

19 December 2025

WH SMITH PLC

The global travel retailer

**PRELIMINARY RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 AUGUST 2025**

**Group completes strategic shift into pure-play travel retail
Clear strategic priorities to drive sustainable profitable growth**

- Completion of the Group's transformation into a pure-play travel retailer following the sale of the High Street business and funkypigeon.com
- Total Group revenue up 5% to £1,553m (2024¹: £1,473m)
 - o UK up 5%; North America (NA) up 7%*; Rest of the World and Other ('ROW') up 12%*
- Headline Group profit before tax and non-underlying items² £108m (2024¹: £114m)
 - o Headline Group trading profit² of £159m (2024¹: £170m)
- Headline diluted EPS before non-underlying items² 43.4p
- Proposed final dividend of 6.0p per share, resulting in full year dividend of 17.3p per share, maintaining our dividend policy of 2.5x cover, reset to our continuing business earnings
- Clear priorities established by division and a more focused strategy to deliver profitable growth and enhanced return on capital:
 - o expand and strengthen category leadership in UK Travel essentials, scale health and beauty and food-to-go offer;
 - o enhanced focus on NA Travel Essentials business. Plan to exit North America fashion and speciality stores and to review the breadth of InMotion NA portfolio; and
 - o strengthen core ROW markets, new growth driven through franchise model, review and exit non-core markets.
- Following the findings of the Deloitte Review announced on 19 November 2025, a comprehensive remediation plan is in place and progressing at pace
- The Financial Conduct Authority ('FCA') has commenced an investigation into the Company
- The Group expects to deliver FY26 Headline Group profit before tax and non-underlying items² of £100m - £115m.

Andrew Harrison, Interim Group Chief Executive, commented:

"It has been a difficult end to the year for the Group. The Board and I are acutely aware that we have much to do to rebuild confidence in WHSmith and deliver stronger returns as we move forward. We are acting at pace progressing our remediation plan and are committed to ensuring that we strengthen our financial controls and governance as we move forward.

"Following the sale of our UK High Street business and Funky Pigeon during the year, we are now a pure-play global travel retailer. Travel retail is a high growth market, and we have attractive market positions in the UK, North America and our international markets from which we are well-positioned to grow.

"I would like to thank our colleagues who have shown the utmost commitment and professionalism during an uncertain and busy period for the business.

"As Interim CEO, my focus is to provide stability and to lead the Group with transparency and discipline. WHSmith is a business with an exciting future and I look forward to executing against our clear priorities to ensure we capitalise on the attractive opportunities ahead."

* On a constant currency basis

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 7 for further details)

² Alternative Performance Measure (APM) defined and explained in the Glossary on page 56. All numbers presented are from continuing operations unless otherwise stated

Group financial summary - continuing operations

£m unless indicated otherwise	IFRS 16		Headline pre-IFRS 16 ³	
	Aug 2025	Aug 2024	Aug 2025	Aug 2024
	Restated ¹	Restated ¹	Restated ¹	Restated ¹
UK	131	126	130	122
North America	22	38	15	34
Rest of the World and Other ('ROW')	20	18	14	14
Group trading profit ²	173	182	159	170
Group profit before tax and non-underlying items²	102	106	108	114
Diluted earnings per share before non-underlying items ²	39.5p	55.7p	43.4p	60.3p
Non-underlying items (including finance costs) ²	(100)	(41)	(92)	(41)
Group profit before tax	2	65	16	73
Basic (loss)/earnings per share	(24.4)p	28.7p	(14.2)p	33.3p
Diluted (loss)/earnings per share	(24.4)p	28.2p	(14.2)p	32.8p

Revenue performance - continuing operations

£m	Total Revenue Full Year 2025	Total Revenue Full Year 2024 Restated ¹	Total Revenue % change	Constant currency Full Year 2025 % change ⁴	LFL Full Year 2025 % change	LFL 13 weeks to 31 August 2025 % change	LFL 15 weeks to 14 December 2025 % change
UK	834	795	5%	5%	5%	3%	2%
North America	413	401	3%	7%	2%	1%	1%
Rest of the World and Other	306	277	10%	12%	7%	6%	6%
Group	1,553	1,473	5%	7%	5%	3%	3%

Current trading, outlook and planning assumptions

In the 13 weeks to 31 August 2025, the Group delivered like-for-like ('LFL') revenue² growth of 3%. By division, the UK delivered LFL revenue growth of 3% reflecting softer passenger numbers through the summer period and a reduced level of spend per passenger growth. In North America, we delivered LFL revenue growth of 1%. Our core Travel Essentials business continued to perform well with revenue growth of 8% with InMotion down 7% and Resorts down 6%. Rest of the World delivered LFL revenue growth of 6%.

³ The Group adopted IFRS 16 'Leases' with effect from 1 September 2019. The Group continues to monitor performance and allocate resources based on pre-IFRS 16 information (applying the principles of IAS 17), and therefore the results for the years ended 31 August 2025 and 31 August 2024 have been presented on both an IFRS 16 and a pre-IFRS 16 basis.

Measures described as 'Headline' are presented pre-IFRS 16.

For the purposes of narrative commentary on the Group's performance and financial position, both pre-IFRS 16 and IFRS 16 measures are provided. Reconciliations from pre-IFRS 16 measures to IFRS 16 measures are provided in the Glossary on page 56. Group revenue was not affected by the adoption of IFRS 16, and therefore all references to and discussion of revenue are based on statutory measures.

⁴ Constant currency

These sales trends have continued into the first 15 weeks of the current financial year.

In the first 15 weeks of FY26, the Group delivered LFL growth of 3%, with the UK softening slightly to 2%, largely reflecting a softening in rail. North America revenue trends were in line with the last 13 weeks of FY25 with LFL growth of 1%, and Rest of the World has continued to perform well, with growth of 6%.

For the full year ending 31 August 2026, the Group expects total revenue growth of c.4-6%.

In the UK, total revenue growth is expected to be c.3-5%, in North America c.6-8%, and in the Rest of the World division c.4-6%.

Headline trading profit margin² in the UK is expected to be c.14-15%, North America c.7-8%, and c.5% in the Rest of the World. This reflects the different dynamics in each market: a year of investment in the UK, a focus on rebuilding profitability in North America and strengthening our foundations internationally.

FY26 technical planning assumptions for the Group can be found on page 12.

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WH Smith PLC's Preliminary Results 2025 are available at whsmithplc.co.uk.

GROUP OVERVIEW

This 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 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 ROW division, we will focus our investment in our core, strategically important markets, including Australia, Ireland and Spain, resulting in reducing our presence in or exiting sub-scale markets and using a less capital-intensive franchise model for future openings.

In August 2025, the Board instructed Deloitte to undertake an independent and comprehensive review of the North America division following the identified accelerated recognition of supplier income in this division. 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 was not consistent with the requirements of the relevant accounting standards. 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. Supplier income has therefore been overstated in the North America division and this has resulted in prior year restatements. In light of the findings, the Board instructed the Group Finance team to review other balances in the division and identified further restatements, which are described in more detail on page 9.

The Internal Audit review, conducted by the Group 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 Board has acted quickly to put in place a clear remediation plan. 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.

The Board is applying malus and clawback to recover overpaid bonuses from former executive directors following the restatement of profits in the financial years ended 31 August 2023 and 31 August 2024.

The Group can 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.

In the near-term, the Board continues with its search for a Group CEO and two Non-Executive Directors to strengthen the Board with one area of focus being North America retail experience.

Group revenue - continuing operations

	Year to 31 August 2025		
	Total vs 2024	Total constant currency ⁴ vs 2024	LFL ² vs 2024
UK	5%	5%	5%
North America	3%	7%	2%
Rest of the World and Other	10%	12%	7%
Group	5%	7%	5%

Total Group revenue at £1,553m (2024¹: £1,473m) was up 5% compared to the prior year.

The Group delivered a good performance with total revenue up 7%⁴ and up 5% on a LFL² basis. This was driven by a good performance from the UK division, up 5% on a total basis, North America up 7%⁴, and ROW up 12%⁴. On a LFL basis, the UK was up 5%, North America was up 2%, and ROW up 7%.

Group profit

The Group delivered a Headline trading profit² in the year of £159m (2024¹: £170m). 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.

Headline Group profit before tax and non-underlying items² was down 5% to £108m (2024¹: £114m).

Group profit before tax, including non-underlying items and on an IFRS 16 basis, was £2m (2024¹: £65m) in the year.

Discontinued operations

During the year, the Group disposed of the High Street business and funkypigeon.com. These disposals are classified as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Group balance sheet

The Group has a strong balance sheet, has 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 ⁵	71	
Revolving Credit Facility ⁶	400	June 2030
Convertible bonds	327	May 2026

US Private Placement notes	200	2032-2037
Term loan	120	March 2028

The Group has a 5-year revolving credit facility ('RCF') with a maturity date of 30 June 2030 and a £327m convertible bond with a maturity of 7 May 2026 which has a fixed coupon of 1.625%.

As at 31 August 2025, Headline net debt² was £390m (2024: £371m) and the Group has access to c.£650m of liquidity. Leverage² at the 31 August 2025 was 2.1x Headline EBITDA² (2024¹: 1.9x). Net debt including IFRS 16 lease liabilities at 31 August 2025 was £874m (2024: £997m).

Refinancing

On 25 March 2025, the Group announced the successful completion of a £200m issue of US Private Placement (USPP) notes and a bank term loan of £120m, neither of which have been drawn down as at 31 August 2025.

The USPP notes, which represent the Group's debut issue in the USPP market, have a maturity of 7, 10 and 12 years and have been issued on investment grade terms. At the same time, the Group has agreed a £120m three-year bank 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 4 and 5 years, if exercised.

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 Group has drawn down £141m at 31 August 2025.

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: BNP Paribas, J.P. Morgan Securities PLC, London Branch, PNC Capital Markets LLC and Skandinaviska Enskilda Banken AB (PUBL). This additional loan provides further financing security for the Group as a Backstop facility which will remain in place until the USPP completes and the Convertible Bond is repaid.

This refinancing will diversify the Group's sources of debt financing and extends the Group's debt maturity profile in advance of the convertible bond maturing on 7 May 2026. The income statement cost of the convertible bond is currently c.4.6% including the non-cash debt accretion charge. The income statement cost of the replacement financing will be c.6.3%.

Group cash flow

The Group generated a Headline EBITDA² of £187m in the year (2024¹: £198m). Capex was £81m (2024¹: £105m⁷). We had a working capital inflow⁸ of £4m in the year (2024¹: outflow⁸ 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.

⁵ Cash and cash equivalents comprises cash on deposit of £49m and cash in transit of £22m

⁶ Draw down of £141m as at 31 August 2025

⁷ Excluding capex related to non-underlying items of £nil (2024: £1m)

⁸ Pre-IFRS 16

In total, there was a free cash inflow² in the year of £63m (2024¹: £35m). This year, we expect, subject to investment opportunities, headline net debt² 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 disciplined investment in new stores in North America alongside ongoing transformation costs.

Capital allocation

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 leverage² 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. Furthermore, we will protect our business assets through maintenance and transformation projects. We expect capex of c.£90m in the current financial year;
- 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 today proposed a final dividend of 6.0 pence per share in respect of the financial year ended 31 August 2025, making it a full year dividend of 17.3 pence per share. This is in line with our stated dividend policy of 2.5x cover and reflects the continuing earnings profile of the Group following the sale of the non-travel businesses. 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. This is in line with our existing policy and has been rebased to match the continuing earnings of the Group.

During the year, the Group completed a £50m share buyback announced on 11 September 2024.

CONTINUING OPERATIONS

Total revenue for the Group was £1,553m (2024¹: £1,473m), up 5% compared to the previous year, generating a Headline trading profit² in the year of £159m (2024¹: £170m).

£m	Trading profit ² (IFRS 16)		Headline trading profit ² (pre-IFRS 16)		Revenue	
	2025	2024 Restated ¹	2025	2024 Restated ¹	2025	2024 Restated ¹
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
Total	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 profit² 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 *Smiths 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% year-on-year, 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 we can enhance 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 4 at airports, 10 in Hospitals and 3 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 ² vs 2024
Air	6%	7%
Hospitals	7%	4%
Rail	4%	4%

Total UK	5%	5%
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Air

Air has delivered another good performance in the year. Total revenue in Air was up 6%, supported by spend per passenger growth of 4% on the prior year in Travel Essentials. In addition, we have delivered strong 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, brings 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.

Following its refit to the one-stop-shop format in 2023, our Birmingham store is our 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 ATV growth of c.20% and sales per square foot up over 30%. 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 instore pharmacies and we will have significantly enhanced our design and proposition.

Hospitals

Hospitals is our second largest channel by revenue in the UK and it delivered another strong performance in the year, with total revenue up 7%. This growth reflects the strength of our multi-format approach and our strong partnerships.

This growth reflects the strength of our multi-format approach and the partnerships that we have built.

We opened 10 new stores and have continued to grow with our partners M&S and Costa Coffee.

At the same time, we've developed our own *Smith's Family Kitchen* café proposition, which gives us a great opportunity for further growth across UK Hospitals.

Our offer for NHS landlords is now truly 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 4% 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 and value for our landlords.

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 4-5% 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.

During the year, revenue in North America increased by 7%⁴, on a constant currency basis, with total revenue up 3% to £413m (2024: £401m). Further to the investigation undertaken by Deloitte, Headline trading profit² was £15m (2024¹: £34m).

The revision from the previous market expectation of £55m includes a net reduction in supplier income of £23m, broadly in line with the value previously announced. 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 Headline trading profit² margin for FY25 before additional one-off inventory related costs of £12m is 6.5%.

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 profit² margins for the prior years are: 8.5% for FY24 and

As a result, the restated headline trading profit margins for the prior years are: 8.5% for FY24 and 10.5% 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 profit² margin for the prior years of FY24 and FY23 is around 8%.

Travel Essentials

Our Travel Essentials business has consistently delivered a strong performance, growing 19% on a constant currency basis in FY25, underpinned by customer demand and attractive double-digit margins.

In 2022, Travel Essentials represented 37% of the overall North America business. Over the past three years, we have invested and grown this business and it now represents 55% of total North America revenue. The Travel Essentials segment is our most profitable and, on a fully allocated basis, generates around a 10% Headline trading profit² margin. As we scale our business and enhance our operations, we expect to grow margins further, which will support the overall profitability of our North America division.

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

We have a strong pipeline of new 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 of our individual formats within the store 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 decline and the portfolio is large with 123 stores. During the year, InMotion LFL revenue declined by 3% year on year.

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 payback 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% with store numbers reducing below 100 in the medium term.

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

Air store profiles

Our strategy to grow in US 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 8 store package in February 2023, including 6 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 6% in these stores, a payback period of c.3 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 current payback period here of less than three years and we have 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 5-store package: 3 Travel Essentials stores, an InMotion and a coffee shop. This localised offer is performing very well, with like-for-like growth of around 9% and a current payback period of c.2 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% of Resort revenue and, on a comparable basis, have declined c.10% 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.10% of Resort revenue. LFL revenue also declined around 7% 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.

Revenue growth by key channels

	Revenue (% change) Year to 31 August 2025		
	Total vs 2024	Total at constant currency ⁴ vs 2024	LFL ² vs 2024
Air Resorts	5% (7)%	9% (3)%	4% (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 around 35-40 due to open over the next year and, currently, we anticipate closing c.30 stores in FY26 as we continue to improve the quality of our store portfolio.

Including the 35 store openings in the year, we now have 274 stores in Air (including 123 InMotion stores), and 88 stores in Resorts and Rail.

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 6-8%, driven largely by space. In terms of profitability, we expect to grow Headline trading profit² margin from 4% in FY25 to around 7-8% in FY26. This includes trading profit contribution in the region of £5m, the rebuild of profit excluding the one-off 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 AND OTHER

It has been a strong year for revenue growth. Revenue was up 12%⁴, largely driven by new store openings. Headline trading profit² was broadly flat year on year with operating investment in the new store openings and gross margin headwinds driven by location mix.

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 headline trading profit 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 and will therefore drive stronger returns. It also provides the ability to grow while reducing operational complexity.

We now have 325 stores open. Of the 325 stores open, 59% are directly-run, 9% are joint venture and 32% are franchise. During the current financial year, we expect to open c.5 stores and close c.20 stores.

CultPens.com delivered a good performance in the year, in line with our expectations.

Technical planning assumptions FY26 (Pre IFRS 16 basis)

Central costs	£30-£32m
Interest charges	£33-£35m
Effective tax rate	c.25% of Group revenue
Working capital	Working capital growth broadly in line with revenue growth, plus c.£10m outflow relating to one-off payables timing
Non-underlying	c.£20m-£30m
Capex	c.£90m
Headline net debt	c.£400m

Total stores

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

During the year, we opened 79 stores. As at 31 August 2025, our global business operated from 1,280 stores (2024: 1,291). As part of our strategy to improve the quality of our space, we closed 90 stores in the year. 21 closures were the result of relocations or removing loss makers, and in our Rest of the World division, 40 store closures in India were franchised stores. Outside of planned redevelopment, all of these closures were actioned in line with our strategy. Our focus will remain on opening more profitable stores and better quality space. As a result, we expect to see further store closures in the current financial year of c.65 stores and to open a further c.62 stores.

Excluding franchise stores, the global business occupies 1.2m square feet (2024: 1.2m square feet).

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 Ltd, to Card Factory PLC for total consideration of £25m. The associated cost of sale amounted to £3m. 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.

ENVIRONMENTAL AND SOCIAL GOVERNANCE ('ESG')

We continue to make solid progress against our main sustainability commitments.

Our transition to a net zero business continues, with Scope 1 and 2 carbon emissions now 89% lower than in 2020 and 53% of our supply chain emissions covered by science-based carbon reduction targets. We will be commencing the process of seeking revalidation of our carbon targets by the Science Based Targets initiative within the next financial year, and will include a FLAG target to minimise forestry, land and agricultural emissions as our food offering continues to grow.

Our employee networks continue to grow, providing a channel for colleague-led engagement on our diversity and inclusion initiatives and employee policies and processes.

Our charity partnerships with the National Literacy Trust support children's literacy, and Miracle Flights support children who need to travel to receive life-changing medical care continue.

children who need to travel to receive life-changing medical care continue.

We are the top performing speciality retailer in Morningstar's Sustainalytics ESG Benchmark and have been awarded an ESG rating of AAA from MSCI. In addition, we were included, once again, in the Dow Jones World Sustainability Index.

FINANCIAL REVIEW

£m	IFRS		Headline pre-IFRS 16 ²	
	2025	2024 Restated ¹	2025	2024 Restated ¹
Trading profit				
UK ²	131	126	130	122
North America ²	22	38	15	34
Rest of the World and Other ²	20	18	14	14
Group trading profit - continuing operations²	173	182	159	170
Unallocated central costs	(25)	(28)	(25)	(28)
Group operating profit before non-underlying items - continuing operations²	148	154	134	142
Net finance costs ⁹	(46)	(48)	(26)	(28)
Group profit before tax and non-underlying items - continuing operations²	102	106	108	114
Non-underlying items ^{2,9}	(99)	(41)	(91)	(41)
Non-underlying items - Finance costs ²	(1)	-	(1)	-
Group profit before tax - continuing operations²	2	65	16	73
Income tax charge	(26)	(22)	(27)	(24)
(Loss)/profit for the year - continuing operations	(24)	43	(11)	49
(Loss)/profit for the year - discontinued operations	(113)	17	(135)	13
(Loss)/profit for the year - total operations	(137)	60	(146)	62
Attributable to:				
Equity holders of the parent	(144)	54	(153)	56
Non-controlling interests	7	6	7	6
	(137)	60	(146)	62

Total Headline trading profit² in the year was £159m (2024¹: £170m) of which the largest division, UK, generated a Headline trading profit² of £130m (2024: £122m). North America delivered £15m (2024¹: £34m) and ROW £14m (2024: £14m).

Group generated a Headline profit before tax and non-underlying items² of £108m (2024¹: £114m).

⁹ Excluding non-underlying Finance costs disclosed below

Net finance costs - Continuing operations

£m	IFRS		Headline pre-IFRS 16 ²	
	2024		2024	
	2025	Restated ¹	2025	Restated ¹
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 items² (pre-IFRS 16) for the year were £26m (2024¹: £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%.

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 (2024¹: £48m).

Tax

The effective tax rate² was 42% (2024¹: 26%) on profit before tax and non-underlying items² for the year. This is higher than the UK corporation tax rate of 25% primarily due to the derecognition of US tax losses in 2025. 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 rate² in the current financial year to be around 25%.

Earnings per share

Calculation of Headline diluted earnings per share - Continuing operations²

£m - Unless otherwise stated	Headline pre-IFRS 16 ²	
	2025	2024
	Restated ¹	Restated ¹
Headline profit before tax ¹⁰	108	114
Income tax expense ¹⁰	(45)	(29)
Headline profit for the year¹⁰	63	85
Attributable to non-controlling interests	(7)	(6)
Headline profit for the year attributable to equity holders of WH Smith PLC¹⁰	56	79
Weighted average shares in issue (diluted) (no. of shares - millions)	131	
	129	
Headline diluted EPS^{2,10} (p)	43.4p	60.3p

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

Headline diluted EPS² was 43.4p (2024¹: 60.3p), a decrease of 28% on the previous year.

EPS calculated on an IFRS 16 basis is provided in Note 9, and a reconciliation between the IFRS 16 and pre-IFRS 16 earnings per share is provided in Note A4 to the Glossary on page 63.

The diluted weighted average number of shares in issue used in the calculation of Headline diluted EPS² assumes that the convertible bond is not dilutive and reflects the number of shares held by the ESOP Trust.

Profit attributable to non-controlling interests primarily represents the joint venture partner share of profit in relation to airport contracts in the USA. For the year ended 31 August 2025, the profit attributable to non-controlling interests was £7m (2024¹: £6m).

¹⁰ Before non-underlying items

Non-underlying items²

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 in the table below.

£m	Ref.	IFRS		Headline pre-IFRS 16 ²	
		2025	2024	2025	2024
				Restated ¹	Restated ¹
Items included in the Income statement					
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 relating to 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 - continuing operations		(99)	(41)	(91)	(41)
Finance costs associated with onerous contracts	(2)	(1)	-	(1)	-
Total non-underlying items recognised in the income statement - continuing operations		(100)	(41)	(92)	(41)

(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 (2024¹: £14m) was recorded within non-underlying items for impairment of non-current assets on a pre-IFRS 16 basis, of which £24m (2024¹: £13m) relates to property, plant and equipment and £nil (2024¹: £1m) relates to intangible assets (primarily software). On an IFRS 16 basis the total impairment charge of £53m (2024¹: £22m) comprises £24m property, plant and equipment (2024¹: £11m), £nil intangible assets (2024¹: £1m) and £29m (2024¹: £10m) right-of-use assets.

A charge of £24m on a pre-IFRS 16 basis (2024¹: £9m; IFRS 16 basis £3m; 2024¹: £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.

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 Rest of the World and Other.

Impairment charges in the North America and Rest of the 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..

(3) Transformation programmes

Costs of £25m (2024¹: £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 £5-7m.

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 segment, and £5m of 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.

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 Group legal entity structure

Costs incurred during the year include £1m (2024¹: £4m) of professional and legal fees in relation to a reorganisation of the Group's legal entity structure.

A tax credit of £18m (2024¹: £5m) has been recognised in relation to the above items (£18m pre-IFRS 16 (2024¹: £5m)) from continuing operations.

Cash flow

Free cash flow² reconciliation - Continuing operations

£m	pre-IFRS 16 ²	
	2025	2024 ¹
Headline Group operating profit before non-underlying items ²	134	142
Depreciation, amortisation and impairment (pre-IFRS 16) ¹¹	51	44
Non-cash items	2	12
Headline EBITDA^{2, 11}	187	198
Capital expenditure ⁷	(81)	(105)
Working capital (pre-IFRS 16) ¹¹	4	(22)
Net tax paid	(28)	(18)
Net finance costs paid (pre-IFRS 16) ¹¹	(19)	(18)
Free cash flow²	63	35

¹¹ Excludes cash flow impact of non-underlying items

The Group generated a headline EBITDA² of £187m in the year (2024¹: £198m) demonstrating the cash generative nature of the business. Capex was £81m (2024¹: £105m⁷) as we continued to invest in new stores, IT and energy efficient chillers and other store equipment. We had a working capital inflow⁸ of £4m in the year (2024¹: outflow⁸ 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 (2024¹: £35m).

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

Capex was £81m (2024¹: £105m⁷) which includes the additional spend from opening 79 stores around the world.

£m	2025	2024 ^{1, 7}
New stores and store development	54	64
Refurbished stores	16	12
Systems	9	9
Other	2	20
Total capital expenditure	81	105

Reconciliation of Headline net debt²

Headline net debt² is presented on a pre-IFRS 16 basis. See Note 10 and Note A8 of the Glossary for the impact of IFRS 16 on net debt.

As at 31 August 2025, the Group had Headline net debt² of £390m comprising convertible bonds of £320m and net overdrafts of £70m (2024: £371m, convertible bonds of £310m and net overdrafts of £61m).

£m	Headline ² pre-IFRS 16	
	2025	2024 ¹
-	-	-

Opening Headline net debt²	(371)	(330)
Free cash flow ²	63	35
Non-underlying items - continuing operations ²	(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 debt²	(390)	(371)
Net overdraft	(70)	(61)
Convertible bond	(320)	(310)
Headline net debt²	(390)	(371)

In addition to the free cash flow, the Group had outflows relating to non-underlying items² from continuing operations of £38m (2024¹: £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 (2024¹: £7m inflow).

This year, we would expect, subject to investment opportunities Headline net debt² 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.

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

Leverage² - Continuing operations

£m	pre-IFRS 16²	
	2025	2024¹
Headline EBITDA ²	187	198
Headline net debt ²	390	371
Leverage - multiple	2.1x	1.9x

Leverage² at 31 August 2025 was 2.1x (2024¹: 1.9x), comprising headline net debt² over headline EBITDA². The Group plans to reduce the leverage position to below 2.0x.

Fixed charges cover² - Continuing operations

£m	pre-IFRS 16²	
	2025	2024¹
Headline net finance costs before non-underlying items ²	26	28
Headline fixed operating lease charges ² (Note A12)	232	216
Total fixed charges	258	244
Headline EBITDA ²	187	198
Headline fixed operating lease charges ²	232	216
Headline EBITDA before fixed charges²	419	414
Fixed charges cover - times	1.6x	1.7x

Fixed charges, comprising property operating lease charges and net finance costs, were covered 1.6 times (2024¹: 1.7 times) by Headline EBITDA² before fixed charges.

Return on capital employed² - Continuing operations

	ROCE %	
	2025	2024¹
UK	38%	35%
North America	4%	10%
Rest of the World and Other	22%	23%

Group	18%	20%
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Return on capital employed is calculated as the Group operating profit before non-underlying items² 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/obligation and net current and deferred tax balances.

Balance sheet

	IFRS		Headline ² pre-IFRS 16	
	2025	2024 ¹	2025	2024 ¹
£m				
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 (2024¹: £335m).

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.

Total stores by region

No. of stores	At 31 August 2025
UK	593
North America	
Air	274
Resorts / Rail	88
Total North America	362
Rest of the World and Other	325
Total	1,280

PRINCIPAL AND EMERGING RISKS AND UNCERTAINTIES

The Board regularly reviews and monitors the risks and uncertainties that could have a material effect on the Group's financial results. The principal risks and uncertainties that could lead to a material impact have not significantly changed from those listed in the Annual Report and Accounts 2024. No new principal risks were identified in the year, however there were six risks where the potential impact had increased over the year, with the remaining risks having no change in their overall impact. We have also recognised that the ongoing global conflicts have created further uncertainty in the macro economy. A summary of the principal risks has been provided below:

Risk and change in risk level	Impact

Treasury, financial and credit risk management - <i>increased</i>	<p>The Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risk are analysed further in Note 21 on page 154 of the Annual Report and Accounts 2024.</p> <p>The Group also has credit risk in relation to its trade and other receivables and sale or return contracts with suppliers.</p> <p>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.</p> <p>The Group has 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.</p>
Economic, political, competitive and market risks - <i>increased</i>	<p>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.</p> <p>Factors such as the economic climate, levels of household disposable income, seasonality of revenue, changing demographics and customer shopping patterns, and raw material costs could impact on profit performance.</p> <p>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.</p>
Brand standards - <i>no change</i>	<p>The WHSmith brand is an important asset and failure to protect it from unfavourable publicity could materially damage its standing and the wider reputation of the business, adversely affecting revenues.</p> <p>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.</p>
Key suppliers and supply chain management - <i>no change</i>	<p>The Group has agreements with key suppliers in the UK, Europe and Asia and other countries in which it operates. The interruption or loss of supply of core category products from these suppliers to our stores may affect our ability to trade.</p> <p>Quality of supply issues may also impact the Group's reputation and impact our ability to trade.</p>
Store portfolio - <i>no change</i>	<p>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.</p> <p>Most Travel stores are held under concession agreements, on average for five to ten years, although there is no guarantee that concessions will be renewed or that Travel will be able to bid successfully for new contracts.</p>
Business interruption - <i>increased</i>	<p>An act of terrorism or war, or an outbreak of a pandemic, could reduce the number of customers visiting WHSmith outlets, causing a decline in revenue and profit. In the past, our Travel business has been particularly impacted by geopolitical events such as major terrorist attacks, which have led to reductions in customer traffic. Closure of travel routes both planned and unplanned, such as the disruption caused by natural disasters or weather-related events, may also have a material effect on business. The Group operates from different distribution centres and the closure of any one of them may cause disruption to the business.</p> <p>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.</p>
Reliance on key personnel - <i>increased</i>	<p>The performance of the Group depends on its ability to continue to attract, motivate and retain key head office and store staff. The retail sector is very competitive and the Group's personnel are frequently targeted by other companies for recruitment.</p>
International expansion - <i>increased</i>	<p>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.</p>
Cyber risk, data security and GDPR compliance - <i>increased</i>	<p>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</p>

	<p>negatively impact our revenue.</p> <p>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 decarbonise could damage our reputation and introduce higher costs. Delivery against our sustainability targets and meeting regulatory obligations is vital.</p> <p>We have identified several climate related risks, including;</p> <ul style="list-style-type: none"> - Increases in the cost of energy and fuel from carbon pricing and changing market dynamics; - Disruption to supply of goods caused by acute and chronic changes in weather patterns. <p>Although the impact is limited over our outlook period, these risks are potentially significant over the longer term.</p>
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This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulations.

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

WH Smith PLC

Group Income Statement

For the year ended 31 August 2025

£m	Note	2025			2024 (restated ¹)		
		Before		Non-underlying items ²	Non-underlying items ³	Before	
		non-underlying items ²	Total			non-underlying items ²	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	5	(46)	(1)	(47)	(48)	-	(48)
Profit/(loss) before tax - continuing operations		102	(100)	2	106	(41)	65
Income tax (expense)/credit	6	(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	7	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	9	(24.4)	28.7
Diluted	9	(24.4)	28.2

Loss/(earnings) per share - total operations

Basic	9	(113.4)	41.9
Diluted	9	(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 7 for further details).

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

Alternative performance measure: the Group has defined and explained the purpose of its alternative performance measures in the Glossary on page 56.

³ See Note 4 for an analysis of non-underlying items. See Glossary on page 56 for a definition of Alternative Performance Measures.

WH Smith PLC

Group Statement of Comprehensive Income

For the year ended 31 August 2025

£m	2024	2025	(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	-	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 7 for further details).

WH Smith PLC

Group Balance Sheet

As at 31 August 2025

£m	Note	2024	2023
		2025	(restated ¹)
Non-current assets			
Goodwill			
Goodwill	13	402	426
Other intangible assets	13	45	64
Property, plant and equipment	13	254	316
Right-of-use assets	13	367	505
Investments in joint ventures		2	2
Non-current investments		4	-
Retirement benefit surplus		1	-
Deferred tax assets		16	37
Trade and other receivables		25	24
		1,116	1,374
			1,285
Current assets			
Inventories		148	209
Trade and other receivables		102	126
Retirement benefit surplus		-	87
Derivative financial asset		-	-
Current tax receivable		23	2
Cash and cash equivalents	10	71	56
		344	480
			362
Total assets		1,460	1,854
Current liabilities			
Trade and other payables		(318)	(361)
			(344)

Bank overdrafts and other borrowings	10	(461)	(117)	(84)
Lease liabilities		(90)	(125)	(116)
Derivative financial liabilities		-	-	(1)
Current tax payable		(1)	(1)	(1)
Short-term provisions		(1)	(4)	(1)
		(871)	(608)	(547)
Non-current liabilities				
Bank loans and other borrowings	10	-	(310)	(301)
Long-term provisions		-	(13)	(16)
Lease liabilities		(394)	(501)	(450)
Deferred tax liabilities		(7)	-	-
		(401)	(824)	(767)
Total liabilities		(1,272)	(1,432)	(1,314)
Total net assets		188	422	333
Shareholders' equity				
Called up share capital		28	29	29
Share premium		316	316	316
Capital redemption reserve		14	13	13
Translation reserve		(15)	(9)	5
Other reserves		(254)	(268)	(255)
Retained earnings		69	315	202
Total equity attributable to 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 (refer to Note 1b for further details).

WH Smith PLC
Group Cash Flow Statement
For the year ended 31 August 2025

£m	Note	2024	2025	(restated ¹)
Operating activities				
Cash generated from continuing operations	11	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		(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	10	24	33	
Capital repayments of obligations under leases ³	10	(86)	(73)	
Net cash outflow from financing activities - discontinued operations		(30)	(39)	
Net cash outflow from financing activities		(192)	(138)	

Opening cash and cash equivalents		56	56
Closing cash and cash equivalents	10	71	56

¹ Comparative periods have been restated to separately disclose results from discontinued operations (refer to Note 7 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)

WH Smith PLC

Group Statement of Changes in Equity

For the year ended 31 August 2025

	Called up share capital and share premium	Capital redemption reserve	Translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non- controlling interests	Total equity
£m								
Balance at 1 September 2024 - restated¹	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 8)	-	-	-	-	(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 a business	-	-	-	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).

	Called up share capital and share premium	Capital redemption reserve	Translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non- controlling interests	Total equity
£m								
Balance at 1 September 2023 - restated¹	345	13	5	(255)	202	310	23	333
Profit for the year - total operations¹	-	-	-	-	54	54	6	60
Other comprehensive income:								
Remeasurement of the recoverability of retirement benefit surplus	-	-	-	-	87	87	-	87
Actuarial gains on defined benefit pension schemes	-	-	-	-	2	2	-	2
Exchange differences on translation of foreign operations	-	-	(14)	-	-	(14)	(1)	(15)
Total comprehensive (loss)/ income for the year¹	-	-	(14)	-	143	129	5	134

Employee share schemes	-	-	-	(13)	12	(1)	-	(1)
Dividends paid (Note 8)	-	-	-	-	(41)	(41)	-	(41)
Deferred tax on share-based payments	-	-	-	-	(1)	(1)	-	(1)
Distributions to non-controlling interest	-	-	-	-	-	-	(6)	(6)
Non-cash movement on non-controlling interests	-	-	-	-	-	-	4	4
Balance at 31 August 2024¹	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).

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

1. Material accounting policies

a. Basis of preparation

Whilst the information included in the consolidated financial statements has been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006, this announcement does not itself contain sufficient information to comply with IFRSs. The financial information in this full year results statement does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

Statutory accounts for the year ending 31 August 2024 have been delivered to the Registrar of Companies and those for 2025 will be delivered following the Company's Annual General Meeting. The Annual Report for the year ending 31 August 2025 and this full year results statement were approved by the Board on 19 December 2025. The auditors have reported on the Annual Report for the years ended on 31 August 2025 and 2024 and neither report was qualified and neither contained a statement under Section 498(2) or (3) of the Companies Act 2006.

The consolidated financial information for the year ended 31 August 2025 has been prepared on a consistent basis with the financial accounting policies set out in the Accounting Policies section of the WH Smith PLC Annual Report and Accounts 2024 except as described below. The Group has adopted the following standards and interpretations which became mandatory for the first time during the year ended 31 August 2025. The Group has considered the below new standards and amendments and has concluded that they are either not relevant to the Group or they do not have a significant impact on the Group's consolidated financial statements, except for the IAS 1 amendments, described further below.

Amendments to IAS 1	Classification of liabilities as current or non-current and non-current liabilities with covenants
Amendment to IAS 7 and IFRS 7	Supplier finance arrangements
Amendments to IFRS 16	Lease liability in a sale and leaseback

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.

At the Group balance sheet date, the following standards and interpretations, which have not been applied in these condensed 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-dependant electricity

Amendments to IFRS 10 and IAS 28	Sale of 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.

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

1. Material accounting policies (continued)

a. Basis of preparation (continued)

Alternative Performance Measures (APM's)

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 56 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.

Going concern

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

The directors are required to assess whether the Group can continue to operate for at least 12 months from the date of approval of these financial statements.

The Strategic report describes the Group's financial position, cash flows and borrowing facilities and also highlights the principal risks and uncertainties facing the Group. The Strategic report also sets out the Group's business activities together with the factors that are likely to affect its future developments, performance and position.

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 on page 5 and in Note 10. 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.

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

1. Material accounting policies (continued)

a. Basis of preparation (continued)

Going concern (continued)

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 is able to adequately manage its financing and principal risks, and that the Group will be able to continue to meet its obligations as they fall due and operate within the level of its facilities for at least 12 months from the date of approval of these financial statements.

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 13): 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: 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 13): revenue growth assumptions in the Rest of the World and Other segment.

Management also considers that estimation exists over the following areas, but with a limited risk of material change to amounts recognised within the next twelve months:

- discontinued operations (Note 7): 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 12): the amount and timing of recognition of supplier income.

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 7. The next page shows the Group's income statement for the year ended 31 August 2025.

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

1. Material accounting policies (continued)

a. Basis of preparation (continued)

Discontinued operations (continued)

Group income statement

	2024 as previously reported			Reclassification of discontinued operations			2024 after reclassification of discontinued operations		
	Before non-underlying items	Non-underlying items	Total	Before non-underlying items	Non-underlying items	Total	Before non-underlying items	Non-underlying items	Total
£m									
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
Total comprehensive income	123	(46)	77	-	-	-	123	(46)	77
			151			-			151

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

1. Material accounting policies (continued)

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 1a. 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.

Group income statement

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
£m									
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.

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

1. Material accounting policies (continued)

b. Restatement of prior year financial statements (continued)

£m	2024 as previously reported ¹			Restatement			Headline before non-underlying items (pre-IFRS 16)
	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	-	-	-
North America	54	-	4	58	(20)	-	(20)
Rest of the World and Other ¹	14	-	4	18	-	-	-
Group trading profit - continuing operations	190	-	12	202	(20)	-	(20)

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 7 for further details).

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

1. Material accounting policies (continued)

b. Restatement of prior year financial statements (continued)

Group income statement - disaggregation of restatement

£m	Accelerated supplier income recognition			Inventory related items			Total restatement		
	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 loss¹	(13)	-	(13)	(7)	-	(7)	(20)	-	(20)
Finance costs	-	-	-	-	-	-	-	-	-
Profit/(loss) before tax - continuing operations	(13)	-	(13)	(7)	-	(7)	(20)	-	(20)

Operations	('000)	-	('000)	-	('000)	-	('000)	-	('000)
Income tax credit	2	-	2	-	1	-	1	-	3
Loss for the year - continuing operations	(11)	-	(11)	-	(6)	-	(6)	-	(17)
Profit/(loss) for the year - discontinued operations	-	-	-	-	-	-	-	-	-
Loss for the year - total operations	(11)	-	(11)	-	(6)	-	(6)	-	(17)
Attributable to equity holders of the parent	(8)	-	(8)	-	(5)	-	(5)	-	(13)
Attributable to non-controlling interests	(3)	-	(3)	-	(1)	-	(1)	-	(4)
	(11)	-	(11)	-	(6)	-	(6)	-	(17)
Total comprehensive income			(11)				(6)		(17)

1 All restatements impacting Group operating profit/(loss) relate to Cost of sales

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Notes to the Financial Statements

For the year ended 31 August 2025

1. Material accounting policies (continued)

b. Restatement of prior year financial statements (continued)

Group earnings per share

£m	As previously reported	2024 Reclassification of discontinued operations	2024 after reclassification of discontinued operations
Basic earnings per share - continuing operations	51.9p	(13.2p)	38.1
Diluted earnings per share - continuing operations	51.1p	(13.0p)	38.1
Basic earnings per share - total operations	51.9p	-	51.9
Diluted earnings per share - total operations	51.1p	-	51.1

Group cash flow statement extract - year ended 31 August 2024

£m	As previously reported	2024
Net cash inflows from operating activities		275
Net cash outflows from investing activities		(137)
Net cash outflows from financing activities		(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

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

1. Material accounting policies (continued)

b. Restatement of prior year financial statements (continued)

Group balance sheet extract - as at 31 August 2024

£m	As previously reported	Accelerated supplier income recognition	Inventory related items
Deferred tax assets	33	4	-
Trade and other receivables	12	-	-
Total non-current assets	1,358	4	-
Inventories	217	(3)	(5)

INVENTORIES	£'000	£'000	£'000
Trade and other receivables	150	(12)	-
Current tax receivable	1	1	-
Total current assets	511	(14)	(5)
Trade and other payables	(352)	(4)	(5)
Total current liabilities	(599)	(4)	(5)
Total non-current liabilities	(824)	-	-
Total net assets	446	(14)	(10)
Retained earnings	335	(11)	(9)
Non-controlling interests	30	(3)	(1)
Total equity	446	(14)	(10)

1 Reclassification of certain receivables related to joint venture arrangements in North America from current to non-current. In addition, within Trade and other receivables all receivables related to joint venture arrangements have been reclassified from Trade receivables to Other receivables (£15m)

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

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
Deferred tax assets	43	2	-
Trade and other receivables	9	-	-
Total non-current assets	1,273	2	-
Inventories	205	(1)	(3)
Trade and other receivables	112	(1)	-
Total current assets	377	(2)	(3)
Trade and other payables	(340)	(3)	(1)
Total current liabilities	(543)	(3)	(1)
Total non-current liabilities	(767)	-	-
Total net assets	340	(3)	(4)
Retained earnings	209	(3)	(4)
Total equity	340	(3)	(4)

1 Reclassification of certain receivables related to joint venture arrangements in North America from current to non-current. In addition, within Trade and other receivables all receivables related to joint venture arrangements have been reclassified from Trade receivables to Other receivables (£10m)

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

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 7.

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 56 (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	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 7 for further details).

Rest of the World and Other 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.

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

2. Segmental analysis of results (continued)

b) Group results

£m	2025			2024 (restated ¹)		
	Headline before non- underlying items ²	Headline non- underlying items ²	IFRS 16	Total (pre-IFRS 16)	Headline before non- underlying items ²	Headline non- underlying items ²
	(pre-IFRS 16)	(pre-IFRS 16)			IFRS 16	Total
UK	130	-	1	131	122	-
North America	15	-	7	22	34	-
Rest of the World and other	14	-	6	20	14	-
Group trading profit - continuing operations	159	-	14	173	170	-
Unallocated central costs	(25)	-	-	(25)	(28)	-
Group operating profit before non-underlying items - continuing operations	134	-	14	148	142	-
Non-underlying items (Note 4)	-	(91)	(8)	(99)	-	(41)
Group operating profit - continuing operations	134	(91)	6	49	142	(41)
Finance costs	(26)	-	(20)	(46)	(28)	-
Non-underlying finance costs (Note 4)	-	(1)	-	(1)	-	-
Profit before tax - continuing operations	108	(92)	(14)	2	114	(41)
Income tax expense	(45)	18	1	(26)	(29)	5
Profit/(loss) for the year - continuing operations	63	(74)	(13)	(24)	85	(36)
Profit/(loss) for the year - discontinued operations	11	(146)	22	(113)	25	(12)
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 7 for further details).

2 Presented on a pre-IFRS 16 basis. Alternative Performance Measures are defined and explained in the Glossary on page 56.

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

2. Segmental analysis of results (continued)

c) Other segmental items

£m	2025					
	Non-current assets ¹			Right-of-use assets		
	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) ²	-	-	-	-	(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)	-

£m	2024 (restated) ²					
	Non-current assets ¹			Right-of-use assets		
	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 Non-current assets including property, plant and equipment and intangible assets, but excluding right-of-use assets.

2 Comparative periods have been restated to separately disclose results from discontinued operations (refer to Note 7 for further details).

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Notes to the Financial Statements

For the year ended 31 August 2025

3. Group operating profit

£m	2025			2024 (restated) ¹		
	Before non-underlying items	Non-underlying items	Total	Before non-underlying items	Non-underlying items	Total
Revenue	1,550	1,550	1,550	1,470	1,470	1,470

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
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² 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 7 for further details).

£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 intangible assets	-	1
Impairment of right-of-use assets	29	10
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	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 7 for further details).

² Write-down of inventories in the year are included within the amounts disclosed as Cost of inventories recognised as an expense and recognised in Cost of sales.

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Notes to the Financial Statements

For the year ended 31 August 2025

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 1a and is applied consistently year on year. The classification of items as non-underlying requires management judgement. The charge is mainly non-cash.

£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 related to IAS 18 activity and Group legal entity structure	4	4

Costs related 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 7 for further details).

Amortisation of acquired intangible assets

Amortisation of acquired intangible assets primarily relates to the MRG and InMotion brands (see Note 13).

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, anchored in 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 the World and Other. Impairment charges in the North America and Rest of the 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.

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Notes to the Financial Statements

For the year ended 31 August 2025

4. Non-underlying items (continued)

Impairment of non-current assets (continued)

The impairment recognised on a pre-IFRS 16 basis is provided in the Glossary on page 56.

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 lease contracts where the space is vacant, a contract is loss-making or currently not planned to be used for ongoing operations. This provision will be utilised over the next two to four financial years. The unwinding of the discount on provisions for onerous contracts is treated as an imputed interest charge, and has been recorded in non-underlying finance costs.

Transformation programmes - IT

Administrative expenses of £11m (2024: £4m) have been classified as non-underlying in relation to a Board-approved IT transformation programme. 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 (GZO), 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.

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.

A tax credit of £18m (2024: £5m) has been recognised in relation to non-underlying items from continuing operations.

Non-underlying items - discontinued operations

Refer to Note 7 for further details.

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Notes to the Financial Statements

For the year ended 31 August 2025

5. 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 7 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.

6. 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	27	-
Deferred tax - prior year	2	(5)
Deferred tax - change in tax rates	(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	(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

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 7 for further details).

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

6. Income tax expense (continued)

The effective tax rate¹ 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.

¹Presented on a pre-IFRS 16 basis. Alternative performance measures are defined and explained in the Glossary on page 56.

7. 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 of approximately 480 stores to Modelia Capital. The transaction excluded the WH Smith 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.

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

7. Discontinued Operation (continued)

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.

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.
- 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)

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

8. Dividends

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

£m	2025	2024
Dividends		
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.

9. 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

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

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 7 for further details).

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

9. Earnings per share (continued)

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
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 7 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 63.

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

10. Analysis of net debt

Movement 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, 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, 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)

An explanation of Alternative Performance Measures, including Headline net debt on a pre-IFRS 16 basis, is provided in the Glossary on page 56.

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.

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

10. Analysis of net debt (continued)

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 twelve 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.

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).

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

11. 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 and to separately disclose results from discontinued operations (refer to Note 7 for further details).

12. 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.

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

13. Non-current 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.

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.

During the year ended 31 August 2025, there were additions to property, plant and equipment of £96m (31 August 2024: £115m). There were no foreign exchange movements of £3m (2024: £5m) and net disposals of tangible

2024: £110m). There were adverse foreign exchange movements of £50m (2024: £50m) and net disposals of tangible assets during the year of £2m (31 August 2024: £nil). In addition, the disposal of the High Street business resulted in a reduction of cost of £398m and a corresponding reduction in accumulated depreciation of £377m.

During the year ended 31 August 2025, there were additions to right-of-use assets of £75m (31 August 2024: £152m), modifications and remeasurements of £1m (2024: £48m) offset by disposals of £3m (2024: £8m). In addition, the disposal of the High Street business resulted in a reduction in the net book value of right-of-use assets of £22m.

Additions to intangible assets totalled £7m (31 August 2024: £22m) in the period. In addition, the disposal of the High Street business resulted in a reduction of cost of £108m and a corresponding reduction in accumulated amortisation of £99m.

Goodwill decreased by £24m in the period, as a result of an impairment of goodwill associated with the High Street segment of £15m as described below, and adverse movements in exchange rates of £9m. (31 August 2024: decreased by £10m as a result of £6m of additions offset by a £16m adverse movement in exchange rates).

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.

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

13. Non-current assets (continued)

Impairment of goodwill and other indefinite-lived intangible assets (continued)

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).

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 the 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.

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 of 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.

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 above 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.

WH Smith PLC

Notes to the Financial Statements

For the year ended 31 August 2025

13. Non-current assets (continued)

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 the World and Other and £119m to the High Street business, described further in Note 7. Impairment charges in the North America and Rest of the World and Other operating segments have principally arisen due to a lower trading outlook in certain individual stores across these regions.

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 have 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).

14. 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

15. 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.

WH Smith PLC

Glossary (unaudited)

For the year ended 31 August 2025

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 frontload 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 continues 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. 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.

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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 & A12	Headline measures exclude the impact of IFRS 16 (applying the principles of IAS 17). Reconciliations of all Headline measures are provided in Notes A1 to A10 and A12.
Group profit before tax and non-underlying items	Group profit before tax	See Group income statement and Note A1	Group profit before tax and non-underlying items excludes the impact of non-underlying items as described below. A reconciliation from Group profit before tax and non-underlying items to Group profit before tax is provided on the Group income statement on page 24, 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.
Earnings per share before non-underlying items	Earnings per share	Non-underlying items, see Note 9 and Note A4	Profit for the year attributable to the equity holders of the parent before non-underlying items divided by the weighted average number of ordinary shares in issue during the financial year. A reconciliation is provided on an IFRS 16 basis in Note 9 and on a Headline (pre-IFRS 16) basis in Note A4.
Headline EBITDA	Group operating profit	Refer to definition	Headline EBITDA is Headline Group operating profit before non-underlying items adjusted for pre-IFRS 16 depreciation, amortisation and impairment and before non-cash items.

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APM	Closest equivalent IFRS measure	Reconciling items to IFRS measure	Definition and purpose
Income statement measures (continued)			
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 6 on an IFRS 16 basis, and Notes A3 and A6 on a pre-IFRS 16 basis.
Fixed charges cover	None	Refer to definition	This performance measure calculates the number of times Headline EBITDA 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 Preliminary announcement statement, gross margin is calculated as gross profit divided by revenue.

Like-for-like revenue	Movement in revenue per the income statement	- Revenue change from non like-for-like stores - Foreign exchange impact	Like-for-like revenue is the change in revenue from stores that have been open for at least a year, with a similar selling space at a constant foreign exchange rate.
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 of Net debt on an IFRS 16 basis provided in Note A8.
Other measures			
Free cash flow	Net cash inflow from operating activities	See Note A7 and Group overview	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 18, as part of the Financial review.
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.
Leverage	None	Not Applicable	Leverage is calculated as Headline net debt divided by rolling 12 month Headline EBITDA (on a pre-IFRS 16 basis).

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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 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)

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A1. Reconciliation of Headline to Statutory Group operating profit and Group profit before tax (continued)

2024 (restated ¹)						
£m	pre-IFRS 16 basis		Headline (pre-IFRS 16)	IFRS 16 Basis		
	Headline, before non-underlying items (pre-IFRS 16)	Headline non-underlying items (pre-IFRS 16)		IFRS 16 adjustments	IFRS 16 adjustments	IFRS 16 non-underlying items
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 7 for further details).

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A2. Reconciliation of Headline to Statutory Segmental trading profit and Group profit from trading operations

2025						
£m	pre-IFRS 16 basis			IFRS 16 basis		
	Headline, before non-underlying items (pre-IFRS 16)	underlying items (pre-IFRS 16)	Headline (pre-IFRS 16)	IFRS 16 adjustments	IFRS 16	Total
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)			IFRS 16 basis	
	Headline, before non-underlying items (pre-IFRS 16)	Headline non-underlying items (pre-IFRS 16)	Headline (pre-IFRS 16)	IFRS 16 adjustments	Total
£m					
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 7 for further details).

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A3. Reconciliation of Headline to Statutory tax expense

	2025			2024 (restated ¹)		
	Headline (pre-IFRS 16) adjustments	IFRS 16 adjustments	Total	Headline (pre-IFRS 16) adjustments	IFRS 16 adjustments	Total
£m						
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 charge/(credit) 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 7 for further details).

A4. Calculation of Headline and Statutory earnings per share

	2025		2024		
	millions	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Weighted average shares in issue (Note 9)		127	129	129	131

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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	Profit for the year attributable to equity holders of the parent		Basic EPS	Diluted EPS	Basic EPS
		£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 7 for further details).

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A5. Fixed charges cover

£m	Note	2025	2024 (restated ¹)
Headline net finance costs before non-underlying items		26	28
Headline fixed operating lease charges (pre-IFRS 16)	A12	232	216
Total fixed charges		258	244
Headline EBITDA	A13	187	198
Headline fixed operating lease charges (pre-IFRS 16)	A12	232	216
Headline EBITDA before fixed charges before non-underlying items (pre-IFRS 16) - 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 7 for further details).

A6. Non-underlying items on pre-IFRS 16 and IFRS 16 bases

£m	2025		2024 (restated ¹)	
	Headline (pre-IFRS16)	IFRS 16	Headline (pre-IFRS16)	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	2	2	2	2

Transformation programmes - supply chain	2025	2024	2023	2022
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	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 7 for further details).

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A6. Non-underlying items on pre-IFRS 16 and IFRS 16 bases (continued)

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).

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 (Note A9)	(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 7 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	(484)	(626)

Liabilities from financing activities	(945)	(1,053)
Cash and cash equivalents	71	56
Net debt (IFRS 16) (Note 10)	(874)	(997)
Add back lease liabilities recognised under IFRS 16	484	626
Headline net debt (pre-IFRS 16)	(390)	(371)

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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)		
	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 decrease in cash in the period	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

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)		
	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.

A11. Like-for-like revenue reconciliation

The reconciling items between like-for-like revenue change and total revenue change are shown below:

£m	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)%

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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 7 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.

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 56.

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 7 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 7 for further details).

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