**	**(6)**	(1)	–	(1)
Total current tax charge/(credit)	**18**	**(1)**	**17**	32	(2)	30
Deferred tax – current year	**27**	**–**	**27**	–	–	–
Deferred tax – prior year	**2**	**–**	**2**	(5)	–	(5)
Deferred tax – adjustment in respect of change in tax rates	**(2)**	**–**	**(2)**	2	–	2
Tax charge/(credit) on profit before non-underlying items	**45**	**(1)**	**44**	29	(2)	27
Tax on non-underlying items – current tax	**(10)**	**–**	**(10)**	–	–	–
Tax on non-underlying items – deferred tax	**(8)**	**–**	**(8)**	(5)	–	(5)
Total tax charge/(credit) on profit – continuing operations	**27**	**(1)**	**26**	24	(2)	22
Total tax (credit)/charge on profit – discontinued operations	**(3)**	**–**	**(3)**	4	–	4
Total tax charge/(credit) on profit – total operations	**24**	**(1)**	**23**	28	(2)	26

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

A4. Calculation of Headline and Statutory earnings per share

Millions	2025 Basic EPS	2025 Diluted EPS	2024 Basic EPS	2024 Diluted EPS
Weighted average shares in issue (Note 10)	**127**	**129**	129	131

Glossary (unaudited) continued

A4. Calculation of Headline and Statutory earnings per share continued

	2025			2024 (restated[1])		
	Profit for the year attributable to equity holders of the parent	**Basic EPS**	**Diluted EPS**	Profit for the year attributable to equity holders of the parent	Basic EPS	Diluted EPS
	£m	**pence**	**pence**	£m	pence	pence
Headline (pre-IFRS 16 basis):						
– Before non-underlying items	**56**	**44.1**	**43.4**	79	61.2	60.3
– Non-underlying items	**(74)**	**(58.3)**	**(57.4)**	(36)	(27.9)	(27.5)
– Impact of anti-dilutive shares		**–**	**(0.2)**		–	–
Continuing operations	**(18)**	**(14.2)**	**(14.2)**	43	33.3	32.8
Discontinued operations	**(135)**	**(106.3)**	**(106.3)**	13	10.1	9.9
Total operations	**(153)**	**(120.5)**	**(120.5)**	56	43.4	42.7
IFRS 16 adjustments:						
– Before non-underlying items	**(5)**	**(3.9)**	**(3.9)**	(6)	(4.6)	(4.6)
– Non-underlying items	**(8)**	**(6.3)**	**(6.2)**	–	–	–
– Impact of anti-dilutive shares		**–**	**(0.1)**		–	–
Continuing operations	**(13)**	**(10.2)**	**(10.2)**	(6)	(4.6)	(4.6)
Discontinued operations	**22**	**17.3**	**17.3**	4	3.1	3.1
Total operations	**9**	**7.1**	**7.1**	(2)	(1.5)	(1.5)
IFRS 16 basis:						
– Before non-underlying items	**51**	**40.2**	**39.5**	73	56.6	55.7
– Non-underlying items	**(82)**	**(64.6)**	**(63.6)**	(36)	(27.9)	(27.5)
– Impact of anti-dilutive shares		**–**	**(0.3)**		–	–
Continuing operations	**(31)**	**(24.4)**	**(24.4)**	37	28.7	28.2
Discontinued operations	**(113)**	**(89.0)**	**(89.0)**	17	13.2	13.0
Total operations	**(144)**	**(113.4)**	**(113.4)**	54	41.9	41.2

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

Glossary (unaudited) continued

A5. Fixed charges cover

£m	2025	2024 (restated[1])
Headline net finance costs before non-underlying items	**26**	28
Headline fixed operating lease charges (pre-IFRS 16) (Note A12)	**232**	216
Total fixed charges – continuing operations	**258**	244
Headline EBITDA (Note A13)	**187**	198
Headline fixed operating lease charges (pre-IFRS 16) (Note A12)	**232**	216
Headline EBITDA before fixed charges before non-underlying items (pre-IFRS 16)[1] - continuing operations	**419**	414
Fixed charges cover – times – continuing operations	**1.6x**	1.7x

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

Glossary (unaudited) continued

A6. Non-underlying items on pre-IFRS 16 and IFRS 16 bases

£m	2025 Headline (pre-IFRS 16)	2025 IFRS 16	2024 (restated[1]) Headline (pre-IFRS 16)	2024 (restated[1]) IFRS 16
Amortisation of acquired intangible assets	**3**	**3**	3	3
Impairment of non-current assets:				
– property, plant and equipment	**24**	**24**	13	11
– intangible assets	**–**	**–**	1	1
– right-of-use assets	**–**	**29**	–	10
Provisions for onerous contracts	**24**	**3**	9	4
Transformation programmes – IT	**11**	**11**	4	4
Transformation programmes – supply chain	**3**	**3**	3	3
Transformation programmes – operational efficiencies	**11**	**11**	–	–
Costs relating to the investigation into accelerated recognition of supplier income in North America	**10**	**10**	–	–
Impairment of other receivables	**3**	**3**	–	–
Costs relating to M&A activity and Group legal entity structure	**1**	**1**	4	4
Costs associated with pensions	**–**	**–**	2	2
IFRS 16 remeasurement gains	**–**	**–**	–	(3)
Other non-underlying costs	**1**	**1**	2	2
Non-underlying items, included in operating profit – continuing operations	**91**	**99**	41	41
Finance costs associated with onerous contracts	**1**	**1**	–	–
Non-underlying items, before tax – continuing operations	**92**	**100**	41	41
Tax credit on non-underlying items	**(18)**	**(18)**	(5)	(5)
Non-underlying items, after tax – continuing operations	**74**	**82**	36	36

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory-related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

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 £29m is also not recognised.

Provisions for onerous contracts
A charge of £24m has been recognised on a pre-IFRS 16 basis to provide for the unavoidable costs of continuing to service certain non-cancellable supplier and property 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 £3m, as the charge is offset by impairments to right-of-use assets that are not recognised on a pre-IFRS 16 basis.

A tax credit of £18m has been recognised in relation to the above items (£18m pre-IFRS 16).

Glossary (unaudited) continued

A7. Free cash flow

£m	2025	2024 (restated[1])
Net cash inflow from operating activities - continuing operations	**267**	195
Cash flow impact of IFRS 16	**(86)**	(72)
Add back:		
– Cash impact of non-underlying items	**38**	17
– Other non-cash items	**–**	1
Deduct:		
– Purchase of property, plant and equipment (incl. £2m non-underlying capital expenditure (2024: £2m))	**(77)**	(97)
– Purchase of intangible assets	**(4)**	(9)
– Pension funding	**(75)**	–
Free cash flow – continuing operations	**63**	35
Free cash flow – discontinued operations	**(25)**	18
Free cash flow – total operations	**38**	53

1 Comparative periods have been restated to separately disclose results from discontinued operations (refer to Note 8 for further details)

A8. Headline net debt

The table below shows Headline net debt (pre-IFRS 16). This excludes lease liabilities recognised on application of IFRS 16.

£m	2025	2024
Borrowings:		
– Revolving credit facility	**(141)**	(117)
– Convertible bonds	**(320)**	(310)
– Lease liabilities (Note 17)	**(484)**	(626)
Liabilities from financing activities	**(945)**	(1,053)
Cash and cash equivalents	**71**	56
Net debt (IFRS 16) (Note 20)	**(874)**	(997)
Add back lease liabilities recognised under IFRS 16	**484**	626
Headline net debt (pre-IFRS 16)	**(390)**	(371)

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.

	2025			2024 (restated[1])		
£m	Headline (pre-IFRS 16)	IFRS 16 adjustment[2]	IFRS 16	Headline (pre-IFRS 16)	IFRS 16 adjustment	IFRS 16
Net cash inflows from operating activities	**160**	**116**	**276**	155	111	266
Net cash outflows from investing activities	**(69)**	**–**	**(69)**	(128)	–	(128)
Net cash outflows from financing activities	**(76)**	**(116)**	**(192)**	(27)	(111)	(138)
Net increase in cash in the period - total operations	**15**	**–**	**15**	–	–	–

1 Comparative periods have been restated to reclassify the receipt from settlement of financial instruments from Operating activities to Investing activities
2 Comprises £86m related to continuing operations and £30m related to discontinued operations

Glossary (unaudited) continued

A10. Balance sheet impact of IFRS 16

The balance sheet including and excluding the impact of IFRS 16 is shown below:

	2025			2024 (restated[1])		
£m	**Headline (pre-IFRS 16)**	**IFRS 16 adjustment**	**IFRS 16**	Headline (pre-IFRS 16)	IFRS 16 adjustment	IFRS 16
Goodwill and other intangible assets	**449**	**(2)**	**447**	491	(1)	490
Property, plant and equipment	**251**	**3**	**254**	308	8	316
Right-of-use assets	**–**	**367**	**367**	–	505	505
Investments in joint ventures	**2**	**–**	**2**	2	–	2
Non-current investments	**4**	**–**	**4**	–	–	–
	706	**368**	**1,074**	801	512	1,313
Inventories	**148**	**–**	**148**	209	–	209
Payables less receivables	**(181)**	**(10)**	**(191)**	(204)	(7)	(211)
Working capital	**(33)**	**(10)**	**(43)**	5	(7)	(2)
Net current and deferred tax assets	**31**	**–**	**31**	38	–	38
Provisions	**(25)**	**24**	**(1)**	(28)	11	(17)
Operating assets employed	**679**	**382**	**1,061**	816	516	1,332
Net debt	**(390)**	**(484)**	**(874)**	(371)	(626)	(997)
Net assets excluding retirement benefit surplus	**289**	**(102)**	**187**	445	(110)	335
Retirement benefit surplus	**1**	**–**	**1**	87	–	87
Total net assets	**290**	**(102)**	**188**	532	(110)	422

1 Comparative periods have been restated in accordance with the items set out in Note 1b

Glossary (unaudited) continued

A11. Like-for-like revenue reconciliation

The reconciling items between like-for-like revenue change and total revenue change are shown below:

Per cent	UK	North America	Rest of the World and Other	Total Group – continuing operations
Like-for-like revenue change	5%	2%	7%	**5%**
Net space impact	–%	4%	5%	**2%**
Foreign exchange	–%	(3)%	(2)%	**(2)%**
Total revenue change	5%	3%	10%	**5%**

A12. Operating lease expense

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

£m	2025	2024 (restated[1])
Fixed charges	**232**	216
Variable charges	**100**	93
Net operating lease charges - continuing operations	**332**	309

1 Comparative periods have been restated to separately disclose results from discontinued operations (refer to Note 8 for further details)

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 209.

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 five 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.

A13. Headline EBITDA

£m	2025	2024 (restated[1])
Group operating profit (Note A1) – continuing operations	**134**	142
Depreciation, amortisation and impairment (Note 2c)	**51**	44
Non-cash items	**2**	12
Headline EBITDA – continuing operations	**187**	198

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

A14. Leverage

£m	2025	2024 (restated[1])
Headline EBITDA (Note A13)	**187**	198
Headline net debt (Note A8)	**390**	371
Leverage - multiple – continuing operations	**2.1x**	1.9x

1 Comparative periods have been restated to correct the accelerated supplier income recognition and inventory related items in the North America division (refer to Note 1b for further details) and to separately disclose results from discontinued operations (refer to Note 8 for further details)

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 Kramer LLP, Exchange House, Primrose Street, London EC2A 2EG on Monday 2 February 2026 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 2025**
Preliminary results announced	19 December 2025
Annual report posted	January 2026
Final dividend ex-dividend date	22 January 2026
Final dividend record date	23 January 2026
AGM	2 February 2026
AGM trading update	2 February 2026
Final dividend payment date	12 February 2026
Half-year end	28 February 2026
Interim results announced	April 2026
Trading statement	June 2026
Interim dividend ex-dividend date	July 2026
Interim dividend record date	July 2026
Interim dividend payment date	August 2026
Financial year end	31 August 2026

Information for shareholders continued

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 13/81p (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 13/81p (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 13/81p (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 6/67p 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 5/9p (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 13/81p and "C" shares resulting from the capital reorganisation.

The cost of your shareholding of ordinary shares of 2 13/81p is calculated by multiplying the original base cost of your ordinary shares of 55 5/9p (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 5/9p and redeemable "B" shares resulting from the capital reorganisation.

The cost of your shareholding of ordinary shares of 55 5/9p is calculated by multiplying the original cost of your ordinary shares of 50p by 0.90714.

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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