

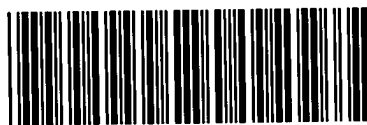
Marks and Spencer plc

Financial Statements 2024

Registered number

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Marks and Spencer plc

Marks and Spencer plc

STRATEGIC REPORT

Marks and Spencer plc is domiciled and incorporated in England and Wales. The Company's registered office is Waterside House, 35 North Wharf Road, London W2 1NW, United Kingdom.

The financial statements are made up to the nearest Saturday to 31 March each year. The current financial year is the 52 weeks ended 30 March 2024 (the 'year'). The prior financial year was the 52 weeks ended 1 April 2023.

The Ultimate Parent of Marks and Spencer plc is Marks and Spencer Group plc. Further details on the Ultimate Parent Group's strategic direction can be found in the following sections of the Marks and Spencer Group plc Annual Report 2024, which does not form part of this report:

Strategic report on pages 3 - 71

Chairman's letter on page 3

Chief Executive's Review on pages 4 - 5

People & culture on pages 38 - 41

Review of the business and future developments

Marks and Spencer plc (the 'Company') is the main trading company of the Marks & Spencer group of companies. The Company and its subsidiaries (the 'Group') are one of the UK's leading retailers of clothing, food and home products. The Group employs over 64,000 people and has around 1,058 UK-owned and franchise stores. The Group also trades in wholly-owned stores in the Republic of Ireland and the Czech Republic, through partly-owned stores in a number of European countries and India and in franchises within Asia, Europe and the Middle East.

Two years into our plan to Reshape for Growth we can see the beginning of a new M&S. Food and Clothing & Home grew volume and value share ahead of the market and sales increased across stores and online. Both businesses have now delivered 12 consecutive quarters of sales growth and this trading momentum gives us wind in our sails, and confidence that our plan is working. We are becoming more relevant, to more people, more of the time.

Food sales grew 12.4% with like-for-like sales up 11.3%. As a result of sales and volume growth, the benefits of sourcing and structural cost reduction, adjusted operating profit increased to £375.9m (4.7% margin) from £236.0m (3.3% margin) last year.

Clothing & Home sales grew 5.3% with like-for-like sales up 5.2%. As a result of improved gross margin supported by full price sales growth and the benefits of the structural cost reduction programme, adjusted operating profit increased to £402.8m (10.3% margin) from £323.8m (8.7% margin) last year.

International (excluding Republic of Ireland) sales declined 1.0% at constant currency to £719.1m. As a result of weaker sales growth in the second half and action to reduce stock levels, adjusted operating profit declined to £47.7m (6.6% margin) from £67.9m (9.1% margin) last year. Sales in the Republic of Ireland were encouraging, growing by 2.4% at constant currency to £320.7m. Operating profit before adjusting items improved to £27.9m from £16.9m last year.

Over the past two years, the strategy of reshaping M&S has delivered growth in sales, market share, margins, return on capital and free cash flow. The programme is in its early stages with substantial scope for further operational efficiency and sustainable growth and we are laser-focused on the continued execution of the plan which we set out at the Capital Markets Day in 2022.

The nine strategic priorities to reshape M&S to deliver sustainable growth remain unchanged and are:

- Exceptional product, trusted retailer
- Customer centric businesses
- Expanded global reach
- Structurally lower costs
- High performance culture
- Accelerating store rotation
- Modernised supply chain
- Data, digital and technology
- Disciplined capital allocation

Section 172 (1) statement

Engaging with stakeholders is fundamental to how M&S does business, and the directors of the Company believe that considering stakeholders in key business decisions is not only the right thing to do, but is vital to the Company's ability to drive value creation over the longer term.

The directors of the Company consider that they have responsibly and appropriately discharged their duties under the Companies Act 2006 (the 'Act'), including their duty to act in the way that they consider, in good faith, will be most likely to

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promote the success of the Company for the benefit of its members as a whole, having due regard in doing so for the matters set out in section 172 (1) (a) to (f) in the Act ("s.172").

During the year under review, the directors of the Company were also members of the Executive Committee as Chief Financial Officer and General Counsel & Company Secretary, of Marks and Spencer Group plc ("the Ultimate Parent Group"). As a result of this and of the Ultimate Parent Group's governance structure (which is outlined in the Corporate Governance Statement in the Report of the Directors on page 24), the matters that the directors are responsible for considering under s.172 were considered by them together with the Ultimate Parent Group Board in relation to both the Ultimate Parent Group and to the Company. The directors consider the matters set out in s.172 to apply to both the Ultimate Parent Group and the Company on the basis that the Company is the Ultimate Parent Group's primary trading, contracting and employing entity, and therefore the Company's business relationships with employees, suppliers, customers and partners, are those of the wider Group. Where appropriate, and given that the Company's directors are not directors of the Ultimate Parent Group, the directors of the Company anticipate separately meeting immediately following Ultimate Parent Group Board meetings, to ensure that they review and consider all Ultimate Parent Group matters and decisions with respect to the specific interests of the Company and its stakeholders. However, during the year the directors of the Company agreed with all of the Ultimate Parent Group Board's decisions and recommendations as applicable directly to the Company and its stakeholders, having been present during the Ultimate Parent Group Board's discussions and consideration of the matters set out in s.172, and therefore no separate meetings were required.

Consequently, a description of how the directors have had regard to the matters set out in s.172 when performing their duty, as discharged alongside the Ultimate Parent Group Board for both the Ultimate Parent Group and the Company, is set out on pages 80 to 82 of the Group's Annual Report 2024 (available online at corporate.marksandspencer.com/annualreport2024). Information on how the directors of the Company engaged and had regard for the Company's employees and other stakeholders is provided in the 'Business relationships and colleague engagement' section of the Report of the Directors on page 20.

KEY PERFORMANCE INDICATORS

Financial

Group revenue

£12.9bn

22/23	£11.8bn
23/24	£12.9bn

Group statutory revenue was £12.9bn, an increase of 8.9% vs 2022/23. This was driven by Clothing & Home sales up 5.3% and Food sales up 12.4%.

Group profit before tax and adjusting items

£744.0m

22/23	£475.2m
23/24	£744.0m

Group profit before tax and adjusting items was £744.0m, up 56.6% vs 2022/23.

Group profit before tax

£686.6m

22/23	£432.6m
23/24	£686.6m

Group profit before tax was £686.6m, up 58.7% on 2022/23.

Strategic KPIs

FOOD

Quality NPS

+69% (22/23: +66%)

Value NPS

+2% (22/23: -3%)

Market share of M&S sales in stores increased to

3.7% (22/23: 3.6%)

CLOTHING & HOME

Market share increased to

10.0% (22/23: 9.6%)

Perception for style

29% (22/23: 25%)

Perception for value

43% (22/23: 39%)

FINANCIAL REVIEW

FINANCIAL SUMMARY

52 weeks ended	30 Mar 24 £m	1 Apr 23 Restated £m ¹	Change vs 2022/23 %
Group statutory revenue	12,896.8	11,847.1	8.9
Group sales	12,966.0	11,903.8	8.9
UK Food	8,015.5	7,133.8	12.4
UK Clothing & Home	3,910.7	3,715.0	5.3
International	1,039.8	1,055.0	(1.4)
Group operating profit before adjusting items	856.5	644.1	33.0
UK Food	375.9	236.0	59.3
UK Clothing & Home	402.8	323.8	24.4
International	75.6	84.8	(10.8)
M&S Bank and other segments	2.2	(0.5)	n/a
Interest payable on lease liabilities	(109.3)	(110.7)	(1.3)
Net financial interest	(3.2)	(58.2)	(94.5)
Profit before tax and adjusting items	744.0	475.2	56.6
Adjusting items	(57.4)	(42.6)	34.7
Profit before tax	686.6	432.6	58.7
Profit after tax	447.7	322.8	38.7

Notes:

¹ Due to a change in the Group's classification of pension net finance income as an adjusting item (see note 5 to the financial information), the comparative amounts have been restated. The impact on the 52 weeks ended 1 April 2023 income statement is a decrease to the adjusting items charge of £28.7m and a decrease to profit before tax & adjusting items of £28.7m. There is no impact on profit before tax or net assets.

There are a number of non-GAAP measures and alternative profit measures ("APMs") discussed within this Strategic Report, and a glossary and reconciliation to statutory measures is provided at the end of this report. Adjusted results are consistent with how business performance is measured internally and presented to aid comparability of performance. Refer to the adjusting items table below for further details.

GROUP RESULTS

Group sales were £12,966.0m. This was an increase of 8.9% versus 2022/23, driven by Food sales up 12.4% and Clothing & Home sales up 5.3%. Statutory revenue in the period was £12,896.8m, an increase of 8.9% versus 2022/23.

The Group generated profit before tax and adjusting items of £744.0m, compared with £475.2m in the prior year. Prior year results have been restated to reflect net finance income on the IAS19 pension surplus which has been reclassified as an adjusting item.

Adjusting items were a net charge of £57.4m, compared with a charge of £42.6m in the prior year. The net charge in the period primarily consists of costs relating to the UK store rotation plans.

As a result, the Group generated a statutory profit before tax of £686.6m, compared with £432.6m in the prior year.

For full details of the Group's related policy and adjusting items, read more on notes 1 and 5 to the financial statements.

UK: FOOD

UK Food sales increased 12.4%, with like-for-like sales up 11.3%, underpinned by strong innovation and broadening customer appeal.

Change vs 2022/23 %	Q1	Q2	Q3	Q4	FY
Food	12.9	12.0	11.2	13.5	12.4
Food like-for-like sales	12.5	11.0	9.9	11.9	11.3

Like-for-like sales growth of 11.3% was driven by volume growth of 5.2% as customer numbers, particularly those completing larger shops, increased. Basket value was up 5.3% and larger basket transactions continued to grow with the value of baskets over £30 up 15.0%.

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52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 %
Sales	8,015.5	7,133.8	12.4
Operating profit before adjusting items	375.9	236.0	59.3
Adjusted operating margin	4.7%	3.3%	140 bps

Operating profit before adjusting items was £375.9m compared with £236.0m in 2022/23, with an adjusted operating margin of 4.7%.

Food adjusted operating margin increased by 1.4% pts. Gross margin improved 0.7% pts whilst continued investment in trusted value was funded by the lowering cost programme.

Operating costs as a percent to sales reduced 0.7% pts as sales growth of 12.4% exceeded cost growth of 9.9%. The impact of investment in colleague pay and energy headwinds was largely offset by structural cost savings and other efficiencies. Cost growth was therefore largely driven by volume and investments in colleagues and technology.

The 0.7% pt reduction breaks down as follows:

- Store staffing was down 0.3% pts, with colleague pay investment partly offset by structural cost savings.
- Other store costs were level, as sales leverage was offset by energy inflation headwinds.
- Distribution and warehousing costs were down 0.2% pts.
- Central costs decreased 0.2% pts as sales leverage was partly offset by technology investments and colleagues.

Operating profit before adjusting items	%
2022/23	3.3
Gross margin	0.7
Store staffing	0.3
Other store costs	0.0
Distribution and warehousing	0.2
Central costs	0.2
2023/24	4.7

UK: CLOTHING & HOME

Clothing & Home sales increased 5.3% driven by strong full price sales growth, with promotions and markdown reducing. Sales mix by channel evolved during the year with stronger online growth in the second half.

Change vs 2022/23 %	Q1	Q2	Q3	Q4	FY
Clothing & Home sales ¹	7.4	4.1	4.8	5.0	5.3
Clothing & Home like-for-like sales	7.2	3.8	4.8	5.1	5.2
Clothing & Home online sales	3.1	6.0	10.9	10.3	7.8
Clothing & Home stores sales	9.4	3.2	2.0	2.4	4.1
Clothing & Home statutory revenue	7.1	4.1	4.5	4.7	5.0

¹ 'Sales' are statutory revenue plus the gross value of consignment sales ex. VAT

To enable greater insight into these movements, we are providing further detail on the performance of each channel.

Online

52 weeks ended	30 Mar 24	1 Apr 23	Change vs 2022/23 %
Active customers (m) ¹	9.4	9.2	2.2
Frequency ²	3.5	3.4	2.9
Transactions (m)	33.2	31.1	6.8
Average Basket value £ ³	63.7	61.7	3.2
Returns rate (%) ⁴	31.3	29.5	1.8% pts
Sales ex VAT £m	1,268.4	1,176.4	7.8

¹ Active customers is the count of unique customers who transacted online in the last 52 weeks.

² Frequency is the count of purchasing transactions divided by customers.

³ Prior year average basket value has been restated to reflect alternative source data as a result of cookie compliance tracking.

⁴ Returns rate represents returns on dispatch sales.

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Online sales increased by 7.8%. Active customers increased by 2.2% as ranges have begun to appeal to more customers. Average basket value grew 3.2% reflecting higher average selling price, including a higher mix of brand partner sales, and reduced promotions.

The online returns rate increased year on year as expected, driven by a higher sales mix of partner brands and growth in more trend-led product.

Stores

52 weeks ended	30 Mar 24	1 Apr 23	Change vs 2022/23 %
Transactions, m (average/week)	1.8	1.8	-
Average basket value inc VAT pre returns (£)	39.2	37.4	4.8
Sales ex VAT £m	2,642.3	2,538.6	4.1

UK Clothing & Home store sales increased 4.1%, with strong growth in shopping centres and retail parks, supported by the opening of six new stores in the renewal format.

Total Clothing & Home

52 weeks ended	30 Mar 24	1 Apr 23	Change vs 2022/23 %
Statutory revenue	3,841.5	3,658.3	5.0
Sales	3,910.7	3,715.0	5.3
Operating profit before adjusting items	402.8	323.8	24.4
Adjusted operating margin	10.3%	8.7%	1.6% pts

Operating profit before adjusting items was £402.8m compared with £323.8m in 2022/23, with an adjusted operating margin of 10.3%.

Clothing & Home adjusted operating margin increased by 1.6% pts. Gross margin increased 1.5% pts, as buying headwinds including currency, were more than offset by the annualisation of pricing action and increased full price sales.

Operating costs as a percent of sales were 0.1% pts lower than last year, as cost growth of 5.1% was marginally lower than sales growth. Cost inflation was largely offset by structural cost reduction. Further cost increases, largely in the second half, were driven by an increase in investments in technology, in store service and colleagues.

The 0.1% pt reduction breaks down as follows:

- Store staffing increased 0.3% pts, driven by investment in service and colleague pay, partly offset by structural cost savings.
- Other store costs decreased 0.7%, structural cost reduction and one-off savings more than offset inflationary headwinds.
- Distribution and warehousing costs were down 0.5% pts, with the effects of inflation and volume growth offset by structural cost savings and efficiencies.
- Central costs increased 0.8% pts, driven by investment in colleagues and an increase in technology spend, including a new planning platform and system changes to support the growth in partner brands.

Operating profit margin before adjusting items	%
2022/23	8.7
Gross margin	1.5
Store staffing	(0.3)
Other store costs	0.7
Distribution and warehousing	0.5
Central costs	(0.8)
2023/24	10.3

As outlined above, the overall Clothing & Home adjusted operating margin increased by 1.6% pts. Store margin increased 0.8% pts to 11.3% and online margin increased 3.3% pts to 8.2%.

INTERNATIONAL

International sales excluding Republic of Ireland, decreased by 3.0% (1.0% at constant currency) to £719.1m. This was predominantly due to lower shipments to partners as a result of weaker sales in the second half. Adjusted operating margin declined 2.6% pts due to lower sales, and action taken to reduce stock levels in India.

Sales in Republic of Ireland grew 2.2% (2.4% at constant currency), driven by Food performance. Adjusted operating margin increased by 3.3% pts, largely driven by lower supply chain costs in Food.

From 2024/25 financial year the results of the Republic of Ireland will be reported as part of a new UK and Republic of Ireland segment within both Food and Clothing & Home.

52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 %	Change vs 2022/23 CC %
International excl. Republic of Ireland				
Sales	719.1	741.0	(3.0)	(1.0)
Operating profit before adjusting items	47.7	67.9	(29.7)	(26.9)
Adjusted operating margin	6.6%	9.2%	(2.6% pts)	(2.4% pts)
Republic of Ireland				
Sales	320.7	313.9	2.2	2.4
Operating profit before adjusting items	27.9	16.9	65.1	66.7
Adjusted operating margin	8.7%	5.4%	3.3% pts	3.4% pts

M&S BANK & SERVICES

M&S Bank and Services generated a profit before adjusting items of £2.2m, compared with a loss of £0.5m in 2022/23, largely driven by a provision release following the exit of M&S Energy.

On 9 April 2024, the Group and HSBC UK agreed a new seven-year deal focused on enhancing M&S' credit offering and payment solutions through M&S Bank and bringing together digital payments and loyalty for M&S customers.

NET FINANCE COST

	30 Mar 24 £m	1 Apr 23 £m	Change vs 22/23 £m
Interest payable	(56.8)	(76.9)	20.1
Interest income	64.3	28.4	35.9
Net interest income/(payable)	7.5	(48.5)	56.0
Unwind of discount on Scottish Limited Partnership liability	(4.1)	(4.3)	0.2
Unwind of discount on provisions	(6.6)	(5.4)	(1.2)
Net financial interest	(3.2)	(58.2)	55.0
Net interest payable on lease liabilities	(109.3)	(110.7)	1.4
Net finance costs before adjusting items	(112.5)	(168.9)	56.4
Adjusting items included in net finance cost	24.0	28.7	(4.7)
Net finance costs	(88.5)	(140.2)	51.7

Net finance costs before adjusting items decreased £56.4m to £112.5m. This was driven by higher average interest rates on cash balances, an increase in interest receivable on intercompany loans, and reduced interest expense with 2023 maturing bonds being fully repaid in the period, and part of 2025 and 2026 bonds repurchased.

Adjusting items within net finance costs reflects a credit of £24.0m relating to the IAS19 pension surplus, which was reclassified as an adjusting item in the period and the comparative restated.

GROUP PROFIT BEFORE TAX AND ADJUSTING ITEMS

Group profit before tax and adjusting items was £744.0m, up 56.6% on 2022/23. The profit increase was primarily due to strong growth in Food and Clothing & Home and reduced interest expense.

GROUP PROFIT BEFORE TAX

Group profit before tax was £686.6m, up 58.7% on 2022/23. This includes a net charge for adjusting items of £57.4m (2022/23: £42.6m).

ADJUSTING ITEMS

The Group makes certain adjustments to statutory profit measures in order to derive alternative performance measures (APMs) that provide stakeholders with additional helpful information and to aid comparability of the performance of the business. For further detail on these (charges)/gains and the Group's policy for adjusting items, please see notes 1 and 5 to the financial statements. These (charges)/gains are reported as adjusting items on the basis that they are significant in quantum in current or future years and aid comparability from one period to the next.

	30 Mar 24 £m	1 Apr 23 Restated £m	Change vs 2022/23 £m
52 weeks ended			
Included in operating profit			
Strategic programmes - Store estate	(93.0)	(51.3)	(41.7)
Strategic programmes - Furniture simplification	(18.3)	-	(18.3)
Strategic programmes - Organisation	(3.5)	(10.7)	7.2
Strategic programmes - Structural simplification	-	(12.3)	12.3
Strategic programmes - UK logistics	5.3	(10.5)	15.8
Store impairments, impairment reversals and other property charges	35.1	15.1	20.0
M&S Bank transformation and insurance mis-selling provisions	(7.0)	(2.0)	(5.0)
Franchise restructure	-	0.4	(0.4)
Included in net finance income			
Pension net finance income	24.0	28.7	(4.7)
Adjustments to profit before tax	(57.4)	(42.6)	(14.8)

Adjusting items recognised were a net charge of £57.4m. These include:

A charge of £93.0m in relation to store estate rotation plans. This reflects the revised view of store exit routes, assumptions, estimated closure costs, charges relating to the impairment of buildings, fixtures and fittings, and accelerated depreciation.

A charge of £18.3m in relation to furniture simplification, this reflects one-off costs relating to the exit of the two-person furniture delivery operation. The charge primarily relates to contractual obligations with suppliers and redundancy costs.

A non-cash charge of £3.5m within organisation relating to an increase in the IFRS 9 impairment held in relation to the finance lease receivable for the sublet of previously closed Merchant Square offices.

A credit of £5.3m within logistics. This reflects the latest view of estimated closure costs of a further distribution centre, announced in January 2023, part of the long-term strategic programme to transition to a single-tier UK distribution network.

A non-cash net credit of £35.1m in relation to store impairment reversals, driven by revised future cash flow projections in relation to the carrying value of stores.

A charge of £7.0m in relation to M&S Bank transformation and insurance mis-selling provisions £2.0m of which has been incurred in relation to M&S Bank insurance mis-selling provisions. The remaining £5.0m relates to legal and consultancy costs recognised in the period in connection to the new seven-year deal with HSBC. Under the terms of the new agreement, material charges are expected over the next seven years. For further details see note 5 to the financial statements.

TAXATION

The effective tax rate on profit before tax and adjusting items was 30.6% (2022/23 restated for pension income: 25.9%). This was higher than the UK statutory tax rate primarily due to the impact of the recapture of tax relief on distributions to the Scottish Limited Partnership (SLP), and due to a deferred tax charge arising from the reduction of buildings residual value to nil.

Without the impact of the above deferred tax item, the effective tax rate on adjusted profit before tax and adjusting items is 27.5%. In 2024/25 we expect the effective tax rate on profit before tax and adjusting items to be at a rate of c.30%.

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The effective tax rate on statutory profit before tax was 34.8% (2022/23: 25.4%). This is higher than the effective tax rate on profit before adjusting items due to the impact of non-taxable adjusting items.

Prior year deferred tax liabilities have been restated as an error was identified within the Group's deferred tax calculations which was triggered by a series of historic changes in the residual value applied to buildings impacting the portion of the asset to be recovered through use and the portion through sale. In line with IAS 8, the Group has restated balances as at 1 April 2023 and 2 April 2022.

The impact on the financial results as at 1 April 2023 was a £134.1m increase in deferred tax liabilities recognised in relation to buildings following management's downwards revision of its estimate of the residual value of buildings. There is no impact on cash flow statement in any years. See note 1 to the financial statements for more detail.

CASH FLOW

	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 £m
Operating profit	775.1	572.8	202.3
Adjusting items within operating profit	81.4	71.3	10.1
Operating profit before adjusting items	856.5	644.1	212.2
Depreciation and amortisation before adjusting items	498.7	509.3	(10.6)
Cash lease and surrender payments	(332.5)	(346.9)	14.4
Working capital	90.0	52.9	37.1
Defined benefit scheme pension funding	(0.4)	(36.8)	36.4
Capex and disposals	(410.5)	(403.9)	(6.6)
Financial interest	(24.4)	(64.3)	39.9
Taxation	(191.2)	(70.6)	(120.6)
Employee-related share transactions	(35.3)	37.9	(73.2)
Adjusting items outflow	(38.5)	(57.3)	18.8
Share of results in joint ventures	0.3	-	0.3
Movement in parent company and fellow subsidiaries of the parent company loans	(12.9)	(209.5)	196.6
Free cash flow from operations	399.8	54.9	344.9
Acquisitions, investments and divestments	(2.6)	(4.0)	1.4
Free cash flow	397.2	50.9	346.3
Dividends paid	(20.0)	-	(20.0)
Free cash flow after shareholder returns	377.2	50.9	326.3
 Opening net debt excluding lease liabilities	 (368.7)	 (420.1)	 51.4
Free cash flow after shareholder returns	377.2	50.9	326.3
Exchange and other non-cash movements excluding leases	9.7	0.5	9.2
Closing net funds/(debt) excluding lease liabilities	18.2	(368.7)	386.9
 Opening net debt	 (2,621.3)	 (2,698.8)	 77.5
Free cash flow after shareholder returns	377.2	50.9	326.3
Decrease in lease obligations	231.9	225.4	6.5
New lease commitments and remeasurements	(161.1)	(235.3)	74.2
Exchange and other non-cash movements	12.1	36.5	(24.4)
Closing net debt	(2,161.2)	(2,621.3)	460.1

The business generated free cash flow from operations of £399.8m, a year on year improvement of £344.9m. This was driven by higher operating profit as a result of strong performance across Food and Clothing & Home, working capital inflow and reduced interest expense.

Cash inflow from working capital was £90.0m, an improvement of £37.1m versus the prior year, which was driven by a higher year-end payables balance partly due to the timing of Easter.

Decreased defined benefit scheme pension funding reflects a deferral of the SLP payment into the pension scheme.

Increased taxation was principally due to the increased profit in the year.

Cash outflow from adjusting items was £38.5m. This included £24.5m relating to the store estate strategy, £5.9m relating to structural simplification, £2.6m relating to the logistics strategy, £2.6m in relation to M&S financial services transformation and £2.0m relating to the M&S Bank insurance mis-selling provisions.

After dividend payments of £20.0m, reflecting payment of an interim dividend in January, the business generated free cash flow after shareholder returns of £377.2m, resulting in a further reduction of net debt.

CAPITAL EXPENDITURE

52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 £m
UK store remodelling	51.5	70.5	(19.0)
New UK stores	77.4	55.0	22.4
International	18.0	28.9	(10.9)
Supply chain	53.2	30.3	22.9
IT and M&S.com	80.8	109.5	(28.7)
Property asset replacement	99.1	102.1	(3.0)
Capital expenditure before property acquisitions and disposals	380.0	396.3	(16.3)
Property acquisitions and disposals	(6.1)	(1.1)	(5.0)
Capital expenditure	373.9	395.2	(21.3)
Movement in capital accruals and other items	36.6	8.7	27.9
Capex and disposals as per cashflow	410.5	403.9	6.6

Group capital expenditure before property acquisitions and disposals decreased £16.3m to £380.0m due to increased investment in new UK stores and supply chain, partially offset by reduced spend UK store remodelling, technology and International.

UK store remodelling costs were primarily driven by eight store renewals in the period, four of which were full line renewals, and one extension.

Spend on new UK stores primarily related to the opening of six full line and eight Food stores in the period.

Supply chain expenditure reflects investment in expanding Clothing & Home fulfilment capabilities, as well as replacement of vehicles and handling equipment.

IT and M&S.com spend includes technology replacement, network upgrades, and continued investment in website and app development. The reduction versus prior year was largely due to completion of retail initiatives.

Property asset replacement largely relates to reinvestment in and replacement of core assets across the store estate, including building repairs, self-service tills and click-and-collect facilities, as well as spend on energy efficiency initiatives and maintenance.

The movement in capital accruals was largely driven by the timing of payments relating to new stores and remodelling and property maintenance.

NET DEBT

Group net debt decreased by £460.1m since the start of the year driven by free cash flow after shareholder returns of £377.2m and a net decrease in lease liabilities of £73.1m.

The composition of Group net debt is as follows:

	30 Mar 24 £m	1 Apr 23 £m	Change vs 22/23 £m
Cash and cash equivalents	995.4	1,055.2	(59.8)
Medium Term Notes	(921.7)	(1,346.4)	424.7
Current financial assets and other	26.4	44.3	(17.9)
Partnership liability	(81.9)	(121.9)	40.0
Net funds/(debt) excluding lease liabilities	18.2	(368.8)	387.0
Lease liabilities	(2,179.4)	(2,252.5)	73.1
Group net debt	(2,161.2)	(2,621.3)	460.1

The Medium-Term Notes include four bonds, with maturities out to 2037, and the associated accrued interest. During the period the maturing 2023 bond was fully repaid, and part of 2025 and 2026 bonds were repurchased. The USD 300m 2037 bond is valued by reference to the embedded exchange rate in the associated cross currency swaps. The full breakdown of maturities is as follows:

Bond and maturity date	Value (£m)
Jun 2025, GBP	205.6
May 2026, GBP	200.8
Jul 2027, GBP	248.9
Dec 2037, USD	251.8
Total principal value	907.1
Interest and FX revaluation	14.6
Total carrying value	921.7

Lease Liabilities	30 Mar 24 £m	1 Apr 23 £m	Change vs 22/23 £m	Average lease length to break ¹
– Full-line stores ²	(860.1)	(882.2)	22.1	c.19 years
– Simply Food stores ²	(682.2)	(689.9)	7.7	c. 9 years
– Offices, warehouses and other ²	(427.6)	(475.7)	48.1	c. 15 years
– International	(209.5)	(204.7)	(4.8)	
Total Lease Liability	(2,179.4)	(2,252.5)	73.1	

¹Liability-weighted average lease length to break.

²Last year comparative categories have been restated.

New lease commitments and remeasurements in the period were £161.3m, largely relating to 16 UK lease additions, lease additions in India, and UK property liability remeasurements. This was offset by £231.9m of capital lease repayments.

Full-line store lease liabilities include £126.5m relating to stores identified as part of the store estate strategic programme. The average lease lengths on these stores are skewed by five particularly long leases which are trading well in locations the business wishes to remain in. Excluding these five leases, the average term to break of leases outside the programme is c.15 years.

Simply Food store lease liabilities include £28.3m relating to stores identified as part of the Store estate strategic programme.

Within offices, warehouses and other lease liabilities, £139.9m relates to the sublet lease on the Merchant Square offices.

International leases relate primarily to India (c.£117m) and Ireland (c.£55m).

PENSION

At 30 March 2024, the IAS 19 net retirement benefit surplus was £77.2m (2022/23: £477.4m). There has been a decrease of £400.2m since the start of the year largely driven by a narrowing in the credit spreads of corporate bonds relative to government bonds. Nevertheless, there has been no material worsening of the scheme's overall funding position and the scheme remains fully funded on a technical provisions basis.

Marks and Spencer plc

The most recent actuarial valuation of the Marks & Spencer UK Pension Scheme was carried out as at 31 March 2021 and showed a funding surplus of £687m. This is an improvement on the previous position at 31 March 2018 (statutory surplus of £652m), primarily due to lower assumed life expectancy.

The Company and Trustees have confirmed, in line with the current funding arrangement, that no further contributions will be required to fund past service as a result of this valuation other than those already contractually committed under the existing Marks and Spencer Scottish Limited Partnership arrangements.

MARKS AND SPENCER SCOTTISH LIMITED PARTNERSHIP

Marks and Spencer Plc is a general partner of the Marks and Spencer Scottish Limited Partnership, with the UK defined benefit pension scheme, which is a limited partner.

The Partnership holds £1.3bn (2022/23: £1.3bn) of properties at book value which have been leased back to Marks and Spencer Plc. The first limited Partnership interest held by the scheme entitled it to receive £73.0m in 2023 and £54.4m in 2024 and is included as a financial liability in the financial statements as it is a transferable financial instrument. The second Partnership interest held by the scheme entitles it to receive a further £36.4m annually from June 2017 until June 2031. As it is not a transferable financial instrument, the associated liability is not included on the Group's statement of financial position, rather the annual distribution is recognised as a contribution to the scheme each year.

The Group and the Pension scheme are in ongoing discussions to ensure that the distributions to the scheme are appropriate. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates in relation to the first limited partnership interest so that the Pension Scheme received £40.0m in October 2023 and was scheduled to receive £89.7m in June 2024. Additionally, the Group and the Pension Scheme Trustees agreed to amend the distribution dates in respect of the second interest so that the Pension Scheme was entitled to £38.3m in June 2024 and was scheduled an annual distribution of £36.4m from June 2024 to June 2031. On 27 June 2024, the Trustees agreed that £40.0m of the amounts due on 30 June 2024 under the first limited partnership interest would be paid by this date and the remaining balance deferred, and the amounts due on 30 June 2024 under the second interest would also be deferred. The deferred amounts are currently due to be paid on the earlier of the execution of a further amended agreement or 30 September 2024. If the ongoing discussions are successfully concluded, the profile of contributions to the scheme would be revised so that distributions in the year would substantially reduce and the Group would commit to extending the distribution profile, if required, to ensure that the scheme was fully funded.

LIQUIDITY

At 30 March 2024, the Group held cash and cash equivalents of £995.4m (2022/23: £1,055.2m). In the period, the Group bought back £276.8m of medium-term maturities and subsequently fully repaid £128.1m for the 2023 maturing bond.

The Group currently has an unused £850m revolving credit facility, the expiry of which has been extended to June 2027, on terms linked to delivery of its net zero roadmap. With the facility undrawn, the Group had total liquidity headroom of £1.8bn at 30 March 2024.

DIVIDEND

The directors approved and paid an interim dividend of 0.7p per share in 2023/24.

STATEMENT OF FINANCIAL POSITION

Net assets were £4,746.6m at the period end. The profit made in the period and the reduction in borrowings was largely offset by a decrease in the net retirement benefit surplus, resulting in an overall increase in net assets of 4.4% since the start of the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks and uncertainties have been assessed in accordance with the methodology outlined on pages 62 - 63 of the Marks and Spencer Group plc Annual Report 2024 which allows the business to remain flexible and respond to a dynamic risk landscape.

Risk trajectory



Stable



Increasing



Evolving







Decreasing



Strategic Priorities



1. Exceptional product, trusted retailer
2. Customer centric businesses
3. Expanded global reach
4. Structurally lower costs
5. High performance culture
6. Accelerating store rotation
7. Modernised supply chain
8. Data, digital and technology
9. Disciplined capital allocation

RISK	DESCRIPTION & CONTEXT		MITGATING ACTIVITIES
1	AN UNCERTAIN ENVIRONMENT		<ul style="list-style-type: none">- A strong and varied senior leadership team to focus and respond to a wide range of activities.- An established operating model with a family of accountable businesses who have aligned goals and objectives, and share M&S brand values to promote stability.- A three-year plan that remains aligned to current challenges, including an effective budgeting process, incorporating sensitivity analysis to anticipate the impact of external uncertainty.- Formal operating reviews enabling effective executive oversight, governance and alignment of each business.- Disciplined focus on cost, range, trusted value and availability.- Effective business continuity and crisis management processes to respond to issues as they arise.- Efficient capital allocation.- Structured supplier engagement to anticipate and support management of business critical issues such as cost changes.
E	The business continues to operate in an uncertain environment impacted by a suite of challenging events which could individually, or in aggregate, negatively impact our performance. Some of the factors we are currently monitoring include:		
	External factors	Risk details	
	Supply chain disruption	<ul style="list-style-type: none">- disruption to the supply of materials and products as a result of geo-political issues such as the issues in the Red Sea and/or cyber-related events;- significant isolated events, such as catastrophic infrastructure failures, that could have a knock-on impact at a global level;- the consequences of extreme weather events; and- the impact of animal disease.	
	Political environment	<ul style="list-style-type: none">- global socio-political tensions and fragility, and their consequences both domestically and internationally;- policy changes following upcoming elections; and- the risk of industrial action.	
	Cost of goods	<ul style="list-style-type: none">- changes in the cost of goods, including the impact of both inflation and disinflation;- <i>supplier resilience as a result of wage inflation, changes in commodity prices and other input costs;</i>- change in consumer spending as a result of the increase in living costs; and- the impact of climate change on the availability and cost of goods.	
	Financial instability	<ul style="list-style-type: none">- changes in interest rates;- foreign exchange movements; and- the volatility of the global financial system.	
	Health and wellbeing	<ul style="list-style-type: none">- the potential for future widespread health events; and- changes in consumer preference as a result of lifestyle changes such as more demand for healthier foods and activewear.	
Oversight by the Ultimate Parent Company's Board and Executive Committee.			
Link to strategic priorities: 3,4,5,6,7,9			

RISK	DESCRIPTION & CONTEXT	MITGATING ACTIVITIES
2	<p> BUSINESS TRANSFORMATION</p> <p>Ongoing business transformation is dependent on our ability to prioritise capital spend and resources to accelerate and successfully implement the suite of strategic projects. Delays or deferrals of transformation activity could impact the delivery of our medium- and longer-term growth ambitions.</p> <p>Context Significant change programmes that underpin our transformation include:</p> <ul style="list-style-type: none"> – enhancing our technology infrastructure, underlying systems and digital capabilities; – modernising our supply chain and logistics operations; – accelerating the modernisation of our UK store estate; – delivering a compelling omni-channel experience; – investing in innovation to maintain brand differentiation; and – transitioning to a simpler and more cost-effective structure. <p>While each initiative is individually significant and has its own set of inherent risks, the aggregate impact of simultaneously delivering these challenging projects creates further risks to successful implementation.</p> <p>Oversight by Executive Committee and, where appropriate, supporting sub-committees</p> <p>Link to strategic priorities: 1,2,3,4,5,6,7,8,9</p>	<ul style="list-style-type: none"> – Transformation programmes aligned to the business strategy and prioritised as part of our three-year planning and budgeting processes. – Delivery plans are in place with leadership-led governance structures to drive our transformation programmes. – Programme governance principles applied for core projects, with clear accountabilities and milestones. – Strategy & Transformation leadership reporting, including benefits tracking in line with spend targets and value outcomes. – Periodic reporting on key business and functional initiatives to the Audit & Risk Committee.
3	<p> JOINT VENTURE, INCLUDING OCADO RETAIL, AND FRANCHISE</p> <p>The successful long-term performance of any joint venture is inherently complex due to a number of factors, including the ownership and/or operational structure and the need to align different perspectives. Similarly, the success of our franchise operations is dependent on our ability to work effectively with both domestic and international partners.</p> <p>Context</p> <p>Joint Ventures (JV) The value of the Ultimate Parent Group's investment in Ocado Retail Limited (ORL), achievement of our multi-channel food strategy, protection of our brand and delivery of anticipated trading performance are all dependent on maintaining effective strategic and operational relationships with both ORL and Ocado Group.</p> <p>Similarly, although of lower magnitude, the business performance of our India JV, M&S Reliance (MSR), will be shaped by the ability to maintain strategic alignment and harmonised ways of working with Reliance Industries.</p> <p>Franchise The strategic objective to achieve capital-light growth in both our domestic and international markets is dependent on maintaining effective working relationships with our franchise partners – protecting our brand and delivering appropriate returns to both parties.</p> <p>Oversight by Ocado Retail Board and Audit Committee, M&S Reliance Board and Audit Committee, Consumer Brand Protection Committee and Group Safety Committee.</p> <p>Link to strategic priorities: 1,2,3,4,9</p>	<ul style="list-style-type: none"> – M&S nominated directors form part of the JV boards at ORL and MSR. – Joint approval of strategic and investment plans directing the growth of the business. – Appropriately aligned operational and people structures, for example: <ul style="list-style-type: none"> o a dedicated M&S Ocado delivery team to coordinate sourcing, product development, ranging, customer data and marketing; and o oversight from our International leadership team and/or secondments of UK resources to support activities at MSR in India. – Monitoring of internal audit and risk management processes at JVs by the Audit & Risk Committee. – Franchise growth strategy aligned with the three-year plan and joint business plans with partners. – Assurance programmes covering key risks, such as food safety, across franchise stores in the UK and internationally. – Annual confirmation from franchise partners on compliance with key requirements.

RISK	DESCRIPTION & CONTEXT	MITGATING ACTIVITIES
4	BUSINESS CONTINUITY AND RESILIENCE	
	<p>A major operational or resilience failure at a key business location, such as one of our distribution centres, could result in business interruption. More broadly, an inability to effectively respond to large, disruptive external events like extreme weather or infrastructure failures could also impact our performance.</p> <p>Context While our business continues to demonstrate resilience to a broad range of externally driven events and economic uncertainties, the potential to be impacted by disruptive events remains. These include:</p> <ul style="list-style-type: none"> - a major incident within our supply chain or logistics operations, including our dedicated warehouses and distribution centres in the UK or overseas, or at support facilities (such as IT centres); - significant incidents or long-term resilience issues at key third parties impacting our operations, such as cyber-attacks; - geo-political tensions such as war or terrorist activity and consequential policy changes such as trade sanctions; - a major issue impacting one or more of our significant franchise partnerships, either domestically or internationally; - extreme weather events, natural disasters and/or environmental crisis; - industrial action in the UK or abroad; and - widespread health events impacting people and/or animals. <p>Oversight by Executive Committee, Crisis Management Team and Business Continuity Committee.</p> <p>Link to strategic priorities: 1,2,3</p>	<ul style="list-style-type: none"> - An experienced Business Continuity (BC) team with established Group crisis and incident management processes. - Risk-based BC assurance programme and plans that evolve in response to new threats for stores, sourcing offices, warehouses and IT sites, including disaster recovery plans for technology infrastructure. - Validation of critical supplier BC arrangements. - Proactive testing of plans for key scenarios, with support from third parties where needed. - A digital platform to support the BC governance programme. - Active engagement with external organisations with BC expertise like the Retail BC Association and the National Counter Terrorism Information Exchange.
5	INFORMATION SECURITY	
	<p>A significant or wide-reaching data breach or cyber-attack, directly or at a connected third party, could result in loss of information for our customers, colleagues and/or business and loss of confidence in M&S. This could adversely impact our reputation, result in legal exposure including significant fines, and potentially cause business disruption.</p> <p>Context The sophistication and frequency of cyber-attacks continue to increase, highlighting an escalating information security threat. This is further exacerbated by the increased threat of cyber incidents linked to current global uncertainties.</p> <p>The profile of information security and the overall threat landscape for our business is also changing as we use data more intelligently, introduce new technology and digital solutions, continue operating a hybrid work model, transition to the cloud, enhance omni-channel experiences and build a broader ecosystem.</p> <p>Our reliance on key third parties for selected services and/or hosting of data also exposes us to risks from vulnerabilities in their cyber and data controls.</p> <p>Oversight by Executive Committee</p> <p>Link to strategic priorities: 1,2,3,7,8</p>	<ul style="list-style-type: none"> - Information security and data protection policies with mandatory training for colleagues. - A dedicated information security function, with multi-disciplinary specialists, 24-hour security operations centre, active monitoring of our threat environment and mature incident management plan. - Access to specialist third-party resources. - Prioritised investment in response to increased security events, breaches and potential threat of cyber-attacks. - Focused security assurance around our digital product lifecycle, operations model and significant change activities, like omnichannel and new technologies. - Risk-based cyber-security assurance programme, including assessment of controls in overseas locations. - Information security obligations included in third-party contracts with a risk-based assurance programme.

RISK	DESCRIPTION & CONTEXT	MITGATING ACTIVITIES
6	CULTURE, TALENT AND CAPABILITY	
	<p>The success of the business is dependent upon being an employer of choice attracting, retaining and developing the right talent, skills and capabilities and having a clear focus on:</p> <ul style="list-style-type: none"> – driving a high-performance culture; – meeting the financial and wellbeing expectations of our colleagues; – effectively managing labour cost pressures; and – working collaboratively with our Business Involvement Group and unions. <p>Any shortfall in executing against these objectives could impact the delivery of core operational activities and longer-term strategy, including aspects of our transformation programme.</p> <p>Context We employ more than 64,000 talented and passionate people and remain an attractive brand to future colleagues. However, ongoing pressure linked to the external environment and our own transformation objectives result in the following challenges:</p> <ul style="list-style-type: none"> – maintaining focus and investment in driving a high-performance culture against the backdrop of significant change; – managing our investment in competitive pay and benefits for colleagues in an uncertain cost environment; – a tight labour market in some key and emerging areas like digital, technology and artificial intelligence; and – responding to changing colleague expectations and monitoring cultural alignment in areas such as sustainability, diversity and ethical values. <p>Oversight by Executive Committee</p> <p>Link to strategic priorities: 1,2,3,4,5,6,7,8,9</p>	<ul style="list-style-type: none"> – Competitive employment packages with continued investment in pay and wellbeing benefits, supported by external benchmarking. – Investment in internal and external talent to strengthen capability in key roles, develop future leaders and drive internal career progression, including: <ul style="list-style-type: none"> o an established framework that supports performance, development and progression; o maintenance of succession plans for key roles; o delivery of improvements in core people management systems and processes, such as performance management, to drive consistency and improve decision-making; o embedding consistent standards across the business on assessing, promoting and hiring leaders; and o continued focus on driving digital literacy and capability building. – A well-established Business Involvement Group which is actively involved in business-wide colleague engagement and representation at Board meetings. – Active monitoring of gender, ethnicity, disability and age profiles.
7	PRODUCT SAFETY AND INTEGRITY	
	<p>A failure to prevent and/or effectively respond to a major food or product safety incident, or to maintain product integrity, could impact customer confidence in our brand and business performance.</p> <p>Context The safety of our products – food and all other product categories – remains vital for our business. We need to manage the potential risks to customer health and safety, and the associated consumer confidence that face all retailers.</p> <p>In doing this, along with maintaining effective internal processes for managing product safety, the business remains focused on how external pressures on the food, clothing and homeware industries could impact the availability, quality, provenance and integrity of our products. These include:</p> <ul style="list-style-type: none"> – animal disease; – inflationary pressure; – the impact of geo-political events; – cross-border regulatory divergence; – climate-related events; and – the related pressures in the supply chain. <p>Oversight by Executive Committee, Group Safety Committee and Consumer Brand Protection Committee</p> <p>Link to strategic priorities: 1,2,3</p>	<ul style="list-style-type: none"> – Safety Policy and Compliance Standards, Terms of Trade and product safety specifications with clearly set accountabilities. – Qualified and experienced Food and Product Technology teams. – Established governance, assurance and risk management processes to monitor and support the safety and integrity of our products, such as: <ul style="list-style-type: none"> o risk-based store, supplier and warehouse audit programmes, including for our franchise operations; o monitoring of product quality and customer complaints with corrective action taken where required; and o crisis management planning for safety incidents. – Regular engagement with expert bodies to understand and respond to changes in safety standards. – Specific provisions included in third-party brand contracts.

RISK	DESCRIPTION & CONTEXT	MITGATING ACTIVITIES
8	CORPORATE COMPLIANCE AND RESPONSIBILITY	
	<p>A failure to consistently deliver against an increasingly demanding set of legal and regulatory obligations or broader corporate responsibility commitments would undermine our reputation as a responsible retailer. The consequences include a loss of trust by customers, investors and other stakeholders, and/or legal exposure or regulatory sanctions which could negatively impact our ability to operate and/or cause financial losses and harm.</p> <p>Context The increasingly broad and rigorous legal and regulatory framework for all businesses creates pressure on business performance and market sentiment, requiring investment, frequent process changes and/or improvements in how we operate. This includes:</p> <ul style="list-style-type: none"> o responding to the growing regulatory burden, with anticipated changes around fraud, governance, and CSRD (the EU Corporate Social Responsibility Directive) as well as new EU legislation on artificial intelligence; o the divergence of regulations in the countries in which we operate, most notably in the EU; and o potential for changes in policy and regulation following the UK General Election, as well as other changes in the political landscape, both domestically and internationally. <p>Changes in the external environment and challenging economic conditions also leave ethical and social responsibilities open to a heightened risk of mismanagement or exploitation, particularly through our supply chains.</p> <p>Non-compliance may result in fines, criminal prosecution for M&S and/or colleagues, litigation, investment to rectify breaches, disruption or cessation of business activity, as well as impact our brand and reputation.</p> <p>Oversight by Ultimate Parent Company's Board, ESG Committee, Executive Committee, Group Safety Committee, Consumer Brand Protection Committee and Fraud and Loss Committee.</p> <p>Link to strategic priorities: 1,3,5,8</p>	<ul style="list-style-type: none"> - Code of Conduct in place and underpinned by policies and procedures in core areas. - Group-wide mandatory training programme for higher-risk regulatory areas, like safety, competition law, anti-bribery and corruption, data privacy and information security. - Established in-house legal team with dedicated subject-area leaders and regulatory expertise. - Mandatory sourcing principles set and shared with our supply base and other third parties. - Dedicated Group Data Protection Officers team and a network of Data Compliance Managers in priority business areas. - Assurance and monitoring systems covering legal, regulatory, ethical and social considerations, including for our overseas operations and suppliers. - A confidential reporting line allowing colleagues and other stakeholders to report concerns. - Worker Voice programme in the Food business and transparency initiatives within Clothing & Home. - Active monitoring of customer feedback and public sentiment on compliance and responsibility, including social media trends. - Proactive engagement with regulators, legislators, trade bodies and policy makers.
9	CLIMATE CHANGE AND ENVIRONMENTAL RESPONSIBILITY	
	<p>There is increasing focus and pressure from carbon-conscious stakeholders for the business to operate in a more environmentally sound and sustainable manner.</p> <p>A failure to take appropriate actions to reduce the environmental impact of our business over time and progress towards our net zero targets – those linked to our directly controlled operations and externally within our supply chain – as well as effectively manage the consequences of climate-related risks (such as regulations or extreme weather events) could impact our brand, future trading performance and other business costs, including financing.</p> <p>Context We will need to effectively monitor and manage the physical impact of climate change to reduce the potential impact on key aspects of our business. This includes:</p> <ul style="list-style-type: none"> - the impact on the availability of raw materials and food products; - the geographical locations from which we source and operate; and - the condition of our buildings. <p>Future performance will therefore be impacted by our ability to manage the transition to a low-carbon economy with greater maturity and pace while maintaining value for our customers by:</p>	<ul style="list-style-type: none"> - Established Plan A programme with clear accountabilities in each area of the business. - Net zero targets agreed with the Board – our 2030 corporate greenhouse gas emissions reduction target has been approved by the SBTi (Science Based Targets initiative). - Established policies and standards covering product and raw material standards, clothing quality and environmental impact – also shared with suppliers. - Experienced ESG team members, with experts embedded in key areas of the business. - Business-led forum established to oversee the delivery of our carbon commitments and ESG risks.

RISK	DESCRIPTION & CONTEXT	MITGATING ACTIVITIES
	<ul style="list-style-type: none"> balancing commercial decisions with environmental responsibility and regulatory requirements; responding to the growth in the circular economy, waste reduction, low-carbon products, use of sustainable and recycled fabrics and effective cost-management linked to these elements; managing changes in customer sentiment; and responding to further regulatory interventions. <p>Oversight by Executive Committee, ESG Committee</p> <p>Link to strategic priorities: 1,3,6,7,9</p>	<ul style="list-style-type: none"> Engagement and planning with partners and suppliers to support their decarbonising activities. Business-wide climate risk and opportunity review undertaken across all business areas. Proactive engagement with government bodies and industry experts. <p>See TCFD disclosure on pages 44 to 58 of the Marks and Spencer Group plc Annual Report 2024 for further detail.</p>

10 LIQUIDITY AND FUNDING



Barriers to maintaining affordable short- and long-term funding to meet business needs or an inability to effectively manage associated market risks could impact our ability to transform at pace, as well as have an adverse impact on business performance and/or viability.

Fragility in the financial markets could also impact the business directly (such as heightening counterparty risk or restricting access to capital), or indirectly (such as triggering liquidity or funding support for the M&S Pension Scheme).

Context

The business continues to operate in a turbulent economic climate. Focus on our liquidity and funding requirements through active management of cash, liquidity and debt remains a priority.

Availability of, and access to, appropriate sources and levels of funding remain vital for the continued operation of business and transformation activities.

The business is exposed to a number of movements in the financial markets that require active management. These include potential:

- changes in interest rates, impacting the cost of debt;
- unavailability of debt from certain capital markets;
- default by counterparties;
- foreign exchange volatility due to the significant volumes of product sourced from overseas; and
- energy cost fluctuations relating to the operation of our estate.

Our ability to repay debt and fund working capital, capital expenditures and other expenses is dependent on our operating performance, ability to generate cash and to refinance existing debt, where necessary.

Oversight by the **Ultimate Parent Company's Board and Executive Committee**

Link to strategic priorities: **2,4,6,7,8,9**

- Review and refinement of our three-year plan, linked to strategic priorities, with sensitivity analysis to assess the impact of the changing economic environment.
- Board-approved Treasury Policy to mitigate financing risks and future fluctuations in foreign exchange and energy price volatility.
- Strong discipline over capital allocation decisions and scrutiny and challenge of discretionary spend.
- Proactive management of working capital to improve cash flow and reduce reliance on bank facilities.
- Continued focus on maintaining investment grading.
- A £850m undrawn, revolving credit facility and £995.4m of cash and cash equivalents.
- Monitoring and stress testing of projected cash and debt capability, covenants and other rating metrics.
- Frequent engagement and dialogue with the market and rating agencies.
- Active monitoring and management of our pension fund commitments, including regular engagement with the Trustees and an agreed long-term funding plan.

GOING CONCERN

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as set out on pages 1 to 13 as well as the Group's principal risks and uncertainties as set out on pages 14 to 19, including the downside sensitivities outlined in note 1. The directors have also considered the performance of the Group, subsequent to the period end, noting that actual performance is not adverse in relation to the forecast results. Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

The Strategic Report was approved by the Board on 9 September 2024 and signed on its behalf by

Nick Folland
Director

Marks and Spencer plc

DIRECTORS' REPORT

The profit for the financial year, after taxation, amounts to £447.7m (last year £322.8m). The directors approved dividends as follows:

Dividends on equity ordinary shares	2024 per share	2023 per share	2024 £m	2023 £m
Paid interim dividend	0.7p	-	20.0	-
Total dividend	0.7p	-	20.0	-

On 21 May 2024, the directors approved an interim dividend of 1.5p per share (last year: nil per share) which, in line with the requirements of IAS 10 'Events after the Reporting Period', has not been recognised within these results.

SHARE CAPITAL

The Company's issued ordinary share capital as at 30 March 2024 comprised a single class of ordinary share. Each share carries the right to one vote at general meetings of the Company.

Details of movements in the Company's issued share capital can be found in note C18 to the financial statements on page 125.

SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

There are a number of agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid. Details of the significant agreements of this kind are as follows:

- The \$300m US Notes issued by the Company to various institutions on 6 December 2007 under Section 144a of the US Securities Act contain an option such that, upon a change of control event, combined with a credit ratings downgrade, any holder of such a US Note may require the Company to prepay the principal amount of that US Note.
- The £850m Credit Agreement dated 13 December 2021 between the Company and various banks contains a provision such that, upon a change of control event, unless new terms are agreed within 60 days, the facility under this agreement will be cancelled with all outstanding amounts becoming immediately payable with interest.

The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

DIRECTORS

The directors who held office during the year and up to the date of signing of the financial statements were as follows:

Nick Folland

Jeremy Townsend

DIRECTORS' INDEMNITIES

The Company maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its directors. The Company has also granted indemnities to each of its directors and the Company Secretary to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by Section 234 of the Companies Act 2006) were in force during the year ended 30 March 2024 and remain in force in relation to certain losses and liabilities which the directors (or Company Secretary) may incur to third parties in the course of acting as directors or Company Secretary or employees of the Company or of any associated company. Qualifying pension scheme indemnity provisions (as defined by Section 235 of the Companies Act 2006) were in force during the course of the financial year ended 30 March 2024 for the benefit of the Trustees of the Marks & Spencer UK Pension Scheme, both in the UK and the Republic of Ireland.

BUSINESS RELATIONSHIPS AND COLLEAGUE ENGAGEMENT

The Company is the Ultimate Parent Group's primary trading, contracting and employing entity, and therefore the Company's business relationships with employees, suppliers, customers and partners, are those of the Ultimate Parent Group.

During the year under review, the directors of the Company were also members of the Executive Committee, as Chief Financial Officer and the General Counsel & Company Secretary of the Ultimate Parent Group. As a result of this, and of the Ultimate Parent Group's governance structure (which is outlined in the Corporate Governance Statement in the Report of the Directors on page 24), the directors of the Company have undertaken their directors' duties in relation to employees and other stakeholders together with the Ultimate Parent Group Board, for both the overall Ultimate Parent Group and for the Company specifically. This included engaging with and having due regard for employee interests and to the need to foster business relationships with suppliers, customers and other stakeholders in decision making. This engagement, and examples of key decisions influenced by, and impacting, our colleagues, customers, suppliers and partners is summarised below:

- **Colleagues:** Our colleagues are central to our success; reshaping M&S for growth and achieving our strategic goals (set by the Ultimate Parent Group Board and adopted by the directors of the Company) requires a high-performance culture where everyone is accountable for delivering performance and driving change. We are committed to making M&S a great place to work, where everyone has a voice, can be themselves and be their best. To achieve this, the chair

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of our Business Involvement Group (BIG) represents the collective colleague voice by attending two Ultimate Parent Group Board meetings and one Remuneration Committee meeting during the year, while the Ultimate Parent Group's Executive Committee (ExCo) members provide regular performance and strategy updates where colleagues are encouraged to voice their views, ideas and questions.

Key Decisions:

- o Through our colleague suggestion scheme, "Straight to Stuart", almost 4,000 colleagues shared ideas for ways to improve our business. This year, 120 suggestions received a 'yes' from the CEO of the Ultimate Parent Group and have already been implemented.
 - o Through face-to-face briefings and surveys, colleagues told us that pay and benefits continue to be a priority, especially for our retail colleagues. To recognise the vital role of our store colleagues, in February 2024 we announced a record £89m investment in retail pay, raising the hourly rate to at least £12 per hour in line with the Real Living Wage.
 - o During the year we introduced a new Neonatal Leave policy providing up to 12 weeks of additional leave for any M&S colleague whose baby requires specialist neonatal care. We received positive feedback through our BIG and colleague networks and, as a result, we have worked closely with them to develop our enhanced family leave policies, so from 1 April 2024 new parents can spend more time on leave with full pay.
- **Customers:** Our customers are at the heart of our business. Maintaining and growing their enthusiasm and loyalty for the M&S brand ensures the continued success of the Group's business. This year the Ultimate Parent Group Board (and consequently the Company's directors) focused on customers through various surveys, immersion sessions, focus groups and store visits. This year, we conducted over 200 surveys via our online community of 40,000 engaged Food customers (the "Collective") on a wide range of topics. These surveys help us to better understand our customers preferences in areas such as product development, category transformation, packaging and sustainability, bringing customers into the decision-making and allowing them to see results first hand.

Key Decisions:

- o 97% of customers told us receiving good value from the products they choose was important to them. In response, as part of our trusted value promise, we invested in and locked the prices of over 200 Food products. Given the growing interest from customers around gut health, this year we launched our M&S Food x ZOE Gut Shot, in partnership with nutrition-science company ZOE.
 - o Through the customer immersion sessions held throughout the year on a range of topics, our customers told us one of their weekly struggles was deciding what their Monday to Thursday dinner was going to be, and how to keep it interesting and varied. We therefore recently launched our £10 Cook Menu Dine In, made up of 23 mains and 16 sides to choose from, adding the variety back into midweek dinners and elevating the everyday for our customers.
- **Suppliers:** Long-term partnerships with M&S allow suppliers to create great products, build volume at equitable prices and give them confidence to invest in sustainable solutions and innovation. Our trusted partnerships with suppliers allow us to deliver the most exciting innovation, highest quality products in the most sustainable way, to drive our vision and the magic of M&S forward.

Key Decisions:

- o The Ultimate Parent Group's Audit & Risk Committee reviewed compliance with the Groceries Supply Code of Practice, using the results from the annual Groceries Code Adjudicator survey to focus management's activities with suppliers for the coming year.
 - o We held Food Supplier listening groups and subsequent briefings in which key issues were raised around ways of working and forecasting demand. To tackle these, we are developing a new process for setting out our growth targets, and implementing a new system to improve forecasting accuracy for our supply chain.
 - o A three-day Clothing & Home (C&H) summit was held in the year with 30 international suppliers in attendance where we shared our ambitions to accelerate growth. Feedback highlighted the need to simplify our decision making and use supplier expertise to solve issues such as traceability. In response to the sessions, we will be initiating mini-projects with our supplier base to share industry knowledge.
- **Partners:** Our franchise and joint venture partners provide avenues to expand our reach and access new customers in the UK and internationally. These relationships provide our partners with benefits, including access to the M&S brand and distribution of our own-brand product.

Key Decisions:

- o In 2021, M&S acquired a 27% stake in Nobody's Child. In May 2023 the Board approved fresh funding at a pivotal trading period to support the partner's continued growth.
- o To ensure we better understand our international franchise partners, M&S launched an independent "Voice of the Partner" survey which allows us to measure "partner NPS" and receive direct feedback. Following Voice of the Partner feedback around closer collaboration, we now periodically invite our franchise partners to the Company's International Business Board meetings. This allows in-depth discussion and more frequent engagement between senior leaders including members of the Board.

Further information on how the directors of the Company, together with the Board of the Ultimate Parent Group, engaged with employees and other stakeholders, and how regard for their interests affected the principal decisions made by the Ultimate

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Parent Group (being the principal decisions adopted by the Company) can be found on pages 9 to 11 and 80 to 82 of the Ultimate Parent Group's Annual Report 2024.

The directors of the Company remain committed to colleague involvement throughout the business. As above, the engagement of employees is a matter considered by the directors of the Company together with the Ultimate Parent Group Board, and includes ensuring that colleagues are kept well informed of the performance and strategy of the Ultimate Parent Group, are consulted on a regular basis to hear their views, and are provided with information on matters of concern to them as employees. In addition to the engagement and consideration set out above and on pages 8 to 9 and 80 to 82 of the Ultimate Parent Group's Annual Report 2024, examples of colleague involvement and engagement, and information on our approach to our workforce and culture, are highlighted on pages 38 to 41 and 98 to 99 of the Ultimate Parent Group's Annual Report 2024.

Share schemes are a long-established and successful part of colleagues' total reward packages, encouraging and supporting employee share ownership. The Group operates both an all-employee Save As You Earn Scheme and a Share Incentive Plan. As at 30 March 2024, 13,234 colleagues were participating in the SAYE Scheme. Full details of all Group share schemes are given on pages 159 to 161 of the Ultimate Parent Group's Annual Report 2024.

There are websites for both pension schemes – the defined contribution scheme (Your M&S UK Pension Saving Plan) and the defined benefit scheme (the Marks & Spencer UK Pension Scheme) – which are fully accessible to employees and former employees who have retained benefits in either scheme. Employees are updated as needed with any pertinent information on their pension savings.

EQUAL OPPORTUNITIES

The Group is committed to an active approach to Diversity, Equity and Inclusion ("DE&I"). Our strategy is built on two pillars – driving improved diverse representation at all levels of the business and developing a continually evolving inclusive culture. Providing a safe space for colleagues is a fundamental principle, with respect for each other being the foundation of our DE&I approach. We are clear that any forms of discrimination, harassment, bullying and victimisation are not tolerated, with processes in place to ensure any allegations are handled effectively.

Our colleagues are central to the design of our plans, with our eight Inclusion and Diversity Networks at the heart of bringing our communities together, amplifying the voice of our colleagues and guiding the business. We have over 10,000 members within our networks.

Whilst our approach is designed around all colleagues, from all backgrounds, all levels and all business areas, we have particular focus on the experience and representation of women and colleagues from ethnic minority backgrounds.

We have made good progress against our ambition to become the leading employer for women in retail, reaching our target of 50% of senior leader roles held by women and driving strong representation in our talent pipelines.

We have taken action to better understand the experiences and challenges of colleagues from ethnic minority backgrounds and have much to do in this space, but are confident that we have effective plans in place to address these and drive improved representation across the business.

We have reset our target for ethnic minority representation in senior leader roles, and aim to have 12% ethnic minority representation by 2027, and 20% representation by 2030. We are committed to taking the necessary steps to achieve this, and have established a clear framework of KPIs to measure our progress towards this, as well as strengthening the diversity within our talent pipelines. More information on our ethnic minority targets and how this relates to the Parker Review recommendation can be found within the Nomination Committee report of the Ultimate Parent Group's Annual Report 2024 on page 85.

More information on our inclusion and diversity initiatives can be found on pages 38 to 41, and pages 85 to 86 of the Ultimate Group's Annual Report 2024.

EMPLOYEES WITH DISABILITIES

The Company is clear in its commitment to support colleagues and candidates with both visible and non-visible accessibility challenges and health conditions. M&S has continued to demonstrate its commitment to interviewing those applicants with disabilities who fulfil the minimum criteria. We are proactive in taking steps to support colleagues through health and wellbeing reviews and reasonable adjustments, and our colleague health and wellbeing network provides an additional space for colleagues to access available support. We continue to provide workplace opportunities through our innovative Marks and Start scheme, working closely with The Prince's Trust and Jobcentre Plus.

RESEARCH & DEVELOPMENT

Research and innovation remain key to our Food and Clothing & Home offers, enabling the development of better products. Further information is available on our corporate website: corporate.marksandspencer.com and the Ultimate Parent Group's ESG Report 2024.

GROCERIES SUPPLY CODE OF PRACTICE

The Groceries (Supply Chain Practices) Market Investigation Order 2009 (the "Order") and The Groceries Supply Code of Practice (the "Code") impose obligations on M&S regarding its relationships with its suppliers of groceries. Under the Order and Code, M&S is required to submit an annual compliance report to the Audit & Risk Committee for approval and then to the Competition and Markets Authority and Groceries Code Adjudicator ("GCA").

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M&S submitted its report, covering the period from 2 April 2023 to 30 March 2024 to the Audit & Risk Committee on 9 May 2024. It was approved on 16 May 2024.

In accordance with the Order, a summary of that compliance report is set out below.

M&S believes that it has materially complied with the Code and the Order during the relevant period. No formal disputes under the Code have arisen during the reporting period. There have been three instances during the reporting period in which suppliers have either alleged a breach or made a reference to potential non-compliance with the Code. M&S has worked with the suppliers to address the issues raised and all of them have been resolved or closed, with no issues remaining open. Two Code references made by suppliers before 2 April 2023 were also closed during the reporting period.

A detailed summary of the compliance report is available on our corporate website.

Energy consumption (GWh)

	2023/24	2022/23	% change
UK Operations	1,166	1,178	-1%
International Operations	76	68	12%
Group	1,242	1,246	-0%

ENERGY EFFICIENCY INITIATIVES IMPLEMENTED THIS YEAR

- o Our new store shell specification and model requirements reflect our ESG commitments, and include: 100% electric stores, fully LED and voltage optimisation.
- o We have installed energy-efficient fridge doors in 30 of our Foodhalls, which help to regulate temperature and deliver 20%-30% energy savings per store per year.
- o Over 2023/24, we invested in LED lighting to cover 76% of our stores, voltage optimisation and store controls, which has reduced emissions by 2300t CO₂e and improved operational efficiencies.
- o We have continued to roll-out LED lighting across our owned international store estate with an additional 10 stores 2023/24.
- o We have reviewed trading lighting requirements across the our store estate which has saved 1.8m Kwh across the year.

Total Global M&S Greenhouse gas emissions 2023/24

Greenhouse gas emissions (000 tonnes CO₂e)

	2023/24	2022/23 [^]	% change
Scope 1 emissions	156	172	-9%
of which UK	152	165	-8%
Scope 2 emissions (location-based)	153	136	13%
of which UK	119	112	6%
Total gross location-based Scope 1&2 GHG emissions	309	308	0%
of which UK	271	277	-2%
GHG intensity per 1,000 sq ft of sales floor	14.5	14.7	-1%
Scope 2 emissions (market-based)	233*	20	-*
Total gross market-based method Scope 1&2 GHG emissions	388	191	-*
of which UK	356	166	-*

* As outlined in the 2023 M&S Sustainability report we are no longer purchasing Renewable Energy Guarantees of Origin (REGOs) and we now calculate Scope 2 market-based emissions using supplier-specific emissions factors in line with the GHG protocol.

[^]Performance for last year has been re-stated to reflect data accuracy and methodology improvements.

POLITICAL DONATIONS

The Company did not make any political donations or incur any political expenditure during the year ended 30 March 2024. M&S has a policy of not making donations to political organisations or independent election candidates or incurring political expenditure anywhere in the world as defined in the Political Parties, Elections and Referendums Act 2000.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the directors are required to:

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- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRS (as adopted by the UK) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, at any time and with reasonable accuracy, the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CORPORATE GOVERNANCE STATEMENT

The directors have an ongoing commitment to the highest standards of corporate governance. However, given that the Company's governance is managed within the Group's overarching governance arrangements as outlined below, being consistent with Marks and Spencer Group plc's compliance with the UK Corporate Governance Code 2018, they do not consider it necessary for the Company to separately apply a corporate governance code to its governance arrangements.

Marks and Spencer Group plc is the Company's sole shareholder and ultimate parent company of the M&S Group. Consequently, the Board of Marks and Spencer Group plc ('Ultimate Parent Group Board') and its Committees have overarching decision making authority for the Ultimate Parent Group on a number of reserved matters. These include setting the Ultimate Parent Group's strategy and values, reviewing and approving operating plans, and reviewing and approving the Ultimate Parent Group's policies, processes and management structures, amongst others. Responsibility for actioning the Ultimate Parent Group Board's decisions and strategic direction throughout the day-to-day management of the Ultimate Parent Group then rests with the Ultimate Parent Group Board's executive directors and the senior leadership team, which comprise the Executive Committee, as well as supporting senior leadership forums. Authority is delegated formally to these bodies via the Ultimate Parent Group's Delegation of Authority document, and those with delegated authority provide the Ultimate Parent Group Board with regular updates confirming that appropriate controls are in place, are fit for purpose and are being adhered to.

As the Company is the Ultimate Parent Group's primary trading, contracting and employing entity, the directors of the Company ensure that they give due care and consideration to discharging their duties by adhering to the governance arrangements outlined above. The Board has adopted the Ultimate Parent Group's internal governance arrangements and internal controls as set out above as its own, being used to delegate authority on the Company's behalf. If necessary, the directors also hold meetings immediately following those of the Ultimate Parent Group Board to review and consider all Ultimate Parent Group matters and decisions with respect to the specific interests of the Company and its stakeholders. During the year, the directors of the Company agreed with all of the Ultimate Parent Group Board's decisions and recommendations as applicable directly to the Company and its stakeholders, and therefore no separate meetings were required, having been present during the Ultimate Parent Group Board's discussions and consideration of the matters set out in s.172. This included having regard to the need to engage and consider the interests of employees, customers, suppliers and others in a business relationship with the Company, which is outlined in the 'Business relationships and colleague engagement' section on page 20.

Further information about the Ultimate Parent Group's corporate governance is provided in the Director's Report set out on pages 72 to 119 of the Group's Annual Report 2024, and in the Ultimate Parent Group's Corporate Governance Statement 2024 on the M&S corporate website (corporate.marksandspencer.com).

In addition to these corporate governance arrangements, the Ultimate Parent Group has established internal control and risk management systems in relation to the process for preparing consolidated financial statements. The key features of these internal control and risk management systems are:

- The Ultimate Parent Group's Executive Committee and senior management conduct periodic reviews of the Ultimate Parent Group's risks and controls. Each business unit is responsible for identifying, assessing and managing the risks in their respective areas on a half yearly basis. These are then collated to give a consolidated view of the business risk areas;
- Management regularly monitors and considers developments in accounting regulations and best practice in financial reporting, and, where appropriate, reflects developments in the consolidated financial statements. Appropriate briefings and/or training are provided to key finance personnel on relevant developments in accounting and financial reporting;
- The Group's consolidation is subject to various levels of review by the Group finance function; and
- The financial statements are subject to external audit.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's auditor is unaware and that he/she has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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AUDITOR

Resolutions to reappoint Deloitte LLP as auditor of the Company and to authorise the Audit & Risk Committee to determine its remuneration will be proposed at the 2024 AGM.

The Directors' Report was approved by a duly authorised committee of the Board of Directors on 9 September 2024 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'N Folland', written over a horizontal line.

Nick Folland
Director
London

9 September 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARKS AND SPENCER PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Marks and Spencer plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 March 2024 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated and Parent Company Statements of Cash Flows; and
- the related notes 1 to 29 and C1 to C25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • impairment and impairment reversal of UK store assets; • accounting for the Store Estate Programme; and • disclosure of adjusting items as part of alternative performance measures.
Materiality	<p>The materiality that we used for the Group financial statements was £34.0m (2023: £24.0m) which was determined by considering a number of different metrics used by investors and other readers of the financial statements. These included:</p> <ul style="list-style-type: none"> • profit before tax; • profit before tax and adjusting items; • earnings before interest, tax, depreciation and amortisation ('EBITDA'); and • revenue.
Scoping	<p>We have performed a full-scope audit on the UK component of the business. Balances subject to full scope audit represents 92% (2023: 93%) of Group revenue, 99% (2023: 91%) of profit before tax and adjusting items, 95% (2023: 82%) of profit before tax, 61% (2023: 60%) of total assets and 61% (2023: 61%) of total liabilities. We perform specified audit procedures in relation to the India business and analytical procedures on residual balances.</p>
Significant changes in our approach	<p>The key change made to the key audit matters during the current year is the removal of inventory provisions within UK Clothing & Home.</p> <ul style="list-style-type: none"> • In the prior period inventory provisions within UK Clothing & Home was identified as a key audit matter given the quantum of UK Clothing & Home gross inventory and the judgement required in assessing the future salability of products in a challenging trading environment. Due to the continued improvement in trading performance, there is a reduction in the level of uncertainty associated with estimating the required provision and accordingly we have not identified inventory provisions for UK Clothing & Home as a key audit matter in the current period. • We have reassessed the risk on impairment and impairment reversal of UK store assets due to the recent performance of the UK store estate coupled with an improvement in business performance resulting in the level of risk reducing. We have continued to identify this as a key audit matter as a result of the level of audit effort in responding to this matter.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of relevant controls relating to the assessment of going concern models, including the review of the inputs and assumptions used in those models;
- obtaining management's board-approved three-year cash flow forecasts and covenant compliance forecasts, including sensitivity analysis;
- reviewing the entity's assessment of going concern and viability, including the three-year plan, as set out in their paper to the Audit & Risk Committee;
- assessing the appropriateness of forecast assumptions by:
 - reading analyst reports, industry data and other external information and comparing these with management's estimates;
 - comparing forecast sales with recent historical financial information to consider accuracy of forecasting;
 - testing the underlying data generated to prepare the forecast scenarios and to determine whether there was adequate support for the assumptions underlying the forecast;
 - reviewing correspondence relating to the availability of the Group's financing arrangements;
 - assessing the impact of macro-economic conditions on the business;
 - considering the results of the sensitivity analyses performed; and
 - evaluating the adequacy of the Group's disclosures on going concern in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment and impairment reversal of UK store assets

Key audit matter description	
	As at 30 March 2024 the Group held £3,554.5 million (2023: £3,452.5 million) of UK store assets in respect of stores not considered for closure within the Store Estate Programme. In accordance with IAS 36 <i>Impairment of Assets</i> , the Group has undertaken an annual assessment of indicators of impairment. An impairment charge of £0.5 million (2023: £17.3 million) and a reversal of previously recognised impairment charges of £35.6 million (2023: £33.1 million) have been recognised.

As described in note 14 to the financial statements, the Group has estimated the recoverable amount of store assets based on their value in use, derived from a discounted cash flow model prepared by the entity. The model relies on certain assumptions and estimates of future trading performance, incorporating committed strategic changes to the UK Clothing & Home and Food businesses and the performance of new stores operating within their shelter period (which takes into account the time new stores take to establish themselves in the market), all of which involve a degree of estimation uncertainty (as disclosed in note 14). The key assumptions applied by management in the impairment reviews performed are:

- future revenue growth and changes in gross margin;
- long term growth rates; and
- discount rates.

How the scope of our audit responded to the key audit matter	<p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> • obtained an understanding of relevant controls relating to the impairment review process; • assessed and challenged the entity's range of impairment indicators and indicators of reversal with due consideration given to the profitability impact of committed strategic changes to the UK Clothing & Home and Food businesses and the performance of new stores; • assessed the mechanical accuracy of the impairment models and the methodology applied by the entity for consistency with the requirements of IAS 36; • assessed the appropriateness of forecast revenue and gross margin growth rates through comparison with external economic benchmarking data and with reference to historical forecasting accuracy; • assessed the appropriateness of the discount rates applied with the involvement of our valuations specialists and compared the rates applied with our benchmarking data; • performed profiling of all stores' data to provide insights into store performance and to identify any outliers; • evaluated the appropriateness and completeness of information included in the impairment model based on our cumulative knowledge of the business driven by our review of trading plans, strategic initiatives, minutes of property and investment committee meetings, and meetings with regional store managers and senior trading managers from key product categories, together with our wider retail industry knowledge; and • assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.
Key observations	<p>We are satisfied that the judgements applied, impairment charges and reversals recorded and disclosures within the financial statements are appropriate.</p>

5.2. Accounting for the Store Estate Programme

Key audit matter description	<p>In February 2018, the Board approved a list of stores marked for closure as part of its Store Estate Programme. The total charge recognised in connection with this</p>
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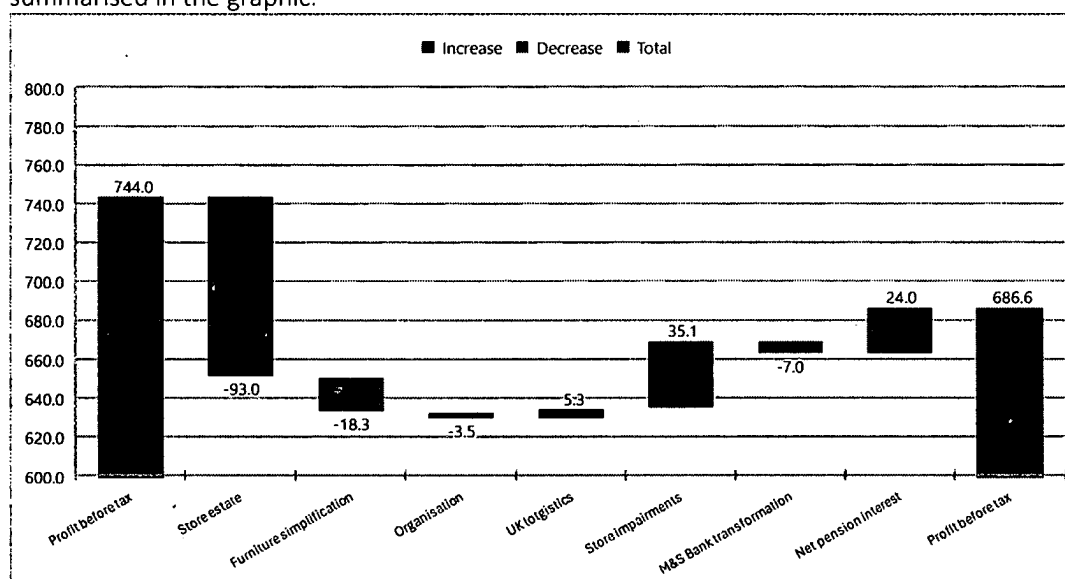
	<p>closure programme in previous periods was £870 million. A further net charge of £93 million has been recognised in the current period as a result of:</p> <ul style="list-style-type: none"> • an increase in the number of stores assessed as probable for closure and the update of estimates made in light of known developments in the exit strategy, including current trading performance, negotiations with landlords and changes in the retail property market; • depreciation of store assets where previously identified for closure, as they approach their planned closure dates; and • accelerated depreciation and impairment of buildings and fixtures and fittings in respect of additional stores added to the programme. <p>Further information is set out in notes 1, where this matter is also disclosed as a key source of estimation uncertainty, 5 and 14 to the financial statements. Our key audit matter was focused on the specific assumptions applied in the discounted cash flow analysis prepared by the entity including the discount rate, expected sublet income, sublet lease incentives, void periods, freehold sales proceeds, leasehold surrender costs and store closure costs.</p>
How the scope of our audit responded to the key audit matter	<p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> • obtained an understanding of relevant controls relating to the review and approval of the Group's UK store exit model; • performed enquiries of the Board and inspected the latest strategic plans, Board and relevant sub-committee minutes of meetings; • understood and challenged the basis of the entity's judgement where stores previously marked for closure are no longer expected to close and additional stores have been identified for closure; • with the involvement of our real estate specialists, we evaluated the appropriateness of the entity's judgements for a representative sample of properties and benchmarked with reference to external data; • assessed the mechanical accuracy of discounted cash flow models and other key provision calculations; • assessed the integrity of key inputs to the discounted cash flow models including the discount rate, store closure costs, freehold sales proceeds, leasehold surrender costs, expected sublet income, sublet lease incentives and void periods with reference to available evidence; • recalculated the closing provision for a representative sample of stores; • evaluated the accuracy and completeness of provisions recorded in light of the status of the Group's store estate plan; and • assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.
Key observations	<p>We are satisfied that the Group's estimate of the store exit charges, and the associated disclosures are appropriate.</p>

5.3. Disclosure of adjusting items as part of alternative performance measures

Key audit matter description	<p>The Group has presented an alternative performance measure being profit before tax and adjusting items of £744 million (2023 restated: £475.2 million), which is derived from profit before tax of £686.2 million (2023: profit before tax of £432.6 million) adjusted for a number of items</p>
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totalling £57.4 million (2023: restated £42.6 million) which the Group considers meet their definition of an 'adjusting item'. Due to a change in the Group's classification of pension net finance income as an adjusting item (refer to note 1), the comparative amounts have been restated. Judgement is exercised by the entity in determining the classification of such items in accordance with guidance issued by the FRC and ESMA. We consider there to be a risk of fraud in the reporting of adjusting items within the alternative performance measures.

Explanations of each adjusting item are set out in note 5 to the financial statements and are summarised in the graphic.



In determining profit before tax and adjusting items, we identified the following risks:

- the identification and classification of items as 'adjusting' as part of the presentation of alternative performance measures may be inappropriate, distorting the reported results;
- the omission of items which are considered material, one-off or significant in nature, distorting the alternative performance measures; and
- the clarity and detail of disclosures in respect of adjusting items as part of alternative performance measures may be insufficient, preventing investors from obtaining a clear understanding of the Group's results and performance.

The Group's policy regarding adjusting items is set out in note 1, where this is also highlighted as a critical accounting judgement.

How the scope of our audit responded to the key audit matter

In responding to the identified key audit matter, we completed the following audit procedures:

- obtained an understanding of relevant controls, relating to the identification and disclosure of adjusting items within alternative performance measures;
- performed enquiries of the entity to understand the rationale applied in identifying items as adjusting and completed an independent assessment as to the selection and presentation of adjusting items based on their nature;
- assessed the identification and consistency of items reported as adjusting period on period, with reference to guidance published by ESMA and the FRC;
- performed tests over a representative sample of adjusting items through agreement to supporting evidence;
- benchmarking certain adjusting items identified by the entity with comparable companies;

- use of our cumulative audit knowledge and applied data analytics to identify other transactions outside of the normal course of business, or which display characteristics of being material, significant or one-off in nature;
- considered the impact of adjusting items on the directors' remuneration targets to determine whether any increased fraud risk factor existed based on actual results for the period; and
- assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.

Key observations	The value of adjusting items results in a material difference between the statutory and adjusted results. We are satisfied the adjusting items in their classification and presentation is consistent with the group's policy and the amounts are appropriate.
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6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£34.0 million (2023: £24.0 million)	£30.6 million (2023: £21.6 million)
Basis for determining materiality	<p>We consider the following metrics in the current and prior period:</p> <ul style="list-style-type: none"> • profit before tax and adjusting items; • profit before tax; • earnings before interest, tax, depreciation and amortisation ('EBITDA'); and • revenue. <p>Using professional judgement, we determined materiality to be £34.0m based on the four key metrics above. The increase in materiality primarily reflects the year-on-year increase in the profitability of the Group.</p>	<p>We considered the following metrics in the current and prior period:</p> <ul style="list-style-type: none"> • profit before tax and adjusting items; • earnings before interest, tax, depreciation and amortisation ('EBITDA'); and • revenue. <p>Using professional judgement, we have capped materiality at 90% of Group materiality.</p>
Rationale for the benchmark applied	In determining our benchmark for Group materiality, we have used the same approach as last year where we have considered a number of different metrics used by investors and other readers of the financial statements.	We capped materiality at 90% of Group materiality to reduce the risk of a material error arising as a result of the consolidation of the Parent Company's result in the Group financial statements.

	Group materiality represents:	
	Metric	%
	Profit before tax	5.0
	Profit before tax and adjusting items	4.6
	EBITDA	2.5
	Revenue	0.3

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	65% (2023: 65%) of Group materiality	65% (2023: 65%) of Parent Company materiality
Basis and rationale for determining performance materiality	<p>In determining performance materiality, we considered the following factors:</p> <ul style="list-style-type: none"> • our cumulative knowledge of the Group and its environment, including industry specific trends; • the change in the level of judgement required in key accounting estimates; • reliability on internal control over financial reporting; • the level of change to the business in the period; • the stability in key management personnel; • the level of centralisation in the Group's financial reporting controls and processes; and • the level of misstatements identified in prior periods, both corrected and uncorrected. 	

6.3. Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £1.7 million (2023: £1.2 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

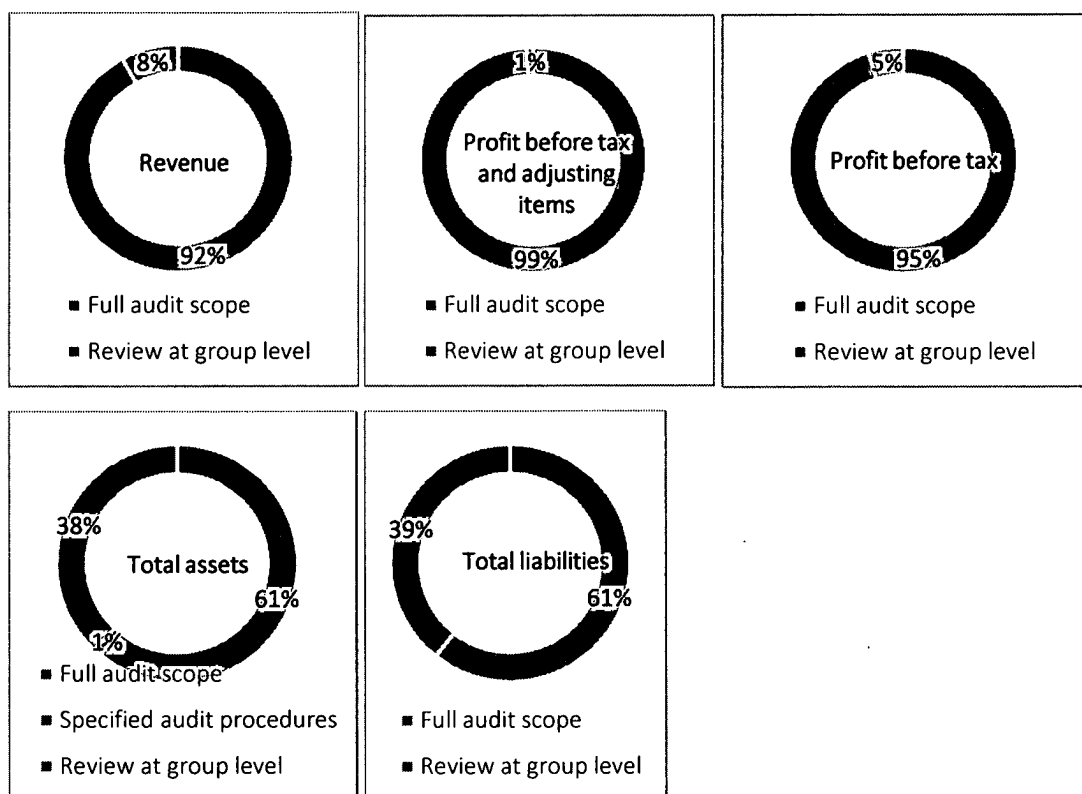
7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Components were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified. Based on our assessment we have focused our audit

on the UK and India businesses which were subject to full scope audit procedures and specified audit procedures respectively. We have performed our full scope audit of the UK component using a materiality of £30.6 million (or 90.0% of Group materiality) (2023: £21.6 million), and our specified audit procedures in India using a component materiality of £5.0 million (or 14.7% of Group materiality) (2023: £3.5 million).

At a Group level, we tested the consolidation and performed analytical review procedures over components not in scope.



7.2. Our consideration of the control environment

Our audit strategy is to rely on controls over certain processes within a number of business cycles. These included procurement within UK Clothing & Home and Food, inventory, sales to cash and fixed assets including IFRS 16. As part of our controls testing, we obtained an understanding of the Group's processes and tested controls through a combination of tests of inquiry, observation, inspection, and re-performance.

On certain business cycles, we also obtained an understanding of the controls relating to inventory provisions, food rebates and financial close and reporting processes.

Given the importance of information technology ("IT") to the recording of financial information and transactions, we have tested General IT controls relating to certain of the Group's IT systems where relevant to our audit work. We have been able to place IT controls reliance across these systems to support the audit of a number of business cycles, such as payables, procurement, lease accounting, property plant and equipment and inventory.

Where controls deficiencies and improvements are identified, these are reported to management and the Audit and Risk Committee as appropriate. The Group continues to invest in responding to, and addressing, our observations.

7.3. Our consideration of climate-related risks

The Group continues to reassess the potential impacts of climate change and set targets which the directors consider to be aligned with the Paris Agreement. The Group has identified a number of milestones, including the target of net zero carbon emissions by FY2040. This assessment focused on property, fleet and two of the Group's key resources: protein and cotton.

The Group considers that the most likely impact on the financial statements will be in relation to its three-year cash flow forecasts and has included the impact within these forecasts where appropriate. Whilst at this stage there is significant uncertainty regarding what the long-term impact of climate change initiatives may be, the forecasts reflect the Group's best estimate of the impact on the financial statements as explained in note 1.

As a part of our audit procedures, we have obtained the Group's climate-related risk assessment and held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonable possible risks of material misstatement. Our procedures were performed with the involvement of our climate-change specialists and included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

In considering the disclosures presented as part of the Strategic Report, we engaged our climate-change specialists to assess compliance with the TCFD and CFD requirements, and the recommendations made by both the Task Force and FRC as set out in their thematic reviews. We have also assessed whether these disclosures reflect our understanding of the Group's approach to climate.

We did not identify climate-related risk as a separate key audit matter in our audit given the nature of the Group's operations and knowledge gained of its impact on critical accounting estimates and judgements during our risk assessment procedures and audit procedures.

We have not been engaged to provide assurance over the accuracy of these disclosures.

7.4. Working with other auditors

We have one component audit team, Deloitte India. We have issued detailed instructions to the component audit team to perform specific audit procedures.

We have engaged regularly with the component auditor throughout the audit process, determining the

nature, timing and extent of the specified audit procedures to be performed and to review their component reporting. A dedicated member of the Group audit team is assigned to facilitate an effective and consistent approach to component oversight.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, the directors, internal audit and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT, climate-change and analytics specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the disclosure of adjusting items as part of alternative performance measures. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Financial Conduct Authority regulations, Listing Rules, pensions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the competition and anti-bribery laws, data protection, Groceries Supply Code of Practice, and employment, environmental and health and safety regulations.

11.2 Audit response to risks identified

As a result of performing the above, we identified the disclosure of adjusting items as part of alternative performance measures as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit & Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure


Following the recommendation of the Audit & Risk Committee, we were appointed by the shareholders on 8 July 2014 to audit the financial statements for the year ending 28 March 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 28 March 2015 to 30 March 2024.

14.2. Consistency of the audit report with the additional report to the Audit & Risk committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Richard Muschamp FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

9 September 2024

Marks and Spencer plc

Consolidated income statement

		52 weeks ended 30 March 2024	52 weeks ended 1 April 2023
	Notes	Total £m	Total £m
Revenue	2, 3	12,896.8	11,847.1
Operating profit	3, 5	775.1	572.8
Finance income	5, 6	94.0	62.7
Finance costs	5, 6	(182.5)	(202.9)
Profit before tax	4, 5	686.6	432.6
Income tax expense	7	(238.9)	(109.8)
Profit for the year		447.7	322.8
Attributable to:			
Owners of the parent		453.7	321.7
Non-controlling interests		(6.0)	1.1
		447.7	322.8

Reconciliation of profit before tax and adjusting items:

Profit before tax		686.6	432.6
Adjusting items ¹	5	57.4	42.6
Profit before tax and adjusting items ¹ – non-GAAP measure		744.0	475.2

¹ Comparative information has been restated due to a change in adjusting items classification. See note 1 for details.

Consolidated statement of comprehensive income

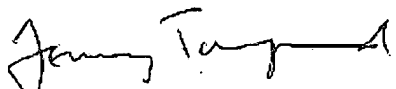
		52 weeks ended 30 March 2024 £m	52 weeks ended 1 April 2023 £m
	Notes		
Profit for the year		447.7	322.8
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit schemes	10	(419.2)	(622.8)
Tax on retirement benefit schemes		104.8	158.0
		(314.4)	(464.8)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences			
- movements recognised in other comprehensive income		(11.5)	4.3
Cash flow hedges			
- fair value movements recognised in other comprehensive income	20	(27.5)	77.0
- reclassified and reported in profit or loss	20	5.3	(14.4)
Tax charge/(credit) on cash flow hedges		6.1	(18.6)
		(27.6)	48.3
Other comprehensive (expense) for the year, net of tax		(342.0)	(416.5)
Total comprehensive income/(expense) for the year		105.7	(93.7)
Attributable to:			
Owners of the parent		111.7	(94.8)
Non-controlling interests		(6.0)	1.1
		105.7	(93.7)

Marks and Spencer plc

Consolidated statement of financial position

		As at 30 March 2024	As at 1 April 2023 (restated)	As at 2 April 2022 (restated)
	Notes	£m	£m	£m
Assets				
Non-current assets				
Intangible assets	13	177.4	160.8	192.5
Property, plant and equipment	14	4,966.4	4,983.0	4,902.3
Investment property		11.6	11.8	15.0
Investments in joint ventures and associates		7.2	11.0	10.5
Other financial assets	15	2,580.6	2,549.2	2,546.1
Retirement benefit asset	10	81.8	482.0	1,043.9
Trade and other receivables	16	560.5	484.3	270.6
Derivative financial instruments	20	0.7	0.1	21.4
Deferred tax assets		11.7	7.6	-
		8,397.9	8,689.8	9,002.3
Current assets				
Inventories		774.0	761.6	706.1
Other financial assets	15	12.3	13.0	17.6
Trade and other receivables	16	271.4	243.8	217.1
Derivative financial instruments	20	6.8	22.6	43.6
Current tax assets		38.0	6.5	-
Cash and cash equivalents	17	995.4	1,055.2	1,197.9
		2,097.9	2,102.7	2,182.3
Total assets		10,495.8	10,792.5	11,184.6
Liabilities				
Current liabilities				
Trade and other payables	18	2,159.7	2,088.1	1,966.6
Partnership liability to the Marks & Spencer UK Pension Scheme	11	88.8	73.0	71.9
Borrowings and other financial liabilities	19	239.0	433.3	247.2
Derivative financial instruments	20	20.0	58.1	3.2
Provisions	21	47.2	41.1	53.6
Current tax liabilities		1.5	37.7	32.9
		2,556.2	2,731.3	2,375.4
Non-current liabilities				
Retirement benefit deficit	10	4.6	4.6	5.7
Trade and other payables	18	14.6	16.1	15.6
Partnership liability to the Marks & Spencer UK Pension Scheme	11	-	51.8	120.4
Borrowings and other financial liabilities	19	2,862.1	3,165.6	3,561.0
Derivative financial instruments	20	21.9	7.1	0.4
Provisions	21	98.6	73.5	91.8
Deferred tax liabilities	22	191.2	194.5	321.3
		3,193.0	3,513.2	4,116.2
Total liabilities		5,749.2	6,244.5	6,491.6
Net assets		4,746.6	4,548.0	4,693.0
Equity				
Issued share capital	23	712.5	712.5	712.5
Share premium account		386.1	386.1	386.1
Capital redemption reserve		8.0	8.0	8.0
Hedging reserve	20	(8.4)	(31.9)	17.6
Cost of hedging reserve	20	5.4	4.2	3.6
Foreign exchange reserve		(81.1)	(69.6)	(73.9)
Retained earnings		3,725.2	3,534.3	3,634.9
Equity attributable to owners of the parent		4,747.7	4,543.6	4,688.8
Non-controlling interests		(1.1)	4.4	4.2
Total equity		4,746.6	4,548.0	4,693.0

Deferred tax and retained earnings have been restated in the comparative information. See note 1 for further details. The financial statements were approved by the Board and authorised for issue on 9 September 2024. The financial statements also comprise notes 1 to 29.



Jeremy Townsend, Chief Financial Officer
Registered Number: 00214436

Marks and Spencer plc

Consolidated statement of changes in equity

	Ordinary share capital	Share premium account	Capital redemption reserve	Hedging reserve	Cost of hedging	Foreign exchange reserve	Retained earnings	Total	Non- controlling interest	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 3 April 2022	712.5	386.1	8.0	17.6	3.6	(73.9)	3,769.0	4,822.9	4.2	4,827.1
Prior year restatement	-	-	-	-	-	-	(134.1)	(134.1)	-	(134.1)
As at 3 April 2022 (restated)	712.5	386.1	8.0	17.6	3.6	(73.9)	3,634.9	4,688.8	4.2	4,693.0
Profit for the year	-	-	-	-	-	-	321.7	321.7	1.1	322.8
Other comprehensive income/(expense):										
Foreign currency translation										
- movements recognised in other comprehensive income	-	-	-	-	-	4.3	-	4.3	-	4.3
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	(622.8)	(622.8)	-	(622.8)
Tax on retirement benefit schemes	-	-	-	-	-	-	158.0	158.0	-	158.0
Cash flow hedges										
- fair value movement in other comprehensive income	-	-	-	76.2	0.8	-	-	77.0	-	77.0
- reclassified and reported in profit or loss	-	-	-	(14.4)	-	-	-	(14.4)	-	(14.4)
Tax on cash flow hedges	-	-	-	(18.4)	(0.2)	-	-	(18.6)	-	(18.6)
Other comprehensive income/(expense)	-	-	-	43.4	0.6	4.3	(464.8)	(416.5)	-	(416.5)
Total comprehensive income/(expense)	-	-	-	43.4	0.6	4.3	(143.1)	(94.8)	1.1	(93.7)
Cash flow hedges recognised in inventories	-	-	-	(123.9)	-	-	-	(123.9)	-	(123.9)
Tax on cash flow hedges recognised in inventories	-	-	-	31.0	-	-	-	31.0	-	31.0
Transactions with owners:										
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	(0.9)	(0.9)
Purchase of shares held by employee trusts	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Credit for share-based payments	-	-	-	-	-	-	38.0	38.0	-	38.0
Deferred tax on share schemes	-	-	-	-	-	-	4.8	4.8	-	4.8
As at 1 April 2023	712.5	386.1	8.0	(31.9)	4.2	(69.6)	3,534.3	4,543.6	4.4	4,548.0
As at 2 April 2023	712.5	386.1	8.0	(31.9)	4.2	(69.6)	3,534.3	4,543.6	4.4	4,548.0
Profit for the year	-	-	-	-	-	-	453.7	453.7	(6.0)	447.7
Other comprehensive income/(expense):										
Foreign currency translation										
- movements recognised in other comprehensive income	-	-	-	-	-	(11.5)	-	(11.5)	-	(11.5)
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	(419.2)	(419.2)	-	(419.2)
Tax on retirement benefit schemes	-	-	-	-	-	-	104.8	104.8	-	104.8
Cash flow hedges										
- fair value movement in other comprehensive income	-	-	-	(29.1)	1.6	-	-	(27.5)	-	(27.5)
- reclassified and reported in profit or loss	-	-	-	5.3	-	-	-	5.3	-	5.3
Tax on cash flow hedges	-	-	-	6.5	(0.4)	-	-	6.1	-	6.1
Other comprehensive income/(expense)	-	-	-	(17.3)	1.2	(11.5)	(314.4)	(342.0)	-	(342.0)
Total comprehensive income/(expense)	-	-	-	(17.3)	1.2	(11.5)	139.3	111.7	(6.0)	105.7
Cash flow hedges recognised in inventories	-	-	-	54.4	-	-	-	54.4	-	54.4
Tax on cash flow hedges recognised in inventories	-	-	-	(13.6)	-	-	-	(13.6)	-	(13.6)
Transactions with owners:										
Dividends	-	-	-	-	-	-	(20.0)	(20.0)	-	(20.0)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	0.5	0.5
Fair value movement of shares held by employee trusts	-	-	-	-	-	-	1.1	1.1	-	1.1
Credit for share-based payments	-	-	-	-	-	-	48.3	48.3	-	48.3
Tax on share schemes	-	-	-	-	-	-	22.2	22.2	-	22.2
As at 30 March 2024	712.5	386.1	8.0	(8.4)	5.4	(81.1)	3,725.2	4,747.7	(1.1)	4,746.6

Marks and Spencer plc

Consolidated statement of cash flows

		52 weeks ended 30 March 2024	52 weeks ended 1 April 2023
	Notes	£m	£m
Cash flows from operating activities			
Cash generated from operations	25	1,454.5	1,150.2
Income tax paid		(191.2)	(70.6)
Net cash inflow from operating activities		1,263.3	1,079.6
Cash flows from investing activities			
Proceeds on property disposals		6.1	1.1
Purchase of property, plant and equipment		(346.8)	(320.5)
Purchase of intangible assets		(69.8)	(84.5)
Sale of current financial assets		0.7	5.3
Purchase of non-current financial assets		(2.6)	(4.2)
Proceeds on disposal of non-current financial assets		-	0.2
Interest received		51.8	24.1
Movement in loans to fellow subsidiaries of the parent company	27	(70.3)	(209.5)
Net cash used in investing activities		(430.9)	(588.0)
Cash flows from financing activities			
Interest paid ¹		(176.9)	(209.9)
Redemption of Medium Term Notes ²		(395.6)	(189.9)
Repayment of lease liabilities		(231.9)	(225.4)
Payment of liability to the Marks & Spencer UK Pension Scheme		(40.0)	(66.0)
Dividends paid	8	(20.0)	-
Purchase of Marks and Spencer Group plc shares by employee trust		(83.1)	(0.1)
Cash received from settlement of derivatives		-	56.5
Movement in parent company loans	27	57.4	-
Net cash used in financing activities		(890.1)	(634.8)
Net cash outflow from activities		(57.7)	(143.2)
Effects of exchange rate changes		(2.1)	0.5
Opening net cash		1,055.2	1,197.9
Closing net cash	26	995.4	1,055.2

¹Includes interest paid on the Partnership liability to the Marks & Spencer UK Pension Scheme of £nil (last year: £5.9m) and interest paid on lease liabilities of £100.7m (last year: £121.5m).

²Includes £267.5m of outstanding 2023, 2025, and 2026 notes repurchased in June 2023, resulting in a gain of £10.3m recognised within "interest payable on Medium-Term Notes" in net finance costs.

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1 Accounting Policies

General information

Marks and Spencer plc (the "Company") is a public limited company domiciled and incorporated in England and Wales under the Companies Act 2006. The address of the Company's registered office is Waterside House, 35 North Wharf Road, London W2 1NW, United Kingdom.

The principal activities of the Company and its subsidiaries (the "Group") and the nature of the Group's operations are as a Clothing & Home and Food retailer.

These financial statements are presented in sterling, which is also the Company's functional currency, and are rounded to the nearest hundred thousand. Foreign operations are included in accordance with the policies set out within this note.

Basis of preparation

The financial statements have been prepared for the 52 weeks ended 30 March 2024 (last year: 52 weeks ended 1 April 2023) in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Marks and Spencer Scottish Limited Partnership has taken an exemption under paragraph 7 of the Partnership (Accounts) Regulations 2008 from the requirement to prepare and deliver financial statements in accordance with the Companies Act.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the directors have considered the business activities as set out on pages 1 to 13, the financial position of the Group, its cash flows, liquidity position and borrowing facilities as set out in the Financial Review on pages 4 to 13, the Group's financial risk management objectives and exposures to liquidity and other financial risks as set out in note 20 and the principal risks and uncertainties as set out on pages 14 and 19.

The Group continues to maintain a robust financial position providing it with sufficient access to liquidity, through a combination of cash and committed facilities, to meet its needs in the short and medium term. At 30 March 2024, the Group had available liquidity of £1,870.4m (last year: £1,930.2m), comprising cash and cash equivalents of £995.4m, an undrawn committed syndicated bank revolving credit facility ("RCF") of £850.0m and undrawn uncommitted facilities amounting to £25.0m.

In December 2023, the Group successfully extended its RCF, which now expires in June 2027. The facility contains a financial covenant, being the ratio of earnings before interest, tax, depreciation and amortisation; to net interest and depreciation on right-of-use assets under IFRS 16. The covenant is measured biannually.

In adopting the going concern basis of preparation, the Board has assessed the Group's cash flow forecasts which incorporate a latest estimate of the ongoing impact of current market conditions on the Group and include a number of assumptions including sales growth and customer behaviour. While trading continues to be strong, in forming their outlook on the future financial performance, the Board considered a variety of downsides that the Group might experience, such as a sustained economic recession and an inability for the Group to execute the transformation plan.

Under these latest forecasts, the Group is able to operate without the need to draw on its available facilities and without taking any supplementary mitigating actions, such as reducing capital expenditure and other discretionary spend. The forecast cash flows also indicate that the Group will comply with all relevant banking covenants during the forecast period, being at least 12 months from the approval of the financial statements.

The Board has also modelled a more severe, but plausible, downside scenario. This downside scenario assumes that:

- There will be a period of economic recession in the United Kingdom in 2024/25, resulting in a reduction in sales growth of 2.0-5.0% across all three business units compared to the Budget and Three-Year Plan.
- A delay in transformation benefits results in incremental sales expected from the transformation declining by 7.5%, 15% and 30% respectively across the three-year period across all three business units.

Even under this severe, but plausible, downside scenario, the Group would continue to have sufficient liquidity and headroom on its existing facilities and against the RCF financial covenant for the forecast period. In addition, should such a scenario arise, there are a range of mitigating actions that could be taken to reduce the impact. Given current trading and expectations for the business, the Board considers that this downside scenario reflects a plausible, but remote, outcome for the Group.

In addition, reverse stress testing has been applied to the model to determine the decline in sales that the Group could absorb before exhausting the Group's total liquidity. Such a scenario, and the sequence of events which could lead to it, is considered to be extremely remote.

As a result, the Board expects the Group to have adequate resources to continue in operation, meet its liabilities as they fall due, retain sufficient available cash and not breach the covenant under the revolving credit facility for the foreseeable future, being a period of at least 12 months from the approval of the financial statements. The Board therefore considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

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New accounting standards adopted by the Group

The Group has applied the following new standards and interpretations for the first time for the annual reporting period commencing 2 April 2023:

- IFRS 17 Insurance Contracts.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 8: Definition of Accounting Estimates.
- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 12: International Tax reform – Pillar Two Model rules.

The adoption of the standards and interpretations listed above has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

New accounting standards in issue but not yet effective

New standards and interpretations that are in issue but not yet effective are listed below:

- Amendment to IFRS 16: Lease Liability in a Sale and Leaseback.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 1: Non-current Liabilities with Covenants.
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements.
- Amendments to IAS 21: Lack of Exchangeability.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- IFRS 18: Presentation and Disclosure in Financial Statements.

With the exception of the adoption of IFRS 18, the adoption of the above standards and interpretations is not expected to lead to any changes to the Group's accounting policies nor have any other material impact on the financial position or performance of the Group.

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' and although it will not change how items are recognised or measured, the standard brings a focus on the income statement and reporting of financial performance. Specifically classifying income and expenses into three new defined categories – "operating", "investing" and "financing" and two new subtotals "operating profit or loss" and "profit or loss before financing and income tax", 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, however there is no impact on presentation for the Group in the current year given the effective date – this will be applicable for the Group's 2027/28 Annual Report.

Prior year restatement

An error has been identified within the Group's deferred tax calculations which was triggered by a series of historic changes in the residual value applied to Buildings impacting the portion of the asset to be recovered through use and the portion through sale. In line with IAS 8, the Group has restated balances as at 1 April 2023 and 2 April 2022.

Specifically the impact on the financial results as at 1 April 2023 was a £134.1m increase in deferred tax liabilities recognised in relation to Buildings following management's downwards revision of its estimate of the residual value of Buildings. There is no impact on cash flow statement in any years.

The financial impact of the errors identified are as follows:

	As at 1 April 2023			As at 2 April 2022		
	Reported £m	Adjustment £m	Restated £m	Reported £m	Adjustment £m	Restated £m
Deferred tax liability	60.4	134.1	194.5	187.2	134.1	321.3
Retained earnings	3,668.4	(134.1)	3,534.3	3,769.0	(134.1)	3,634.9

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 helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and Executive Committee. Some of these measures are also used for the purpose of setting remuneration targets.

The key APMs that the Group uses include: sales; like-for-like sales growth; adjusted operating profit; adjusted operating margin; profit before tax and adjusting items; adjusted basic earnings per share; net debt; net debt excluding lease liabilities; free cash

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flow; free cash flow from operations; capital expenditure; and return on capital employed. Each of these APMs, and others used by the Group, is set out in the Glossary, including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

The Group reports some financial measures, primarily International sales, on both a reported and constant currency basis. The constant currency basis, which is an APM, retranslates the previous year revenues at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.

The Group makes certain adjustments to the statutory profit measures in order to derive many of these APMs. The Group's policy is to exclude items that are considered significant in nature and/or quantum over the total expected life of the programme or are consistent with items that were treated as adjusting in prior periods. The Group's definition of adjusting items is consistent with prior periods. Adjusted results are consistent with how business performance is measured internally and presented to aid comparability of performance. On this basis, the following items were included within adjusting items for the 52-week period ended 30 March 2024:

- Net charges associated with the strategic programme in relation to the review of the store estate.
- Significant restructuring costs and other associated costs arising from strategy or operational changes that are not considered by the Group to be part of the normal operating costs of the business.
- Impairment charges and provisions that are considered to be significant in nature and/or value to the trading performance of the business.
- Charges and reversals of previous impairments arising from the write-off of assets and other property charges that are significant in nature and/or value. Impairment charges are recognised in adjusted operating profit where they relate to stores not previously impaired or do not otherwise meet the Group's adjusting items policy.
- Adjustments to income from M&S Bank due to a provision recognised by M&S Bank for the cost of providing redress to customers in respect of possible mis-selling of M&S Bank financial products.
- (New) Net pension finance income in relation to closed scheme not considered part of ongoing operating activities of the Group.
- (New) Significant charges relating to the renegotiation of the Group's Relationship Agreement with M&S Bank.
- (New) Significant charges in relation to the furniture simplification programme that are not considered to be day-to-day operational costs of the business, mainly relating to contractual obligations with suppliers.

Refer to note 5 for a summary of the adjusting items.

Due to a change in the Group's classification of pension net finance income as an adjusting item (see note 5), the comparative amounts have been restated. The impact on the 52 weeks ended 1 April 2023 income statement is a decrease to the adjusting items charge of £28.7m (resulting in a net adjusting items credit), a decrease to profit before tax & adjusting items of £28.7m. There is no impact on profit before tax or net assets.

A summary of the Company's and the Group's material accounting policies is given below

Accounting convention

The financial statements are drawn up on the historical cost basis of accounting, except for certain financial instruments (including derivative instruments) and plan assets of defined benefit pension schemes which are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

Basis of consolidation

The Group financial statements incorporate the financial statements of Marks and Spencer plc and all its subsidiaries made up to the period end date. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Subsidiaries

Subsidiary undertakings are all entities (including special purpose entities) over which the Company has control. Control is achieved when the Company has the power over the entity; is exposed, or has rights to, variable returns from its involvement with the entity; and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of these three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Subsidiary undertakings acquired during the year are recorded using the acquisition method of accounting and their results are included from the date of acquisition.

The separable net assets, including property, plant and equipment and intangible assets, of the newly acquired subsidiary undertakings are incorporated into the consolidated financial statements on the basis of the fair value as at the effective date of control.

Intercompany transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation.

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Revenue

Revenue comprises sales of goods to customers outside the Group less an appropriate deduction for actual and expected returns, discounts and loyalty scheme vouchers, and is stated net of value added tax and other sales taxes. Revenue is recognised when performance obligations are satisfied and goods are delivered to our franchise partners or the customer and the control of goods is transferred to the buyer. Online sales are recognised when items are delivered, as this is when the performance obligation is deemed to have been satisfied. Where third-party branded goods are sold on a consignment basis, only the commission receivable is included in statutory revenue.

A right of return is not a separate performance obligation and the Group is required to recognise revenue net of estimated returns. A refund liability and a corresponding asset in inventory representing the right to recover products from the customer are recognised.

The Group enters into agreements which entitle other parties to operate under the Marks & Spencer brand name for certain activities and operations, such as M&S Bank and M&S Energy. These contracts give rise to performance-based variable consideration. Income dependent on the performance of the third-party operations is recognised when it is highly probable that a significant reversal in the amount of income recognised will not occur, and presented as other operating income.

Supplier income

In line with industry practice, the Group enters into agreements with suppliers to share the costs and benefits of promotional activity and volume growth. The Group receives income from its suppliers based on specific agreements in place. This supplier income received is recognised as a deduction from cost of sales based on the entitlement that has been earned up to the balance sheet date for each relevant supplier agreement. Marketing contributions, equipment hire and other non-judgemental, fixed rate supplier charges are not included in the Group's definition of supplier income.

The types of supplier income recognised by the Group and the associated recognition policies are:

A. Promotional contribution Includes supplier contributions to promotional giveaways and pre-agreed contributions to annual "spend and save" activity.

Income is recognised as a deduction to cost of sales over the relevant promotional period. Income is calculated and invoiced at the end of the promotional period based on actual sales or according to fixed contribution arrangements. Contributions earned but not invoiced are accrued at the end of the relevant period.

B. Volume-based rebates Includes annual growth incentives, seasonal contributions and contributions to share economies of scale resulting from moving product supply.

Annual growth incentives are calculated and invoiced at the end of the financial year, once earned, based on fixed percentage growth targets agreed for each supplier at the beginning of the year. They are recognised as a reduction in cost of sales in the year to which they relate. Other volume-based rebates are agreed with the supplier and spread over the relevant season/contract period to which they relate. Contributions earned but not invoiced are accrued at the end of the relevant period.

Uncollected supplier income at the balance sheet date is classified within the financial statements as follows:

A. Trade and other payables The majority of income due from suppliers is net against amounts owed to that supplier as the Group has the legal right and intention to offset these balances.

B. Trade and other receivables Supplier income that has been earned but not invoiced at the balance sheet date is recognised in trade and other receivables and primarily relates to volume-based rebates that run up to the period end.

In order to provide users of the accounts with greater understanding in this area, additional balance sheet disclosure is provided in note 16 to the financial statements.

M&S Bank

The Group has an economic interest in M&S Bank which entitles the Group to a 50% share of the profits of M&S Bank after appropriate contractual deductions.

Dividends

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Pensions

Funded pension plans are in place for the Group's UK employees and some overseas employees.

For defined benefit ("DB") pension schemes, the difference between the fair value of the assets and the present value of the DB obligation is recognised as an asset or liability in the statement of financial position. The DB obligation is actuarially calculated using the projected unit credit method. An asset can be recognised as in the event of a plan wind-up, the pension scheme rules provide the Group with an unconditional right to a refund of surplus assets assuming a full settlement of plan liabilities. In the ordinary course of business, the Trustees have no rights to wind-up, or change, the benefits due to the members of the scheme. As a result, any net surplus in the UK defined benefit (DB) scheme is recognised in full.

The service cost of providing retirement benefits to employees during the year, together with the cost of any curtailment, is charged to operating profit in the year. The Group no longer incurs any service cost or curtailment costs related to the UK DB pension scheme as the scheme is closed to future accrual.

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The net interest cost on the net retirement benefit asset/liability is calculated by applying the discount rate, measured at the beginning of the year, to the net defined benefit asset/liability and is included as a single net amount in finance income.

Remeasurements, being actuarial gains and losses, together with the difference between actual investment returns and the return implied by the net interest cost, are recognised immediately in other comprehensive income.

Payments to defined contribution retirement benefit schemes are charged as an expense on an accruals basis.

For further details on pension schemes and the partnership liability to the Marks & Spencer UK Pension scheme, see notes 10 and 11.

Intangible assets

A. Goodwill Goodwill arising on consolidation represents the excess of the consideration paid and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of the acquisition. Goodwill is recognised as an asset and assessed for impairment annually or as triggering events occur. Any impairment in value is recognised within the income statement.

B. Acquired intangible assets Acquired intangible assets include trademarks or brands. These assets are capitalised on acquisition at cost and amortised on a straight-line basis over their estimated useful lives.

Acquired intangible assets are tested for impairment as triggering events occur. Any impairment in value is recognised within the income statement.

C. Software intangibles Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Capitalised software costs include external direct costs of goods and services, as well as internal payroll-related costs for employees who are directly associated with the project. When the Group incurs configuration and customisation costs as part of a cloud-based software-as-a-service agreement, and where this does not result in the creation of an asset which the Group has control over, then these costs are expensed.

Capitalised software development costs are amortised on a straight-line basis over their expected economic lives, normally between three and five years. Computer software under development is held at cost less any recognised impairment loss. Any impairment in value is recognised within the income statement.

Property, plant and equipment

The Group's policy is to state property, plant and equipment at cost less accumulated depreciation and any recognised impairment loss. Property is not revalued for accounting purposes. Assets in the course of construction are held at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs. Leasehold buildings with lease premiums and ongoing peppercorn lease payments are considered in-substance purchases and are therefore included within the buildings category of property, plant and equipment.

Depreciation is provided to write off the cost of tangible non-current assets (including investment properties), less estimated residual values on a straight-line basis as follows:

- Freehold land – not depreciated.
- Buildings – depreciated to their residual value over their estimated remaining economic lives of 10 – 50 years.
- Fixtures, fittings and equipment – three to 25 years according to the estimated economic life of the asset.

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal.

Any impairment in value, or reversal of an impairment, is recognised within the income statement.

Leasing

The Group recognises a right-of-use asset and corresponding liability at the date at which a leased asset is made available for use by the Group, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities are measured at the present value of the future lease payments, excluding any payments relating to non-lease components. Future lease payments include fixed payments, in-substance fixed payments, and variable lease payments that are based on an index or a rate, less any lease incentives receivable. Lease liabilities also take into account amounts payable under residual value guarantees and payments to exercise options to the extent that it is reasonably certain that such payments will be made. The payments are discounted at the rate implicit in the lease or, where that cannot be readily determined, at an incremental borrowing rate.

Right-of-use assets are measured initially at cost based on the value of the associated lease liability, adjusted for any payments made before inception, initial direct costs and an estimate of the dismantling, removal and restoration costs required in the terms of the lease. The Group presents right-of-use assets in "property, plant and equipment" in the consolidated statement of financial position.

Subsequent to initial recognition, the lease liability is reduced for payments made and increased to reflect interest on the lease liability (using the effective interest method). The related right-of-use asset is depreciated over the term of the lease or, if shorter,

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the useful economic life of the leased asset. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Leases for which the Group is a lessor are classified as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee and classified as an operating lease if it does not. When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Cash and cash equivalents

Cash and cash equivalents includes short-term deposits with banks and other financial institutions, with an initial maturity of three months or less, money market funds and credit card payments received within 48 hours. Bank transactions are recorded on their settlement date.

Inventories

Inventories are valued on a weighted average cost basis and carried at the lower of cost and net realisable value. Cost includes all direct expenditure and other attributable costs incurred in bringing inventories to their present location and condition. All inventories are finished goods. Certain purchases of inventories may be subject to cash flow hedges for foreign exchange risk. The initial cost of hedged inventory is adjusted by the associated hedging gain or loss transferred from the cash flow hedge reserve ("basis adjustment").

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. A fair value for the equity-settled share awards is measured at the date of grant. The Group measures the fair value of each award using the Black-Scholes model where appropriate.

The fair value of each award is recognised as an expense over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The level of vesting is reviewed at each reporting period and the charge is adjusted to reflect actual and estimated levels of vesting.

These shares relate to the shares in the parent company, Marks and Spencer Group plc, rather than the Company.

Foreign currencies

The financial statements are presented in sterling which is the Company's functional currency.

The results of overseas subsidiaries are translated at the weighted average of monthly exchange rates for revenue and profits. The statements of financial position of overseas subsidiaries are translated at year-end exchange rates. The resulting exchange differences are booked into reserves and reported in the consolidated statement of comprehensive income. On disposal of an overseas subsidiary the related cumulative translation differences recognised in reserves are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities held at the end of the reporting period are translated at the closing balance sheet rate. The resulting exchange gain or loss is recognised within the income statement.

Taxation

Tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is recognised in other comprehensive income or directly in equity.

Provision is made for uncertain tax positions when it is considered probable that there will be a future outflow of funds to a tax authority. The provision is calculated using the single best estimate where that outcome is more likely than not and a weighted

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average probability in other circumstances. The position is reviewed on an ongoing basis, to ensure appropriate provision is made for each known tax risk.

Deferred tax is accounted for using a temporary difference approach, and is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, applying tax rates and laws enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the reversal of the temporary difference can be controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. In addition, deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially classified as at fair value through profit and loss, fair value through other comprehensive income or amortised cost depending on the Group's business model for managing the financial asset and its cash flow characteristics. Financial assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost.

The table below sets out the Group's accounting classification of each class of its financial assets and liabilities:

	Note	Measurement
Financial assets:		
Other investments	15	FVTPL ¹
Trade receivables	16	Amortised cost
Lease receivables	16	Amortised cost
Other receivables	16	Amortised cost
Cash and cash equivalents	17	Amortised cost ²
Derivative financial instruments	20	FVTPL
Financial liabilities:		
Borrowings and overdrafts	19	Amortised cost
Trade payables	18	Amortised cost
Other payables	18	Amortised cost
Accruals	18	Amortised cost
Lease liabilities	19	Amortised cost
Derivative financial instruments	20	FVTPL

¹Fair value through profit or loss

²Deposits held in low volatility net asset value money market funds are classified as FVTPL.

A. Trade and other receivables Trade receivables are recorded initially at transaction price and subsequently measured at amortised cost, except those which, due to factoring arrangements, are held within a "hold to collect and sell" business model and are measured at fair value through other comprehensive income ("FVOCI"). Trade receivables measured at amortised cost are carried at nominal value less an allowance for any doubtful debts. The allowance for doubtful debts is recognised based on management's expectation of losses without regard to whether an impairment trigger happened or not (an "expected credit loss" model).

B. Other financial assets Other financial assets consist of loans receivable, venture capital investments and short-term investments with a maturity date of more than 90 days. Financial assets that do not meet the criteria for being measured at amortised cost are measured at fair value through profit or loss ("FVTPL") with gains and losses arising from changes in fair value included in the income statement for the period.

C. Classification of financial liabilities and equity Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

D. Bank borrowings Interest-bearing bank loans and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. They are subsequently held at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method and are added to or deducted from the carrying amount of the instrument.

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E. Loan notes Long-term loans are initially measured at fair value net of direct issue costs and are subsequently held at amortised cost. If the loan is designated in a fair value hedge relationship, the carrying value of the loan is adjusted for fair value gains or losses attributable to the risk being hedged.

F. Trade payables Trade payables are recorded initially at fair value and subsequently measured at amortised cost. Generally, this results in their recognition at their nominal value.

G. Equity instruments Equity instruments issued by the Group are recorded at the consideration received, net of direct issue costs.

Derivative financial instruments and hedging activities

The Group primarily uses cross-currency swaps and forward foreign currency contracts to manage its exposures to fluctuations in interest rates and foreign exchange rates. These instruments are initially recognised at fair value on the trade date and are subsequently remeasured at their fair value at the end of the reporting period. The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

The Group designates certain hedging derivatives as either:

- A hedge of a highly probable forecast transaction or change in the cash flows of a recognised asset or liability (a cash flow hedge); or
- A hedge of the exposure to change in the fair value of a recognised asset or liability (a fair value hedge).

At the inception of a hedging relationship, the hedging instrument and the hedged item are documented, along with the risk management objectives and strategy for undertaking various hedge transactions and prospective effectiveness testing is performed. During the life of the hedging relationship, prospective effectiveness testing is performed to ensure that the instrument remains an effective hedge of the transaction. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

A. Cash flow hedges Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income. The element of the change in fair value which relates to the foreign currency basis spread is recognised in the cost of hedging reserve, with the remaining change in fair value recognised in the hedging reserve and any ineffective portion is recognised immediately in the income statement in finance costs. If the firm commitment or forecast transaction that is the subject of a cash flow hedge results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income and accumulated in the cash flow hedge reserve are removed directly from equity and included in the initial measurement of the asset or liability. If the hedged item is transaction-related the foreign currency basis spread is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a systematic and rational basis. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item.

For hedges that do not result in the recognition of an asset or a liability, amounts deferred in the cash flow hedge reserve are recognised in the income statement in the same period in which the hedged items affect net profit or loss.

B. Fair value hedges Changes in the fair value of a derivative instrument designated in a fair value hedge are recognised in the income statement. The hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

C. Discontinuance of hedge accounting Hedge accounting is discontinued when the hedge relationship no longer qualifies for hedge accounting. This includes when the hedging instrument expires, is sold, terminated or exercised, or when occurrence of the forecast transaction is no longer highly probable. The Group cannot voluntarily de-designate a hedging relationship.

When a cash flow hedge is discontinued, any cumulative gain or loss on the hedging instrument accumulated in the cash flow hedge reserve is retained in equity until the forecast transaction occurs. Subsequent changes in the fair value are recognised in the income statement. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss accumulated in the cash flow hedge reserve is transferred to the income statement for the period.

When a fair value hedge is discontinued, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the income statement based on the recalculated effective interest rate at that date.

The Group does not use derivatives to hedge income statement translation exposures.

Reserves

The following describes the nature and purpose of each reserve within equity:

A. Share premium account Proceeds received in excess of the nominal value of shares issued, net of any transaction costs.

B. Capital redemption reserve Amounts transferred from share capital on redemption or repurchase of issued shares.

C. Hedging reserve Cumulative gains and losses on hedging instruments deemed effective in cash flow hedges.

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D. Cost of hedging Cumulative gains and losses on the portion excluded from the designated hedging instrument that relates to changes in the foreign currency basis.

E. Foreign exchange reserve Gains and losses arising on retranslating the net assets of overseas operations into sterling.

F. Retained earnings All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements requires the Group to make estimates and judgements that affect the application of policies and reported amounts.

Critical judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a key source of estimation uncertainty. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next 12 months are discussed below.

Critical accounting judgements

Adjusting items

The directors believe that the adjusted profit and earnings per share measures provide additional useful information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and Executive Committee. The profit before tax and adjusting items measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies. The classification of adjusting items requires significant management judgement after considering the nature and intentions of a transaction. The Group's definitions of adjusting items are outlined within both the Group accounting policies and the Glossary. These definitions have been applied consistently year on year.

Note 5 provides further details on current year adjusting items and their adherence to Group policy.

UK defined benefit pension surplus

Where a surplus on a defined benefit scheme arises, the rights of the Trustees to prevent the Group obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised. The UK defined benefit scheme is in surplus at 30 March 2024.

Following consultation with external advisers, the directors have made the judgement that these amounts meet the requirements of recoverability on the basis that paragraph 11(b) of IFRIC 14 applies, enabling a refund of surplus assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme, and a surplus of £81.8m has been recognised.

Determining the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group has several lease contracts for land and buildings that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination, including: whether there are significant penalties to terminate (or not extend); whether any leasehold improvements are expected to have a significant remaining value; historical lease durations; the importance of the underlying asset to the Group's operations; and the costs and business disruption required to replace the leased asset.

Most renewal periods and periods covered by termination options are included as part of the lease term for leases of land and buildings. The Group typically exercises its option to renew (or does not exercise its option to terminate) for these leases because there will be a significant negative effect on trading if a replacement property is not readily available.

The lease term is reassessed if a significant event or a significant change in circumstances occurs which affects the assessment of reasonable certainty, for example if a store is identified to be closed as part of the store estate strategic programme.

Determining whether forecast purchases are highly probable

The Group is exposed to foreign currency risk, most significantly to the US dollar as a result of sourcing Clothing & Home products from Asia which are paid for predominantly in US dollars. The Group hedges these exposures using forward foreign exchange contracts and hedge accounting is applied when the requirements of IFRS 9 are met, which include that a forecast transaction must be "highly probable".

The Group has applied judgement in assessing whether forecast purchases are "highly probable". In making this assessment, the Group has considered the most recent budgets and plans. The Group's policy is a "layered" hedging strategy where only a

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small fraction of the forecast purchase requirements is initially hedged with incremental hedges layered on over time as the buying period for that season approaches and therefore as certainty increases over the forecast purchases. As a result of this progressive strategy, a reduction in the supply pipeline of inventory does not immediately lead to over-hedging and the disqualification of “highly probable”. If the forecast transactions were no longer expected to occur, any accumulated gain or loss on the hedging instruments would be immediately reclassified to profit or loss.

Key sources of estimation uncertainty

Climate change impact

In preparing the consolidated financial statement, the Group has considered the impact of climate change. The Group’s existing fixed asset replacement programme is phased over several years and therefore any changes in the requirements associated with climate change would not have a material impact in any given year. The costs expected to be incurred in connection with the Group’s commitments are included within the Group’s budget and three-year plan which have been used to support the impairment reviews of non-current assets and the going concern assessment. Further disclosures in relation to the impact of climate change on the impairment assessment of intangibles and property, plant and equipment are included in notes 13 and 14. Given the identified risks are expected to be present in the medium to long term, the impact of climate change on the going concern period of the Group is not expected to be material and is therefore not currently classified as a key source of estimation uncertainty.

Store estate programme

The Group is undertaking a significant strategic programme to review its store estate, resulting in a net charge of £93.0m (last year: £51.3m) in the year. A significant level of estimation has been used to determine the charges to be recognised in the year. The most significant judgment that impacts the charge is that the stores identified as part of the programme are more likely than not to close. Further significant closure costs and impairment charges may be recorded in future years, depending on decisions made about further store closures and the successful delivery of the transformation programme.

Where a store closure has been announced, there is a reduced level of estimation uncertainty as the programme actions are to be taken over a shorter and more immediate timeframe. Further significant estimation uncertainty arises in respect of determining the recoverable amount of assets and the costs to be incurred as part of the programme. Significant assumptions have been made including:

- Reassessment of the useful lives of store fixed assets and closure dates.
- Estimation in respect of the expected shorter-term trading value in use, including assumptions with regard to the period of trading as well as changes to future sales, gross margin and operating costs.
- Estimation of the sale proceeds for freehold stores which is dependent upon location-specific factors, timing of likely exit and future changes to the retail property market valuations.
- Estimation of the value of dilapidation payments required for leasehold store exits, which is dependent on a number of factors including the extent of modifications of the store, the terms of the lease agreement, and the condition of the property.

The assumption most likely to have a material impact is closure date. See notes 5 and 15 for further detail.

Post-retirement benefits

The determination of pension net interest income and the defined benefit obligation of the Group’s defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate and mortality rates. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. The fair value of unquoted investments within total plan assets is estimated with consideration of fair value estimates provided by the manager of the investment or fund. See note 10 for further details on the impact of changes in the key assumptions and estimates.

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2 Segmental Information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting on components of the Group that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker has been identified as the Executive Committee. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources across each operating segment.

The Group's reportable operating segments have therefore been identified as follows:

- UK Clothing & Home – comprises the retailing of womenswear, menswear, lingerie, kidswear and home products through UK retail stores and online.
- UK Food – includes the results of the UK retail food business and UK Food franchise operations, with the following five main categories: protein deli and dairy; produce; ambient and in-store bakery; meals, dessert and frozen; and hospitality and 'Food on the Move'; and direct sales to Ocado Retail Limited.
- International – consists of Marks and Spencer-owned businesses in Europe and Asia and the international franchise operations.

Other business activities and operating segments, including M&S Bank and M&S Energy, are combined and presented in "All other segments". Finance income and costs are not allocated to segments as each is managed on a centralised basis.

The Executive Committee assesses the performance of the operating segments based on a measure of adjusted operating profit. This measurement basis excludes the effects of adjusting items from the operating segments.

The following is an analysis of the Group's revenue and results by reportable segment:

	52 weeks ended 30 March 2024					52 weeks ended 1 April 2023				
	UK Clothing & Home	UK Food	International	All other segments	Group	UK Clothing & Home	UK Food	International	All other segments	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sales ¹	3,910.7	8,015.5	1,039.8	-	12,966.0	3,715.0	7,133.8	1,055.0	-	11,903.8
Revenue	3,841.5	8,015.5	1,039.8	-	12,896.8	3,658.3	7,133.8	1,055.0	-	11,847.1
Adjusted operating profit/(loss) ²	402.8	375.9	75.6	2.2	856.5	323.8	236.0	84.8	(0.5)	644.1
Finance income before adjusting items ³					70.0					34.0
Finance costs before adjusting items ³					(182.5)					(202.9)
Profit/(loss) before tax and adjusting items	402.8	375.9	75.6	2.2	744.0	323.8	236.0	84.8	(0.5)	475.2
Adjusting items ³					(57.4)					(42.6)
Profit/(loss) before tax	402.8	375.9	75.6	2.2	686.6	323.8	236.0	84.8	(0.5)	432.6

¹ Sales is revenue stated prior to adjustments for UK Clothing & Home brand consignment sales of £69.2m (last year: £56.7m).

² Adjusted operating profit/(loss) is stated as gross profit less operating costs prior to adjusting items. At reportable segment level costs are allocated where directly attributable or based on an appropriate cost driver for the cost.

³ See note 1 for details on a change in adjusting items and the resulting restatement.

	52 weeks ended 30 March 2024					52 weeks ended 1 April 2023				
	UK Clothing & Home	UK Food	International	All other segments	Group	UK Clothing & Home	UK Food	International	All other segments	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Additions to property, plant and equipment, and intangible assets (excluding goodwill and right-of-use assets)	193.5	184.8	18.9	-	397.2	170.4	214.8	29.9	-	415.1
Depreciation and amortisation ^{1,2}	(219.6)	(209.0)	(45.4)	-	(474.0)	(267.9)	(261.3)	(35.7)	-	(564.9)
Impairment charges, impairment reversals and asset disposals ¹	(43.4)	(28.1)	-	-	(71.5)	10.2	5.7	(1.9)	-	14.0

¹ These costs are allocated to a reportable segment where they are directly attributable. Where costs are not directly attributable, a proportional allocation is made to each segment based on an appropriate cost driver.

² Includes £0.2m (last year: £0.2m) depreciation and impairments on investment property.

Segment assets and liabilities, including investments in associates and joint ventures, are not disclosed because they are not reported to or reviewed by the Executive Committee.

3 Expense analysis

	2024 Total £m	2023 Total £m
Revenue	12,896.8	11,847.1
Cost of sales	(8,324.4)	(7,718.0)
Gross profit	4,572.4	4,129.1
Selling and administrative expenses	(3,820.9)	(3,573.8)
Other operating income	23.6	17.5
Operating profit	775.1	572.8

The figures above include £81.4m (last year: £71.3m) adjusting items charges within operating profit, analysed against the category of selling and administrative expenses (see note 5).

The selling and administrative expenses are further analysed below:

	2024 Total £m	2023 Total £m
Employee costs ¹	1,419.7	1,503.0
Occupancy costs	493.8	463.9
Repairs, renewals and maintenance of property	126.5	107.9
Depreciation, amortisation and asset impairments and disposals ²	579.6	560.8
IT costs	229.9	228.6
Marketing costs	249.4	220.2
Other costs ³	722.0	489.4
Selling and administrative expenses	3,820.9	3,573.8

¹ There are an additional £62.5m (last year: £58.7m) employee costs recorded within cost of sales. These costs are included within the aggregate remuneration disclosures in note 9A.

² Includes £0.2m (last year: £0.2m) depreciation and £nil (last year: £2.9m) impairment charged on investment property.

³ Includes costs such as logistics, professional fees and sundry costs.

Adjusting items categorised as selling and administrative expenses are further analysed as: employee income £2.3m (last year: £14.1m cost); occupancy costs £20.6m (last year: £8.2m); depreciation, amortisation and asset impairments and disposals £29.6m (last year: £43.0m); and other costs £33.5m (last year: £6.0m).

4 Profit before taxation

The following items have been included in arriving at profit before taxation:

	2024 £m	2023 £m
Net foreign exchange losses/(gains)	0.4	6.1
Cost of inventories recognised as an expense	7,257.9	6,695.5
Write-down of inventories recognised as an expense	300.6	266.0
Depreciation of property, plant and equipment ¹		
- owned assets	260.3	303.3
- right-of-use assets	160.0	174.8
Amortisation of intangible assets	54.0	86.6
Impairments and disposals of intangible assets and property, plant and equipment ²	78.3	31.3
Impairment reversals of property, plant and equipment	(32.0)	(40.2)
Impairments of right-of-use assets	21.7	14.8
Impairment reversals of right-of-use assets	(13.6)	(14.9)

¹ Includes £0.3m (last year: £0.2m) depreciation charged on investment property.

² Includes £nil (last year: £2.9m) impairment charged on investment property.

Included in administrative expenses is the auditor's remuneration, including expenses for audit and non-audit services, payable to the Company's auditor Deloitte LLP and its associates as follows:

	2024 £m	2023 £m
Annual audit of the Company and the consolidated financial statements	2.11	2.0
Audit of subsidiary companies	0.7	0.7
Total audit fees	2.8	2.7
Audit-related assurance services	0.3	0.3
Total non-audit services fees	0.3	0.3
Total audit and non-audit services	3.1	3.0

5 Adjusting items

The total adjusting items reported for the 52-week period ended 30 March 2024 is a net charge of £57.4m (last year: restated net charge of £42.6m). Refer to note 1 for further details on the restatement. The adjustments made to reported profit before tax to arrive at adjusted profit are:

	Notes	2024 £m	2023 £m
Included in operating profit			
Strategic programmes - Store estate	14, 21	(93.0)	(51.3)
Strategic programmes – Furniture simplification	21	(18.3)	-
Strategic programmes – Organisation	16	(3.5)	(10.7)
Strategic programmes – Structural simplification	21	-	(12.3)
Strategic programmes - UK logistics	14, 21	5.3	(10.5)
Store impairments, impairment reversals and other property charges	14	35.1	15.1
M&S Bank transformation and insurance mis-selling provisions		(7.0)	(2.0)
Franchise restructure		-	0.4
		(81.4)	(71.3)
Included in net finance income			
Pension net finance income ¹	10	24.0	28.7
Adjustments to profit before tax¹		(57.4)	(42.6)

¹ See note 1 for detailed on restatement.

Strategic programmes - Store estate (£93.0m)

In November 2016, the Group announced a strategic programme to transform and rotate the store estate with the overall objective to improve our store estate to better meet our customers' needs. The Group has incurred charges of £963m in the eight years up to March 2024 under this programme primarily relating to closure costs associated with stores identified as part of the strategic transformation plans.

The Group has recognised a charge of £93.0m in the period in relation to those stores identified as part of the rotation plans. The charge primarily reflects the latest view of store closure plans and latest assumptions for estimated store closure costs, as well as charges relating to the impairment of buildings and fixtures and fittings, and depreciation as a result of shortening the useful economic life of stores based on the most recent approved exit routes.

Further charges relating to the closure and rotation of the store estate are anticipated over the next seven years as the programme progresses, the quantum of which is subject to change throughout the programme period as the Group gets greater certainty of circumstances that need to be in place to make closure financially viable. Future charges will not include Foodhall closures at a lease event where there is opportunity for a better location, as this is not in the scope of the programme.

As at 30 March 2024, the total closure programme now consists of 211 stores, 122 of which have already closed. Further charges of c.£209m are estimated within the next seven financial years, bringing anticipated total programme costs since 2016 to c.£1.2bn. In addition, where store exit routes in the next seven years lead to the recognition of gains on exit, particularly those relating to asset management, these credits will also be recognised within adjusting items as part of the programme. The anticipated total programme costs to date do not include any costs that may arise in relation to a further c.30 stores currently under consideration for closure within the next seven years. At this stage these c.30 stores remain commercially supportable and in the event of a decision to close the store, the exit routes are not yet certain.

These costs are reported as adjusting items on the basis that they are significant in quantum, relate to a strategic initiative focused on reviewing our store estate and to aid comparability from one period to the next. The programme includes all stores within the programme to be closed by 2030/31, but charges in the year, and future charges, did not include Foodhall closures at a lease event where there is opportunity to secure a better location.

Strategic programmes - Furniture simplification (£18.3m)

In March 2024 the Group withdrew from its two-person furniture delivery operation. Following this the Group will no longer sell bulky products through its existing '2-person delivery network'.

As part of this closure the Group has incurred £18.3m of one-off charges that are not considered to be day-to-day operational costs of the business. This mainly relates to contractual obligations with suppliers.

These costs are adjusting items as they relate to a significant withdrawal of an operation within the UK Clothing & Home segment and the business would not have incurred these costs but for the closure. Further costs of £7.2m are expected in 2024/25 in relation to the operation closure, expected to be offset by profit on disposal of a distribution centre in the range of £5.0m to £15.0m.

Strategic programmes – Organisation (£3.5m)

During 2016/17, the Group announced a wide-ranging strategic review across a number of areas of the business which included UK organisation and the programme to centralise our London Head Office functions into one building. In the period, an impairment charge of £3.5m has been recognised (last year: £10.7m impairment). This relates to the updating of assumptions

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and market fluctuations over the life of the sub-let of previously closed offices. Total costs of centralising our London Head Office functions into one building incurred to date are c.£101m. Any future charges/reversals will relate to the updating of assumptions and market fluctuations over the life of the sub-let lease to September 2040.

These charges are reported as adjusting items as they are significant in value in total, relate to a strategic initiative, are not considered to be normal operating costs of the business and are consistent with the disclosure of costs previously recognised.

Strategic programmes – UK logistics (£5.3m credit)

In 2017/18, as part of the previously announced long-term strategic programme to transition to a single-tier UK distribution network, the Group announced the opening of a new Clothing & Home distribution centre in Welham Green, Hertfordshire. As a direct result, the Group announced the closure of two existing distribution centres. In February 2020, the next phase of the single tier programme was announced with the closure of three further distribution centres across 2020/21, 2021/22 and 2022/23.

A net credit of £5.3m has been recognised in the period, reflecting a revised view of estimated closure costs. Total programme costs to date are £23.1m with further net charges of £14.7m expected over the next four financial years.

These charges are reported as adjusting items on the basis that they are significant in quantum, relate to a strategic initiative focused on reviewing our UK logistics network and to aid comparability from one period to the next.

Store impairments, impairment reversals and property charges (£35.1m credit)

The Group has recognised a number of charges and credits in the period associated with the carrying value of items of property, plant and equipment.

The Group has performed impairment testing based on the latest Board approved budget and three year plan future cash flow projections for UK and International stores (excluding those stores that have been captured as part of the store estate programme). As a result, store impairment testing has identified stores where the current and anticipated future performance does not support the carrying value of the stores. A charge of £0.5m (last year: £18.0m) has been incurred primarily in respect of the impairment of assets associated with these stores. In addition, a credit of £35.6m (last year: £33.1m) has been recognised for the reversal of store impairments incurred in previous periods, where revised future cash flow projections more than support the carrying value of the stores, reflecting improved trading expectations compared to those assumed at the prior year end. Refer to note 15 for further details on the impairments.

The charges/credits have been classified as an adjusting item on the basis of the significant quantum of the charge/credit in the period to the results of the Group. Any future charges or reversals relating to stores previously impaired within adjusting items will continue to be recognised within adjusting items in line with the original charge. Any future charges or reversals relating to stores not previously impaired within adjusting items or not otherwise meeting the Group's adjusting items policy will be recognised in the underlying results.

M&S Bank transformation and insurance mis-selling provisions (£7.0m)

Up until April 2024, the Group had an economic interest in Marks and Spencer Financial Services plc (trading as M&S Bank), a wholly owned subsidiary of HSBC UK Bank plc ("HSBC UK"), by way of a Relationship Agreement that entitles the Group to a 50% share of the profits of M&S Bank after appropriate deductions. The Group did not share in any losses of M&S Bank and is not obliged to refund any profit share received from HSBC, although future income may have been impacted by significant one-off deductions.

Since the year ended 31 December 2010, M&S Bank has recognised in its audited financial statements an estimated liability for redress to customers in respect of possible mis-selling of financial products. The Group's profit share and fee income from M&S Bank has been reduced by the deduction of the estimated liability in both the current and prior years. In line with the accounting treatment that was in the Relationship Agreement, there was a cap on the amount of charges that could be offset against the profit share in any one year, whereby excess liabilities carried forward would be deducted from the Group's future profit share from M&S Bank. The deduction in the period is £2.0m (last year: £2.0m).

The treatment of this in adjusting items is in line with previous charges in relation to settlement of PPI claims and although it is recurring, it is significant in quantum in the context of the total charges recognised for PPI mis-selling to-date and is not considered representative of the normal operating performance of the Group. As previously noted, while the August 2019 deadline to raise potential mis-selling claims has now passed, costs relating to the estimated liability for redress are expected to continue. The total charges recognised in adjusting items since September 2012 for PPI is £321.9m which exceeds the total offset against profit share of £248.7m to date resulting in a deficit of £73.2m as at 30 March 2024.

On 9 April 2024, the Group and HSBC UK agreed a new seven-year deal focused on enhancing M&S' credit offering and payment solutions through M&S Bank and bringing together digital payments and loyalty for M&S customers.

£5.0m of legal and consultancy costs have been recognised during the period in connection with the new agreement. Under the terms of the new agreement, material charges are expected over the next seven years, predominantly related to the settlement of the existing deficit of £73.2m.

All of these costs are considered to be adjusting items as they are significant in quantum and have crystallised as a result of major business change linked to M&S Bank. Recognition of these costs within adjusting items is consistent with the disclosure of costs

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relating to the deficit previously recognised within adjusting items. Furthermore these costs are significant in value to the results of both the Group and to the 'all other segments' segment.

Net pension finance income (£24.0m credit)

During the year, the Group has reviewed the classification of net pension finance income or costs and concluded these should be treated as adjusting items, in line with the Group's adjusting items policy.

The net pension finance income or expense can fluctuate significantly each year due to changes in external market factors that are outside management's control. Furthermore, as the scheme is now closed, it is not considered to be part of the ongoing operating activities of the Group.

Therefore, consistent with how management assess the performance of the business, the net pension finance income is considered to be an adjusting item. To aid comparability, the comparative amount of £28.7m has been restated.

6 Finance income/(costs)

	2024 £m	2023 £m
Bank and other interest receivable	52.2	22.9
Other finance income	-	0.9
Interest income of subleases	5.7	5.6
Interest receivable on intercompany loans	12.1	4.6
Finance income before adjusting items¹	70.0	34.0
Finance income in adjusting items ¹	24.0	28.7
Finance income	94.0	62.7
Other finance costs	(6.3)	(6.5)
Interest payable on syndicated bank facility	(4.8)	(4.5)
Interest payable on Medium-Term Notes	(42.2)	(65.4)
Interest payable on lease liabilities	(115.0)	(116.3)
Interest payable on intercompany loans	(3.5)	(0.5)
Unwind of discount on provisions	(6.6)	(5.4)
Unwind of discount on Partnership liability to the Marks & Spencer UK Pension Scheme (see note 11)	(4.1)	(4.3)
Finance costs	(182.5)	(202.9)
Net finance costs	(88.5)	(140.2)

¹ Due to a change in classification of pension net finance income as an adjusting item, the comparative amounts have been restated. See note 1 and 5 for details.

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7 Income tax expense

A. Taxation charge

	2024 £m	2023 £m
Current tax		
UK corporation tax on profits for the year at 25% (last year: 19%)		
- current year	146.7	66.7
- adjustments in respect of prior years	(8.9)	(3.8)
UK current tax	137.8	62.9
Overseas current taxation		
- current year	9.6	9.9
- adjustments in respect of prior years	(2.9)	(3.6)
Total current taxation	144.5	69.2
Deferred tax		
- origination and reversal of temporary differences	66.0	26.1
- adjustments in respect of prior years	28.4	8.1
- changes in tax rate	-	6.5
Total deferred tax (see note 22)	94.5	40.7
Total income tax expense	238.9	109.8

B. Taxation reconciliation

The effective tax rate was 34.8% (last year: 25.4%) and is explained below.

	2024 £m	2023 £m
Profit before tax	686.6	432.6
Notional taxation at standard UK corporation tax rate of 25% (last year: 19%)	171.6	82.2
Adjustment to land and buildings deferred tax following changes in residual values	23.0	-
Depreciation and other amounts in relation to fixed assets that do not qualify for tax relief	10.0	6.0
Tax benefit arising from UK super deduction regime	-	(7.9)
Other income and expenses that are not taxable or allowable for tax purposes	17.7	16.2
Joint venture results accounted for as profit after tax	(0.7)	(0.1)
Impact of tax rate differential	-	6.6
Overseas profits taxed at rates different to those of the UK	(3.2)	0.4
Movement in unrecognised deferred tax assets	(1.1)	0.3
Controlled foreign companies charge	2.1	-
Adjustments to the current and deferred tax charges in respect of prior periods	2.4	5.4
Group relief not recognised	(4.7)	-
Adjusting items:		
- Store and strategic programme impairments and other property charges where no tax relief is available	1.3	2.7
- Other strategic programme income and expenses that are not taxable or allowable for tax purposes	6.4	2.7
- Adjustments to the current and deferred tax charges in respect of prior periods	14.1	(4.7)
Total income tax expense	238.9	109.8

The effective tax rate in respect of the profit before adjusting items was 30.6% (last year: 25.9% restated).

Pillar Two legislation was substantively enacted in the UK on 20 June 2023 and will be effective for the Group's financial year beginning 1 April 2024.

The Group has applied the temporary exemption under IAS 12 in relation to the accounting for deferred taxes arising from the implementation of the Pillar Two rules, so that the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two.

The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operated are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective tax rate is close to 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

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C. Current tax reconciliation

The current tax reconciliation shows the tax effect of the main adjustments made to the Group's accounting profits in order to arrive at its taxable profits. The reconciling items differ from those in note 7B as the effects of deferred tax temporary differences are ignored below.

	2024	2023
	£m	£m
Profit before tax	686.6	432.6
Notional taxation at standard UK corporation tax rate of 25% (last year: 19%)	171.6	82.2
Disallowable accounting depreciation and other similar items	62.9	54.9
Deductible capital allowances	(104.2)	(77.0)
Adjustments in relation to employee share schemes	(2.4)	5.8
Adjustments in relation to employee pension schemes	14.7	8.3
Overseas profits taxed at rates different to those of the UK	(3.2)	0.4
Joint venture results accounted for as profit after tax	(0.7)	(0.1)
Utilisation or increase of unrecognised losses	-	0.3
Controlled foreign companies	2.1	-
Other income and expenses that are not taxable or allowable	15.3	1.9
Group relief not paid for	(4.7)	-
Adjusting items:		
- Store and strategic programme impairments and other property charges where no tax relief is available	4.5	2.7
- Employee pension scheme	(6.0)	(5.5)
- Store estate lease surrender payments	6.0	-
- Other strategic programme income and expenses that are not taxable or allowable for tax purposes	0.4	2.7
Current year current tax charge	156.3	76.6
Represented by:		
UK current year current tax	146.7	66.7
Overseas current year current tax	9.6	9.9
	156.3	76.6
UK adjustments in respect of prior years	(8.9)	(3.8)
Overseas adjustments in respect of prior years	(2.9)	(3.6)
Total current taxation (note 7A)	144.5	69.2

8 Dividends

	2024 per share	2023 per share	2024 £m	2023 £m
Dividends on equity ordinary shares				
Paid interim dividend	0.7p	-	20.0	-
	0.7p	-	20.0	-

On 21 May 2024, the directors approved an interim dividend of 1.5p per share (last year: nil per share) which, in line with the requirements of IAS 10 'Events after the Reporting Period', has not been recognised within these results.

9 Employees

A. Aggregate remuneration

The aggregate remuneration and associated costs of Group employees (including Executive Committee) were:

	2024 Total £m	2023 Total £m
Wages and salaries	1,441.4	1,314.6
Social security costs	103.2	93.7
Pension costs	81.7	75.9
Share-based payments (see note 12)	41.8	32.7
Employee welfare and other personnel costs	42.6	45.6
Capitalised staffing costs	(20.5)	(14.9)
Total aggregate remuneration¹	1,690.2	1,547.6

¹Excludes amounts recognised within adjusting items of £2.3m income (last year: £14.1m cost) (see notes 3 and 5).

Details of key management compensation are given in note 27.

B. Average monthly number of employees

	2024	2023
UK stores		
- management and supervisory categories	4,915	4,823
- other	52,150	50,019
UK head office		
- management and supervisory categories	3,627	3,737
- other	862	765
UK operations		
- management and supervisory categories	127	128
- other	1,651	1,752
Overseas	5,277	5,172
Total average number of employees	68,609	66,396

The average number of full-time equivalent employees is 47,174 (last year: 46,638).

	2024 £'000	2023 £'000
Highest paid director	2,405.0	1,413.3
Aggregate emoluments of all other directors	2,161.5	1,799.2

No director (last year: one) accrued retirement benefits under a defined benefit scheme.

One director (last year: two) had share awards which vested in relation to the Group's long-term incentive plans.

Two directors (last year: one) were awarded share awards in relation to the Group's long-term incentive plans.

10 Retirement benefits

The Group provides pension arrangements for the benefit of its UK employees through the Your M&S Pension Saving Plan (a defined contribution ("DC") arrangement) and prior to 2017, through the Marks & Spencer Pension Scheme ("UK DB Pension Scheme") (a defined benefit ("DB") arrangement).

The legacy UK DB Pension Scheme operated on a final pensionable salary basis and is governed by a Trustee board which is independent of the Group. The UK DB Pension Scheme closed to future accrual on 1 April 2017. There will be no further service charges relating to the scheme and no future monthly employer contributions for current service. At year end, the UK DB Pension Scheme had no active members (last year: nil), 46,779 deferred members (last year: 49,634) and 54,085 pensioners (last year: 53,634).

The DC plan is a pension plan under which the Group pays contributions to an independently administered fund. Such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with the investment returns earned on the contributions arising from the performance of each individual's investments and how each member chooses to receive their retirement benefits. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee. At the year end, the DC arrangement had some 45,560 active members (last year: 50,901) and some 57,055 deferred members (last year: 45,908).

The Group also operates a small legacy funded DB pension scheme in the Republic of Ireland. This scheme closed to future accrual on 31 October 2013. Other retirement benefits also include a UK post-retirement healthcare scheme and unfunded retirement benefits.

The total Group retirement benefit cost was £45.9m (last year: £36.4m). Of this, income of £18.9m (last year: income of £24.1m) relates to the UK DB Pension Scheme, costs of £61.7m (last year: costs of £57.4m) to the UK DC plan and costs of £3.1m (last year: costs of £3.1m) to other retirement benefit schemes.

The Group considers two measures of the pension deficit. The accounting position is shown on the Group balance sheet. The funding position, calculated at the triennial actuarial valuation, is used to agree contributions made to the schemes. The two measures will vary because they are for different purposes, and are calculated at different dates and in different ways. The key calculation difference is that the funding position considers the expected returns of scheme assets when calculating the liability, whereas the accounting position calculated under IAS 19 discounts liabilities is based on corporate bond yields.

The most recent actuarial valuation of the UK DB Pension Scheme was carried out as at 31 March 2021 and showed a funding surplus of £687m. This is an improvement on the previous position at 31 March 2018 (funding surplus of £652m), primarily due to lower assumed life expectancy. The Company and Trustee have confirmed, in line with the current funding arrangement, that no further contributions will be required to fund past service as a result of this valuation (other than those already contractually committed under the existing Marks and Spencer Scottish Limited Partnership arrangements – see note 11).

By funding its DB pension schemes, the Group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the schemes' assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities.
- The level of price inflation may be higher than that assumed, resulting in higher payments from the schemes.
- Scheme members may live longer than assumed; for example, due to advances in healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the schemes' liabilities; for example, through early retirement or commutation of pension for cash.
- Legislative changes could also lead to an increase in the schemes' liabilities.

In addition, the Group is exposed to additional risks through its obligation to the UK DB Pension Scheme via its interest in the Scottish Limited Partnership (see note 11). In particular, under the legal terms of the Partnership, a default by the Group on the rental payments to the Partnership or a future change in legislation could trigger earlier or higher payments to the pension scheme, or an increase in the collateral to be provided by the Group.

With the pensioner buy-in policies purchased in September 2020, April 2019 and March 2018, the Scheme has now, in total, insured around 73% of the pensioner cash flow liabilities for pensions in payment. The buy-in policies cover specific pensioner liabilities and pass all risks to an insurer in exchange for a fixed premium payment, thus reducing the Group's exposure to changes in longevity, interest rates, inflation and other factors.

The Group is aware of a UK High Court legal ruling in June 2023 between Virgin Media Limited and NTL Pension Trustees II Limited, which decided that certain historic rule amendments were invalid if they were not accompanied by the actuarial certifications. The ruling was subject to appeal and in July 2024 the Court of Appeal confirmed the UK High Court legal ruling from June 2023. The Group is in the process of assessing the impact of this ruling. As the outcome of the impact analysis is still unknown, no adjustments have been made to the Consolidated Financial Statements at 30 March 2024.

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A. Pensions and other post-retirement liabilities

	2024	2023
	£m	£m
Total market value of assets	6,108.9	6,781.9
Present value of scheme liabilities	(6,027.1)	(6,299.9)
Net funded pension plan asset	81.8	482.0
Unfunded retirement benefits	(2.2)	(2.2)
Post-retirement healthcare	(2.4)	(2.4)
Net retirement benefit surplus	77.2	477.4
Analysed in the statement of financial position as:		
Retirement benefit asset	81.8	482.0
Retirement benefit deficit	(4.6)	(4.6)
Net retirement benefit surplus	77.2	477.4

In the event of a plan wind-up, the pension scheme rules provide Marks and Spencer plc with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities. In the ordinary course of business, the Trustee has no right to wind up or change the benefits due to members of the scheme. As a result, any net surplus in the UK DB Pension Scheme is recognised in full.

B. Scheme assets

Changes in the fair value of the scheme assets are as follows:

	2024	2023
	£m	£m
Fair value of scheme assets at start of year	6,781.9	10,090.7
Interest income based on discount rate	313.4	267.0
Actual return on scheme assets excluding amounts included in net interest income ¹	(647.8)	(3,231.1)
Actuarial loss – asset ceiling	(2.5)	(38.2)
Employer contributions	0.5	38.1
Benefits paid	(331.8)	(344.9)
Administration costs	(5.2)	(4.6)
Exchange movement	0.4	4.9
Fair value of scheme assets at end of year	6,108.9	6,781.9

¹ The actual return on scheme assets was a loss of £334.4m (last year: loss of £2,964.1m).

C. Pensions and other post-retirement liabilities

Changes in the present value of retirement benefit obligations are as follows:

	2024	2023
	£m	£m
Present value of obligation at start of year	6,304.5	9,052.5
Current service cost	0.1	0.1
Administration costs	0.2	0.2
Interest cost	289.4	238.3
Benefits paid	(331.8)	(344.9)
Actuarial loss - experience	5.5	250.3
Actuarial gain - demographic assumptions	(102.0)	(205.4)
Actuarial gain - financial assumptions	(134.6)	(2,691.4)
Exchange movement	0.4	4.8
Present value of obligation at end of year	6,031.7	6,304.5
Analysed as:		
Present value of pension scheme liabilities	6,027.1	6,299.9
Unfunded pension plans	2.2	2.2
Post-retirement healthcare	2.4	2.4
Present value of obligation at end of year	6,031.7	6,304.5

The average duration of the defined benefit obligation at 30 March 2024 is 13.0 years (last year: 14.0 years).

D. Analysis of assets

The investment strategy of the UK DB Pension Scheme is driven by its liability profile, including its inflation-linked pension benefits. In addition to its interest in the Scottish Limited Partnership (refer to note 11), the scheme invests in different types of bond (including corporate bonds and gilts) and derivative instruments (including inflation, interest rate, cross-currency and total return swaps) in order to align movements in the value of its assets with movements in its liabilities arising from changes in market conditions. Broadly, the scheme has hedging that covers 93% of interest rate movements and 102% of inflation movements, as measured on the Trustee's funding assumptions which use a discount rate derived from gilt yields.

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The fair value of the total plan assets at the end of the reporting period for each category is as follows:

	Quoted £m	Unquoted £m	2024 Total £m	Quoted £m	Unquoted £m	2023 Total £m
Debt investments						
- Government bonds net of repurchase agreements ¹	1,706.0	(106.2)	1,599.8	2,023.7	(196.6)	1,827.1
- Corporate bonds	12.4	1.1	13.5	12.0	1.2	13.2
- Asset backed securities and structured debt	-	258.8	258.8	-	443.6	443.6
Scottish Limited Partnership Interest (see note 11)	-	88.5	88.5	-	122.8	122.8
Equity investments						
- Developed markets	13.2	-	13.2	41.6	-	41.6
- Emerging markets	-	-	-	109.5	-	109.5
Growth asset funds						
- Global property	-	219.3	219.3	-	287.0	287.0
- Hedge and reinsurance	5.7	314.5	320.2	12.0	316.3	328.3
- Private equity and infrastructure	-	148.1	148.1	-	171.9	171.9
Derivatives						
- Interest and inflation rate swaps	168.1	-	168.1	7.0	88.6	95.6
- Foreign exchange contracts and other derivatives	(3.5)	-	(3.5)	-	21.4	21.4
Cash and cash equivalents	230.7	-	230.7	4.0	206.2	210.2
Other						
- Buy-in insurance	-	2,026.3	2,026.3	-	2,150.0	2,150.0
- Secure income asset funds	-	1,064.4	1,064.4	-	998.3	998.3
Total²	2,132.6	4,014.8	6,147.4	2,209.8	4,610.7	6,820.5

¹ Repurchase agreements were £106.2m (last year: £196.6m).

² The difference between the total assets of £6,147.4m above compared to £6,108.9m is £38.5m. This relates to the cap applied to the Irish DB scheme and therefore the actuarial gain is not recognised.

The fair values of the above equity and debt investments are based on publicly available market prices wherever available. Unquoted investments, hedge funds and reinsurance funds are stated at fair value estimates provided by the manager of the investment or fund. Property includes both quoted and unquoted investments. The fair value of the Scottish Limited Partnership interest is based on the expected cash flows and benchmark asset-backed credit spreads. It is the policy of the scheme to hedge a proportion of interest rate and inflation risk. The scheme reduces its foreign currency exposure using forward foreign exchange contracts.

E. Financial assumptions

The financial assumptions for the UK DB Pension Scheme and the most recent actuarial valuations of the other post-retirement schemes have been updated by independent qualified actuaries to take account of the requirements of IAS 19 Employee Benefits in order to assess the liabilities of the schemes and are as follows:

	2024 %	2023 %
Rate of increase in pensions in payment for service	2.1-3.11	2.2-3.2
Discount rate	4.80	4.75
Inflation rate (RPI)	3.20	3.25
Long-term healthcare cost increases	7.20	7.30

F. Demographic assumptions

The UK demographic assumptions are mainly in line with those adopted for the last formal actuarial valuation of the scheme performed as at 31 March 2021. The UK post-retirement mortality assumptions are based on an analysis of the pensioner mortality trends under the scheme for the period to March 2021. The specific mortality rates used are based on the VITA lite tables, with future projections based on up-to-date industry models, parameterised to reflect scheme data. The life expectancies underlying the valuation are as follows:

	2024	2023
Current pensioners (at age 65)		
- male	21.7	22.0
- female	24.1	24.4
Future pensioners - currently in deferred status (at age 65)		
- male	23.0	23.6
- female	25.5	26.1

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G. Sensitivity analysis

The table below summarises the estimated impact of reasonably possible changes in the significant actuarial assumptions on the UK DB Pension Scheme surplus:

	2024 £m	2023 £m
Decrease in scheme surplus caused by a decrease in the discount rate of 0.25%	(30.0)	(25.0)
Increase in scheme surplus caused by an increase in the discount rate of 0.25%	25.0	20.0
Decrease in scheme surplus caused by a decrease in the discount rate of 1.0%	(120.0)	(95.0)
Increase in scheme surplus caused by an increase in the discount rate of 1.0%	100.0	80.0
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.25%	(20.0)	(30.0)
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.5%	(40.0)	(60.0)
Increase in scheme surplus caused by decrease in the average life expectancy of one year	130.0	130.0

The sensitivity analysis above is based on a change in one assumption while holding all others constant. Therefore, interdependencies between the assumptions have not been taken into account within the analysis. The sensitivities reflect the range of recent assumption movements and illustrate that the financial assumption sensitivities do not move in a linear fashion.

H. Analysis of amounts charged against profits

Amounts recognised in comprehensive income in respect of defined benefit retirement plans are as follows:

	2024 £m	2023 £m
Current service cost	0.1	0.1
Administration costs	5.2	4.8
Net interest income	(24.0)	(28.7)
Total	(18.7)	23.8
Remeasurement on the net defined benefit surplus:		
Actual return on scheme assets excluding amounts included in net interest income	647.8	3,231.1
Actuarial gain - demographic assumptions	(102.0)	(205.4)
Actuarial loss - experience	5.5	250.3
Actuarial gain - financial assumptions	(134.6)	(2,691.4)
Actuarial loss - asset ceiling	2.5	38.2
Components of defined benefit expense recognised in other comprehensive income	419.2	622.8

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11 Marks and Spencer Scottish Limited Partnership

Marks and Spencer plc is a general partner and the Marks & Spencer UK Pension Scheme is a limited partner of the Marks and Spencer Scottish Limited Partnership (the "Partnership"). Under the Partnership agreement, the limited partners have no involvement in the management of the business and shall not take any part in the control of the Partnership. The general partner is responsible for the management and control of the Partnership and as such, the Partnership is consolidated into the results of the Group.

The Partnership holds £1.3bn (last year: £1.3bn) of properties at book value which have been leased back to Marks and Spencer plc. The Group retains control over these properties, including the flexibility to substitute alternative properties into the Partnership. The first limited Partnership interest (held by the Marks & Spencer UK Pension Scheme), previously entitled the Pension Scheme to receive £73.0m in 2023 and £54.4m in 2024. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates so that the Pension Scheme received £40.0m in October 2023 and would receive £89.7m in June 2024.

The second Partnership interest (also held by the Marks & Spencer UK Pension Scheme), previously entitled the Pension Scheme to receive a further annual distribution of £36.4m from June 2017 until June 2031. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates so that the Pension Scheme was entitled to £38.3m in June 2024 and then an annual distribution of £36.4m from June 2024 to June 2031. All profits generated by the Partnership in excess of these amounts are distributable to Marks and Spencer plc.

On 27 June 2024, the Trustees agreed that £40.0m of the amounts due on 30 June 2024 under the first limited Partnership interest would be paid by this date and the remaining balance deferred, and the amounts due on 30 June 2024 under the second Partnership interest would also be deferred. The deferred amounts are currently due to be paid on the earlier of the execution of a further amended agreement or 30 September 2024.

The Partnership liability in relation to the first interest of £88.8m (last year: £124.8m) is included as a financial liability in the Group's financial statements as it is a transferable financial instrument and measured at amortised cost, being the net present value of the future expected distributions from the Partnership. During the year to 30 March 2024 an interest charge of £4.1m (last year: £4.3m) was recognised in the income statement representing the unwinding of the discount included in this obligation. The first limited Partnership interest of the Pension Scheme is included within the UK DB Pension Scheme assets, valued at £88.5m (last year: £122.8m).

The second Partnership interest is not a transferable financial instrument as the Scheme Trustee does not have the right to transfer it to any party other than a successor Trustee. It is therefore not included as a plan asset within the UK DB pension scheme surplus reported in accordance with IAS 19. Similarly, the associated liability is not included on the Group's statement of financial position, rather the annual distribution is recognised as a contribution to the scheme each year.

The Group and Pension scheme are in ongoing discussions to ensure that the distributions to the scheme are appropriate. If the ongoing discussions are successfully concluded, the profile of contributions to the scheme would be revised so that distributions in the year would substantially reduce and the Group would commit to extending the distribution profile, if required, to ensure that the scheme was fully funded.

12 Share-based payments

This year a charge of £41.8m was recognised for share based payments (last year charge of £32.7m). Of the total share-based payments charge, £6.9m (last year: £15.2m) relates to the UK Save As You Earn Share Option scheme, £18.7m (last year: £7.0m) relates to Performance Share Plans, £3.2m (last year: £3.4m) relates to Restricted Share Plans, £12.9m relates to Deferred Share Bonus Schemes (last year: £6.9m) and the remaining charge of £0.1m relates to Republic of Ireland Save As You Earn Share Option Scheme (last year: £0.2m).

In addition, a charge of £6.0m was recognised in relation to Annual Bonus Schemes under the Deferred Share Bonus Scheme (last year: £5.3m). The Annual Bonus for 2023/24 is due to be granted in July 2024. Further details of the option and share schemes that the Group operates are provided in the Remuneration Report.

A. Save As You Earn scheme - £6.9m

The Save As You Earn (SAYE) scheme was approved by shareholders for a further 10 years at the 2017 Annual General Meeting (AGM). Under the terms of the scheme, the Board may offer options to purchase ordinary shares in the Company once in each financial year to those employees who enter into His Majesty's Revenue & Customs (HMRC) approved SAYE savings contract. The scheme allows participants to save up to a maximum of £500 (last year: £500) each month. The price at which options may be offered is 80% of the average mid-market price for three consecutive dealing days preceding the offer date. The options may normally be exercised during the six-month period after the completion of the SAYE contract.

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of the year	107,052,423	94.3p	110,562,961	100.9p
Granted	16,992,982	204.0p	14,349,909	99.0p
Exercised	(69,447,176)	83.7p	(690,665)	111.1p
Forfeited	(4,293,304)	119.4p	(14,390,102)	124.9p
Expired	(4,217,661)	149.4p	(2,779,680)	220.0p
Outstanding at end of year	46,087,264	143.2p	107,052,423	94.3p
Exercisable at end of year	9,196,010	83.2p	6,309,033	144.2p

For SAYE share options exercised during the period, the weighted average share price at the date of exercise was 238.7p (last year: 144.1p).

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The fair values of the options granted during the year have been calculated using the Black-Scholes model assuming the inputs shown below:

	2024	2023	3-year plan 2021 modified ¹
	3-year plan	3-year plan	3-year plan
Grant date	Dec 23	Dec 22	Dec 22
Share price at grant date	255p	123p	123p
Exercise price	204p	99p	189p
Option life in years	3 years	3 years	3 years
Risk-free rate	3.9%	3.3%	3.3%
Expected volatility	37.6%	51.0%	51.0%
Expected dividend yield	1.2%	0.0%	0.0%
Fair value of option	87p	43p	26p
Incremental fair value of option	n/a	n/a	17p

¹ In the prior year, there was a modification to the 2021 scheme relating to employees cancelling awards from previous years in substitution for awards granted under the 2023 scheme. The fair value of the modified awards has been amortised based on the incremental fair value. The incremental fair value is the difference between the fair value of the 2023 options being 43p, and the fair value of repriced previous awards, calculated using 2021 award assumptions, keeping the initial exercise price consistent. The fair value of the modified options, being 17p for 2021 modified options was recognised in operating profit. In the current year, modifications in relation to previous schemes were immaterial.

Volatility has been estimated by taking the historical volatility in the Marks and Spencer Group plc share price over a three-year period.

The resulting fair value is expensed over the service period of three years on the assumption that 30% (last year: 27%) of options will lapse over the service period as employees leave the Group.

Outstanding options granted under the UK Employee SAYE Scheme are as follows:

	Number of options		Weighted average remaining contractual life (years)		
	2024	2023	2024	2023	Option price
Options granted ¹					
January 2019	-	13,016	-	(0.8)	238p
February 2020	17,994	5,732,723	(0.7)	0.3	151p
February 2021	11,607,154	81,037,194	0.3	1.3	82p
February 2022	5,609,211	6,333,538	1.3	2.3	189p
February 2023	12,381,002	13,935,952	2.3	3.3	99p
February 2024	16,471,903	-	3.3	-	204p
	46,087,264	107,052,423	2.11	1.6	143.2p

¹For the purpose of the above table the option granted date is the contract start date.

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B. Performance Share Plan* - £18.7m

The Performance Share Plan ("PSP") is the primary long-term incentive plan for approximately 145 of the most senior managers within the Group. It was first approved by shareholders at the 2005 AGM and again at the 2020 AGM. Under the plan, annual awards, based on a percentage of salary, may be offered. The extent to which an award vests is measured over a three-year period against financial targets which for 2023/24 included Adjusted Earnings Per Share ("EPS"), Adjusted Return on Capital Employed ("ROCE"), Total Shareholder Return ("TSR") and strategic measures. The value of any dividends earned on the vested shares during the three years may also be paid on vesting. Awards under this plan have been made in each year since 2005. More information is available in relation to this plan within the Remuneration Report.

During the year, 13,695,337 shares (last year: 22,255,397) were awarded under the plan. The weighted average fair value of the shares awarded was 192.4p (last year: 139.6p). As at 30 March 2024, 41,525,866 shares (last year: 47,289,649) were outstanding under the plan.

Movement during the year of share options granted under the PSP Scheme are as follows:

	2024	2023
	Number of options	Number of options
Outstanding at beginning of the year	47,289,649	44,534,437
Granted	13,695,337	22,255,397
Exercised	(7,429,851)	(20,053)
Lapsed	(12,029,269)	(19,480,132)
Outstanding at end of year	41,525,866	47,289,649

C. Deferred Share Bonus Plan* - £12.9m

The Deferred Share Bonus Plan ("DSBP") was first introduced in 2005/06 as part of the Annual Bonus Scheme and was reapproved by shareholders at the 2020 AGM. It may be operated for approximately 4,750 employees within the Group. As part of the plan, the employees are required to defer a proportion of any bonus paid into shares which will be held for three years. There are no further performance conditions on these shares, other than continued employment within the Group and the value of any dividends earned on the vested shares during the deferred period may also be paid on vesting. More information is available in relation to this plan within the Remuneration Report.

During the year 18,919,979 shares (last year: 29,630,372 shares) have been awarded under the plan in relation to the annual bonus. As at 30 March 2024, 40,631,579 shares (last year: 26,794,048) were outstanding under the plan.

D. Restricted Share Plan* - £3.2m

The Restricted Share Plan ("RSP") was established in 2000 as part of the reward strategy for retention and recruitment of senior managers who are vital to the success of the business and the plan was reapproved by shareholders at the 2020 AGM. The plan operates for the senior management team. Awards vest at the end of the restricted period (typically between one and three years) subject to the participant still being in employment of the Company on the relevant vesting date. The value of any dividends earned on the vested shares during the restricted period may also be paid on vesting. More information is available in relation to this plan within the Remuneration Report.

During the year, 824,300 shares (last year: 2,624,496) have been awarded under the plan. The weighted average fair value of the shares awarded was 45.9p (last year: 76.9p). As at 30 March 2024, 3,450,543 shares (last year: 5,557,542) were outstanding under the plan.

E. Republic of Ireland Save As You Earn scheme - £0.1m

Sharesave, the Company's Save As You Earn scheme, was introduced in 2009 to all employees in the Republic of Ireland for a 10-year period, after approval by shareholders at the 2009 AGM and again at the 2019 AGM. The scheme allows participants to save up to a maximum of €500 (last year: €500) each month. The price at which options may be offered is 80% of the average mid-market price for three consecutive dealing days preceding the offer date. The options may normally be exercised during the six-month period after the completion of the SAYE contract.

During the year, no options were granted (last year: no options granted). As at 30 March 2024, 426,760 options (last year: 1,264,131) were outstanding under the scheme.

F. Marks and Spencer Employee Benefit Trust

The Marks and Spencer Employee Benefit Trust (the "Trust") holds 31,840,513 (last year: 166,057) shares with a book value of £0.3m (last year: £0.0m) and a market value of £84.4m (last year: £0.3m). These shares were acquired by the Trust through a combination of market purchases and new issues and are shown as a reduction in retained earnings in the consolidated statement of financial position. Awards are granted to employees at the discretion of Marks and Spencer plc and the Trust agrees to satisfy the awards in accordance with the wishes of Marks and Spencer plc under the senior executive share plans described above. Dividends are waived on all of these shares.

G. ShareBuy

ShareBuy, the Company's Share Incentive Plan, enables the participants to buy shares directly from their gross salary. This scheme does not attract an IFRS 2 charge.

*All awards both this year and last year were conditional shares. For the purposes of calculating the number of shares awarded, the share price used is the average of the mid-market price for the five consecutive dealing days preceding the grant date.

13 Intangible assets

	Goodwill £m	Brands £m	Computer software £m	Computer software under development £m	Total £m
At 2 April 2022					
Cost	140.6	118.7	1,570.1	76.1	1,905.5
Accumulated amortisation, impairments and disposals	(112.0)	(113.1)	(1,455.8)	(32.1)	(1,713.0)
Net book value	28.6	5.6	114.3	44.0	192.5
Year ended 1 April 2023					
Opening net book value	28.6	5.6	114.3	44.0	192.5
Additions	-	-	5.3	79.1	84.4
Transfers and reclassifications	-	-	35.6	(64.2)	(28.6)
Disposals	-	-	(0.7)	-	(0.7)
Amortisation charge	-	(0.6)	(86.0)	-	(86.6)
Exchange difference	(0.2)	-	-	-	(0.2)
Closing net book value	28.4	5.0	68.5	58.9	160.8
At 1 April 2023					
Cost	140.6	118.7	1,611.4	91.0	1,961.7
Accumulated amortisation, impairments and disposals	(112.2)	(113.7)	(1,542.9)	(32.1)	(1,800.9)
Net book value	28.4	5.0	68.5	58.9	160.8
Year ended 1 April 2023					
Opening net book value	28.4	5.0	68.5	58.9	160.8
Additions	-	-	0.1	69.1	69.3
Transfers and reclassifications	-	-	89.3	(82.2)	7.1
Disposals	-	-	(5.5)	-	(5.5)
Amortisation charge	-	(0.7)	(53.5)	-	(54.0)
Exchange difference	-	-	(0.2)	-	(0.2)
Closing net book value	28.4	4.3	98.9	45.8	177.4
At 1 April 2023					
Cost	140.6	118.7	1,700.1	77.6	2,037.0
Accumulated amortisation, impairments and disposals	(112.2)	(114.4)	(1,601.2)	(31.8)	(1,859.6)
Net book value	28.4	4.3	98.9	45.8	177.4

Goodwill related to the following assets and groups of cash generating units (CGUs):

	per una £m	India £m	Sports Edit £m	Other £m	Total goodwill £m
Net book value at 1 April 2023 and 30 March 2024	16.5	6.4	4.8	0.7	28.4

Goodwill impairment testing

Goodwill is not amortised but is tested annually for impairment with the recoverable amount being determined from value in use calculations.

The goodwill balance relates to the goodwill recognised on the acquisition of per una £16.5m (last year: £16.5m), India £6.4m (last year: £6.4m), Sports Edit £4.8m (last year: £4.8m) and other £0.7m (last year: £0.7m).

Goodwill for India is monitored by management at a country level, including the combined retail and wholesale businesses, and has been tested for impairment on that basis.

The per una brand is a definite life intangible asset amortised on a straight-line basis over a period of 15 years. The brand intangible was acquired for a cost of £80.0m and has been fully amortised. It is held at a net book value of £nil (last year: £nil). The per una goodwill of £16.5m is tested annually for impairment.

The cash flows used for impairment testing are based on the Group's latest budget and forecast cash flows, covering a three-year period, which have regard to historical performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed cash flows. The cash flows include ongoing capital expenditure required to maintain the store network, but exclude any growth capital initiatives not committed.

Cash flows beyond this three-year period are extrapolated using a long-term growth rate based on the Group's current view of achievable long-term growth. The Group's current view of achievable long-term growth for per una is 2.0% (last year: 1.6%), which is the same as the overall Group long-term growth rate of 2.0% (last year: 2.0%). The Group's current view of achievable long-term growth for India is 5.5% (last year: 5.5%).

Management estimates discount rates that reflect the current market assessment of the time value of money and the risks specific to each asset or CGU. The pre-tax discount rates are derived from the Group's post-tax weighted average cost of capital ("WACC") which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The post-tax WACC is subsequently grossed up to a pre-tax rate and was 13.5% for per una (last year: 13.4%) and 16.1% for India (last year: 15.4%).

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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.

Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions, both individually and in combination. Management has considered reasonably possible changes in key assumptions that would cause the carrying amounts of goodwill or brands to exceed the value in use for each asset.

For both per una and India respectively, there are no reasonably possible changes in key assumptions that would lead to an impairment and the assumptions do not give rise to a key source of estimation uncertainty.

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14 Property, plant and equipment

The Group's property, plant and equipment of £4,966.4m (last year: £4,983.0m) consists of owned assets of £3,568.5m (last year: £3,555.7m) and right-of-use assets of £1,397.9m (last year: £1,427.3m).

Property, plant and equipment – owned

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
At 2 April 2022				
Cost	2,764.8	5,275.7	141.2	8,181.7
Accumulated depreciation, impairments and disposals	(812.5)	(3,864.5)	(18.2)	(4,695.2)
Net book value	1,952.3	1,411.2	123.0	3,486.5
Year ended 1 April 2023				
Opening net book value	1,952.3	1,411.2	123.0	3,486.5
Additions	2.1	32.1	296.5	330.7
Transfers and reclassifications	15.0	292.3	(280.7)	26.6
Disposals	0.1	(0.4)	-	(0.3)
Impairment reversals	25.8	14.4	-	40.2
Impairment charge	(22.5)	(9.3)	-	(31.8)
Depreciation charge	(58.3)	(244.8)	-	(303.1)
Exchange difference	5.4	1.5	-	6.9
Closing net book value	1,919.9	1,497.0	138.8	3,555.7
At 1 April 2023				
Cost	2,763.6	5,489.1	157.0	8,409.8
Accumulated depreciation, impairments and disposals	(843.7)	(3,992.1)	(18.2)	(4,854.1)
Net book value	1,919.9	1,497.0	138.8	3,555.7
Year ended 30 March 2024				
Opening net book value	1,919.9	1,497.0	138.8	3,555.7
Additions	0.5	17.1	310.5	328.1
Transfers and reclassifications	10.3	304.9	(324.0)	(8.8)
Disposals	(46.5)	(1.2)	(1.1)	(48.8)
Impairment reversals	19.2	12.8	-	32.0
Impairment charge	(9.1)	(14.9)	-	(24.0)
Depreciation charge	(28.7)	(231.3)	-	(260.0)
Exchange difference	(3.5)	(2.1)	(0.1)	(5.7)
Closing net book value	1,862.1	1,582.3	124.1	3,568.5
At 30 March 2024				
Cost	2,702.0	5,656.6	142.4	8,501.0
Accumulated depreciation, impairments and disposals	(839.9)	(4,074.3)	(18.3)	(4,932.5)
Net book value	1,862.1	1,582.3	124.1	3,568.5

Disposals in the year include assets with gross book value of £203.6m (last year: £240.9m).

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Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-of-use assets

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
As at 2 April 2022	1,368.4	47.4	1,415.8
Additions	198.0	23.0	221.0
Transfers and reclassifications	2.1	-	2.1
Disposals	(27.8)	(10.5)	(38.3)
Impairment reversals	14.9	-	14.9
Impairment charge	(14.8)	-	(14.8)
Depreciation charge	(157.8)	(17.0)	(174.8)
Exchange difference	1.3	0.1	1.4
As at 1 April 2023	1,384.3	43.0	1,427.3
Additions	153.7	7.2	161.0
Transfers and reclassifications	1.7	-	1.7
Disposals	(17.6)	0.4	(17.2)
Impairment reversals	13.6	-	13.6
Impairment charge	(21.7)	-	(21.7)
Depreciation charge	(146.4)	(13.6)	(160.0)
Exchange difference	(6.6)	(0.1)	(6.7)
As at 30 March 2024	1,361.0	36.9	1,397.9

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

For impairment testing purposes, the Group has determined that each store is a separate CGU, with the exception of Outlets stores, which are considered together as one CGU. Click & Collect sales are included in the cash flows of the relevant CGU.

Each CGU is tested for impairment at the balance sheet date if any indicators of impairment and impairment reversal have been identified. Stores identified within the Group's store estate programme are automatically tested for impairment (see note 5).

The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows, covering a three-year period, which have regard to historic performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed initiatives. The cash flows include ongoing capital expenditure required to maintain the store network, but exclude any growth capital initiatives not committed. Cash flows beyond this three-year period are extrapolated using a long-term growth rate based on management's future expectations, with reference to forecast GDP growth. These growth rates do not exceed the long-term growth rate for the Group's retail businesses in the relevant territory. If the CGU relates to a store which the Group has identified as part of the store estate programme, the value in use calculated has been modified by estimation of the future cash flows up to the point where it is estimated that trade will cease and then estimation of the timing and amount of costs associated with closure detailed fully in note 5. 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. We also expect any potential store refurbishments to be phased over multiple years and therefore any changes required due to climate change would not have a material impact in any given year and the warehouse and support centres are located in areas which we would not expect to be physically impacted by climate change. As a consequence there has been no material impact in the forecast cash flows used for impairment testing.

The key assumptions in the value in use calculations are the growth rates of sales and gross profit margins, changes in the operating cost base, long-term growth rates and the risk-adjusted pre-tax discount rate. 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 country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The pre-tax discount rates range from 12.5% to 17.6% (last year: 12.5% to 18.1%). If the CGU relates to a store which the Group has identified as part of the store estate programme, the additional key assumptions in the value in use calculations are costs associated with closure, the disposal proceeds from store exits and the timing of the store exits.

Impairments – UK stores excluding the store estate programme

During the year, the Group has recognised an impairment charge of £0.5m and impairment reversals of £31.5m in property, plant and equipment as a result of UK store impairment testing unrelated to the store estate programme (last year: impairment charge of £17.3m and impairment reversals of £33.1m). These have been recognised within adjusting items (see note 5). The impaired stores were impaired to their value in use recoverable amount of £37.4m, which is their carrying value at year end. The stores with impairment reversals were written-back to the lower of their value in use recoverable amount, and the carrying value if the impairment had not occurred, of £171.7m.

For UK stores, when considering both impairment charges and reversals, cash flows beyond the three-year period are extrapolated using the Group's current view of achievable long-term growth of 2.0%, adjusted to 0% where management believes the current trading performance and future expectations of the store do not support the growth rate of 2.0%. The rate used to discount the forecast cash flows for UK stores is 12.5% (last year: 8.5%).

As disclosed in the accounting policies (note 1), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to further impairments.

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Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions across the UK store portfolio.

Neither an increase or reduction in sales of 5% from the three-year plan in year 3, a 25 basis point increase in the discount rate, a 25 basis point increase or reduction in gross profit margin from year 3 onwards, result in a significant change to the impairment charge or impairment reversal, individually or in combination with the other reasonably possible scenarios considered.

Impairments – store estate programme

During the year, the Group has recognised an impairment charge of £37.0m and impairment reversals of £14.1m relating to the ongoing store estate programme (last year: impairment charge of £28.6m and impairment reversals of £22.0m). These stores were impaired to their value in use recoverable amount of £120.2m, which is their carrying value at year end. The impairment charge relates to the store closure programme and has been recognised within adjusting items (see note 5). Impairment reversals predominantly reflect changes to expected store closure dates and improved trading expectations compared to those assumed at the end of the prior year end.

Where the planned closure date for a store is outside the three-year plan period, no growth rate is applied. The rate used to discount the forecast cash flows for UK stores is 7.3% (last year: 8.5%).

As disclosed in the accounting policies (note 1), the cash flows used within the impairment models for the store estate programme are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to further impairments. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions across the store estate programme.

A delay of 12 months in the date of each store exit would result in a decrease in the impairment charge of £53.5m.

Neither an increase or decrease of 5% from the three-year plan in years 2 and 3, a 25 basis point increase in the discount rate, a 25 basis point reduction in gross profit margin during the period of trading nor a 2% increase in the costs associated with exiting a store would result in a significant increase to the impairment charge, individually or in combination with the other reasonably possible scenarios considered.

Impairments – International stores

During the year the Group recognised an impairment charge of £0.7m (last year: £0.7m) in International stores as a result of store impairment testing.

15 Other financial assets

	2024 £m	2023 £m
Non-current		
Other investments ¹	97.0	8.2
Amounts owed by parent company	2,483.6	2,541.0
	2,580.6	2,549.2
Current		
Other investments ²	12.3	13.0
	12.3	13.0

¹ Includes £84.4m shares in Marks and Spencer Group plc held for issue against employee schemes (last year: £0.3m) and £9.4m (last year: £7.3m) of venture capital investments managed by True Capital Limited.

² Includes £4.7m (last year: £5.6m) of money market deposits held by the Company in an escrow account.

16 Trade and other receivables

	2024 £m	2023 £m
Non-current		
Lease receivables – net of provision for impairment	62.0	64.6
Other receivables	1.9	2.5
Amount due from fellow subsidiaries of the parent company	296.0	215.6
Prepayments	200.6	201.6
	560.5	484.3
Current		
Trade receivables	118.1	105.2
Less: provision for impairment of receivables	(1.2)	(5.3)
Trade receivables – net	116.9	99.9
Lease receivables – net of provision for impairment	1.0	0.9
Other receivables	36.6	35.3
Prepayments	101.2	89.2
Accrued income	15.7	18.5
	271.4	243.8

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The Group's assessment of any expected credit losses is included in note 20(b). Included in accrued income is £6.0m (last year: £8.8m) of accrued supplier income relating to rebates that have been earned but not yet invoiced. An immaterial amount of supplier income that has been invoiced but not yet settled against future trade creditor balances is included within trade creditors, where there is a right to offset.

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The Group entered into finance leasing arrangements as a lessor for surplus office space in the Merchant Square building in London, which is sublet for the remaining duration of the lease.

The maturity analysis of the Group's lease receivables is as follows:

	2024 £m	2023 £m
Timing of cash flows		
Within one year	4.7	4.7
Between one and two years	6.1	4.7
Between two and three years	7.8	6.1
Between three and four years	7.8	7.8
Between four and five years	7.8	7.8
More than five years	105.5	113.3
Total undiscounted cash flows	139.7	144.4
Effect of discounting	(62.5)	(68.2)
Present value of lease payments receivable	77.2	76.2
Less: provision for impairment of receivables	(14.2)	(10.7)
Net investment in the lease	63.0	65.5

Included within trade and other receivables is £1.3m (last year: £0.4m) which, due to non-recourse factoring arrangements in place, are held within a "hold to collect and sell" business model and are measured at FVOCI.

17 Cash and cash equivalents

Cash and cash equivalents are £995.4m (last year: £1,055.2m). The carrying amount of these assets approximates their fair value.

The effective interest rate on short-term bank deposits is 5.3% (last year: 4.1%). These deposits have an average maturity of 15 days (last year: 18 days).

18 Trade and other payables

	2024 £m	2023 £m
Current		
Trade payables	747.5	790.8
Other payables	353.3	361.3
Social security and other taxes	70.1	75.3
Deferred income from gift card sales	203.2	189.2
Accruals	610.4	527.7
Deferred income	49.9	47.3
Amounts owed to fellow subsidiaries of the parent company	125.3	96.5
	2,159.7	2,088.1
Non-current		
Other payables	1.5	1.4
Deferred income	13.1	14.7
	14.6	16.1

A contract liability arises in respect of gift cards and voucher schemes as payment has been received for a performance obligation which will be performed at a later point in time. Included within other payables are gift card/voucher scheme liabilities:

	2024 £m	2023 £m
Opening balance	189.2	189.6
Issues	456.7	415.9
Released to the income statement	(442.7)	(416.3)
Closing balance	203.2	189.2

The Group operates a number of supplier financing arrangements, under which suppliers can obtain accelerated settlement on invoices from the finance provider. This is a form of reverse factoring which has the objective of serving the Group's suppliers by giving them early access to funding. The Group settles these amounts in accordance with each supplier's agreed payment terms.

The Group is not party to these financing arrangements and the arrangements do not permit the Group to obtain finance from the provider by paying the provider later than the Group would have paid its supplier. The Group does not incur any interest towards the provider on the amounts due to the suppliers. The Group therefore discloses the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain the same as those of other trade payables.

The payments by the Group under these arrangements are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating – i.e. payments for the purchase of goods and services.

At 30 March 2024, £284.1m (last year: £303.9m) of trade payables were amounts owed under these arrangements. During the year the maximum facility available at any one time under the arrangements was £441.4m (last year: £442.6m).

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19 Borrowings and other financial liabilities

	2024 £m	2023 £m
Current		
Lease liabilities	208.9	206.0
3.00% £300m Medium-Term Notes 2023 ¹	–	185.3
Interest accrued on Medium-Term Notes	30.1	42.0
	239.0	433.3
Non-current		
4.75% £400m Medium-Term Notes June 2025 ^{1,2}	205.6	330.0
3.75% £300m Medium-Term Notes May 2026 ¹	200.8	298.9
3.25% £250m Medium-Term Notes July 2027 ¹	248.9	248.6
7.125% US\$300m Medium-Term Notes December 2037 ^{3,4}	251.8	251.8
Revaluation of Medium-Term Notes ⁵	(15.5)	(10.2)
Lease liabilities	1,970.5	2,046.5
	2,862.1	3,165.6
Total	3,101.1	3,598.9

¹ These notes are issued under Marks and Spencer plc's £3bn Euro Medium-Term Note programme and all pay interest annually.

² The Group occasionally enters into interest rate swaps to manage interest rate exposure. At year end, £2.1m (last year: £6.1m) of fair value adjustment for terminated hedges to be amortised over the remaining debt maturity.

³ Interest on these bonds is payable biannually.

⁴ US\$300m Medium-Term Note exposure swapped to sterling (fixed-to-fixed cross currency interest rate swaps). Refer to note 20 for further details.

⁵ Revaluation consists of foreign exchange gain on revaluation of the 7.125% US\$300m Medium-Term Notes 2037 of £15.5m (last year: £10.2m).

Leases

The Group leases various stores, offices, warehouses and equipment with varying terms, escalation clauses and renewal rights.

The Group has certain leases with lease terms of 12 months or less and leases of assets with low values. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

Set out below are the carrying amounts of lease liabilities and the movements during the period.

	2024 £m	2023 £m
Opening lease liabilities	2,252.5	2,278.7
Additions	161.3	235.2
Interest expense relating to lease liabilities	118.8	120.6
Payments	(332.6)	(347.0)
Disposals	(12.8)	(39.0)
Exchange difference	(7.8)	4.0
	2,179.4	2,252.5
Current	208.9	206.0
Non-current	1,970.5	2,046.5

The maturity analysis of lease liabilities is disclosed in note 20A.

Future cash outflows related to the post break clause period included in the lease liability

The Group holds certain leases that contain break clause options to provide operational flexibility. In accordance with IFRS 16, the Group has calculated the full lease term, beyond break, to represent the reasonably certain lease term (except for those stores identified as part of the store estate programme) within the total £2,179.4m of lease liabilities held on the balance sheet.

The following amounts were recognised in profit or loss:

	2024 £m	2023 £m
Expenses relating to short-term leases	14.6	12.9
Expenses relating to low-value assets	0.1	–
Expenses relating to variable consideration	5.8	4.9

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20 Financial instruments

Treasury policy

The Group operates a centralised treasury function to manage the Group's funding requirements and financial risks in line with the Board-approved treasury policies and procedures, and their delegated authorities.

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations.

The Group treasury function also enters into derivative transactions, principally cross-currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and foreign currency risks arising from the Group's operations and financing.

It remains the Group's policy not to hold or issue financial instruments for trading purposes, except where financial constraints necessitate the need to liquidate any outstanding investments. The treasury function is managed as a cost centre and does not engage in speculative trading.

Financial risk management

The principal financial risks faced by the Group are liquidity and funding, counterparty, foreign currency and interest rate risks. The policies and strategies for managing these risks are summarised on the following pages:

A. Liquidity & funding risk

The risk that the Group could be unable to settle or meet its obligations as they fall due:

- The Group's funding strategy ensures a mix of funding sources offering sufficient headroom, maturity and flexibility, and cost-effectiveness to match the requirements of the Group.
- Marks and Spencer plc is financed by a combination of retained profits, bank borrowings, Medium-Term Notes and committed syndicated bank facilities.
- Operating subsidiaries are financed by a combination of retained profits, bank borrowings and intercompany loans.

The Group has a committed syndicated bank revolving credit facility of £850m with a current maturity date of 13 June 2027. The facility contains a financial covenant, being the ratio of earnings before interest, tax, depreciation and amortisation; to net interest and depreciation on right-of-use assets under IFRS 16. The covenant is measured biannually. The Group was not in breach of this metric at the reporting date.

The revolving credit facility includes four sustainability metrics where the margin payable on the facility is adjusted to reflect the Group's performance against ESG targets material to the Group's "Plan A" objectives. Any adjustment to the margin relating to these metrics would not be material to the Group.

The Group also has a number of uncommitted facilities available to it. At year end, these amounted to £25m (last year: £25m), all of which are due to be reviewed within a year. At the balance sheet date, a sterling equivalent of £nil (last year: £nil) was drawn under the committed facilities and £nil (last year: £nil) was drawn under the uncommitted facilities.

In addition to the existing borrowings, the Group has a Euro Medium-Term Note programme of £3bn, of which £0.7bn (last year: £1.1bn) was in issuance as at the balance sheet date. The initial rate of interest is fixed at the date of issue and the Notes are referred to as fixed rate borrowings throughout the Annual Report as the coupon does not change with movements in benchmark interest rates. However, the rate of interest on certain Notes varies both up and down in response to third-party credit ratings (to above/below Baa3 or above/below BBB-) that reflects the relative deterioration or improvement in the Group's cost of credit, and the interest payable on these Notes increases or decreases from the next interest payment date following a relevant credit rating downgrade or upgrade. As the original contractual terms of these Notes provide for changes in cash flows to be reset to reflect the relative deterioration or improvement in the Group's cost of credit, the Group considers these Notes to be floating rate instruments when determining amortised cost under IFRS 9 and consequently the Group applied IFRS 9 paragraph B5.4.5, which requires no adjustment to the carrying amount of the liabilities or immediate impact on profit and loss. If the Group had determined these Notes to be fixed rate instruments, the Notes would be remeasured to reflect the revised cash flows discounted at the original effective rate. This would result in initially a higher interest expense to profit or loss, offset by lower interest charges subsequently, when compared to the Group's treatment

The table below summarises the contractual maturity of the Group's non-derivative financial liabilities and derivatives translated at the year end spot rate, excluding trade payables, other payables and accruals. The carrying value of all trade payables, other payables and accruals of £1,712.7m (last year: £1,681.2m) is equal to their contractual undiscounted cash flows (see note 18) which are due within one year.

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	Medium-Term Notes £m	Lease Liabilities ¹ £m	Partnership liability to the Marks & Spencer UK Pension Scheme (note 11) £m	Total borrowings and other financial liabilities £m	Cash inflow on derivatives ² £m	Cash outflow on derivatives ² £m	Total derivative liabilities £m
Timing of cash flows							
Within one year	(252.7)	(307.2)	(73.0)	(632.9)	1,062.3	(1,120.6)	(58.3)
Between one and two years	(59.3)	(311.1)	(54.4)	(424.8)	145.8	(147.4)	(1.6)
Between two and five years	(1,002.2)	(795.8)	-	(1,798.0)	26.0	(26.0)	-
More than five years	(415.6)	(2,981.5)	-	(3,397.1)	207.8	(214.7)	(6.9)
Total undiscounted cash flows	(1,729.8)	(4,395.6)	(127.4)	(6,252.8)	1,441.9	(1,508.7)	(66.8)
Effect of discounting	383.4	2,143.0	2.6	2,529.0			
At 1 April 2023	(1,346.4)	(2,252.6)	(124.8)	(3,723.8)			
Timing of cash flows							
Within one year	(47.9)	(318.3)	(89.7)	(455.9)	1,334.7	(1,335.6)	(20.9)
Between one and two years	(251.6)	(307.1)	-	(558.7)	83.7	(84.1)	(0.4)
Between two and five years	(532.3)	(732.7)	-	(1,265.0)	50.7	(51.1)	(0.4)
More than five years	(389.6)	(2,844.3)	-	(3,233.9)	389.6	(406.2)	(16.6)
Total undiscounted cash flows	(1,221.4)	(4,202.4)	(89.7)	(5,513.5)	1,858.7	(1,897.0)	(38.3)
Effect of discounting	299.7	2,023.0	0.9	2,323.6			
At 30 March 2024	(921.7)	(2,179.4)	(88.8)	(3,189.9)			

¹Total undiscounted lease payments of £739.6m relating to the period post-break clause, and the earliest contractual lease exit point, are included in lease liabilities. These undiscounted lease payments should be excluded when determining the Group's contractual indebtedness under these leases, where there is a contractual right to break. Furthermore, £60.8m of these payments relate to leases where, following the break clause, the Group will have the ability to exit the lease at any point before the lease expiry with a maximum of six months' notice.

²Cash inflows and outflows on derivative instruments that require gross settlement (such as cross-currency swaps and forward foreign exchange contracts) are disclosed gross. Cash inflows and outflows on derivative instruments that settle on a net basis are disclosed net.

B. Counterparty risk

Counterparty risk exists where the Group can suffer financial loss through the default or non-performance of the counterparties with whom it transacts.

Exposures are managed in accordance with the Group treasury policy which limits the value that can be placed with each approved counterparty to minimise the risk of loss. The minimum long-term rating for all counterparties is long-term Standard & Poor's (S&P)/Moody's A-/A3 (BBB+/Baa1 for committed lending banks). In the event of a rating by one agency being different from the other, reference will be made to Fitch to determine the casting vote of the rating group. In the absence of a Fitch rating the lower agency rating will prevail. Limits are reviewed regularly by senior management. The credit risk of these financial instruments is estimated as the fair value of the assets resulting from the contracts.

The table below analyses the Group's short-term investments and derivative assets by credit exposure, excluding bank balances, store cash and cash in transit.

	Credit rating of counterparty								
	AAA £m	AA+ £m	AA £m	AA- £m	A+ £m	A £m	A- £m	BBB+ £m	Total £m
Cash and cash equivalents ¹	99.4	-	-	90.6	355.9	284.3	65.0	-	895.2
Other investments ²	-	-	-	4.9	4.3	3.1	-	-	12.3
Derivative assets ³	-	-	-	-	10.0	7.4	5.0	0.3	22.7
At 1 April 2023	99.4	-	-	95.5	370.2	294.8	70.0	0.3	930.2
	AAA £m	AA+ £m	AA £m	AA- £m	A+ £m	A £m	A- £m	BBB+ £m	Total £m
Cash and cash equivalents ¹	1116.7	-	-	130.9	242.2	95.6	197.2	-	782.6
Other investments ²	-	-	-	3.0	8.0	1.3	-	-	12.3
Derivative assets ²	-	-	-	0.9	6.0	0.3	0.2	0.1	7.5
At 30 March 2024	1116.7	-	-	134.8	256.2	97.2	197.4	0.1	802.4

¹Includes cash on deposit and money market funds held by Marks and Spencer Scottish Limited Partnership, Marks and Spencer plc and Marks and Spencer General Insurance. Excludes cash in hand and in transit of £212.8m (last year: £160.0m).

²Relates to money market deposits held by Marks and Spencer General Insurance. Excludes other non-rated investments of £nil (last year: £0.7m).

³Standard & Poor's equivalent rating shown as reference to the majority credit rating of the counterparty from either Standard & Poor's, Moody's or Fitch where applicable.

The Group has a very low retail credit risk due to transactions principally being of high volume, low value and short maturity.

The maximum exposure to credit risk at the balance sheet date was as follows: trade receivables £118.1m (last year: £105.2m), lease receivables £63.0m (last year: £65.5m), other receivables (including loans to related parties) £334.5m (last year: £252.9m), cash and cash equivalents £995.4m (last year: £1,055.2m) and derivatives £7.5m (last year: £22.7m).

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Impairment of financial assets

The credit risk management practices of the Group include internal review and reporting of the ageing of trade and other receivables by days past due by a centralised accounts receivable function, and grouped by respective contractual revenue stream, along with liaison with the debtors by the credit control function.

The Group applies the IFRS 9 simplified approach in measuring expected credit losses which use a lifetime expected credit loss allowance for all trade receivables and lease receivables.

To measure expected credit losses, trade receivables have been grouped by shared credit risk characteristics along the lines of differing revenue streams such as international franchise, UK franchise, food, corporate and sundry, as well as by geographical location and days past due. In addition to the expected credit losses calculated using a provision matrix, the Group may provide additional provision for the receivables of particular customers if the deterioration of financial position was observed. The Group's trade receivables are of very low credit risk due to transactions being principally of high volume, low value and short maturity. Therefore, it also has very low concentration risk.

The expected loss rates are determined based on the average write-offs as a proportion of average debt over a period of 36 months prior to the reporting date. The historical loss rates are adjusted for current and forward-looking information where significant. The Group considers GDP growth, unemployment, sales growth and bankruptcy rates of the countries in which goods are sold to be the most relevant factors and, where the impact of these is significant, adjusts the historical loss rates based on expected changes in these factors.

Historical experience has indicated that debts aged 180 days or over are generally not recoverable. The Group has incorporated this into the expected loss model through a uniform loss rate for ageing buckets below 180 days dependent on the revenue stream and country and providing for 100% of debt aged more than 180 days past due. Where the Group specifically holds insurance or holds the legal right of offset with debtors which are also creditors, the loss provision is applied only to the extent of the uninsured or net exposure.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery include the failure of the debtor to engage in a payment plan, and failure to make contractual payments within 180 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit and subsequent recoveries are credited to the same line item.

As at 1 April 2023	Current £m	Up to 30 days past due £m	31-60 days past due £m	61-90 days past due £m	91-180 days past due £m	181 days or more past due £m	Total £m
Gross carrying amount - trade receivables	82.0	15.9	2.5	1.9	1.3	1.6	105.2
Expected loss rate	1.0%	4.4%	28.0%	31.2%	69.5%	100.0%	5.1%
Lifetime expected credit loss	0.8	0.7	0.7	0.6	0.9	1.6	5.3
Net carrying amount	81.2	15.2	1.8	1.3	0.4	-	99.9

As at 30 March 2024	Current £m	Up to 30 days past due £m	31-60 days past due £m	61-90 days past due £m	91-180 days past due £m	181 days or more past due £m	Total £m
Gross carrying amount - trade receivables	105.3	4.8	3.9	0.6	3.0	0.5	118.1
Expected loss rate	0.1%	2.1%	5.2%	6.5%	8.7%	100.0%	1.0%
Lifetime expected credit loss	0.1	0.1	0.2	-	0.3	0.5	1.2
Net carrying amount	105.2	4.7	3.7	0.6	2.7	-	116.9

The closing loss allowances for trade receivables reconciles to the opening loss allowances as follows:

	2024 £m	2023 £m
Trade receivables expected loss provision		
Opening loss allowance	5.3	4.8
(Decrease)/increase in loss allowance recognised in profit and loss during the year	(2.3)	5.4
Receivables written off during the year as uncollectable	(1.8)	(4.9)
Closing loss allowance	1.2	5.3

The closing loss allowances for lease receivables reconciles to the opening loss allowances as follows:

	2024 £m	2023 £m
Lease receivables expected loss provision		
Opening loss allowance	10.7	-
Increase in loss allowance recognised in profit and loss during the year ¹	3.5	10.7
Closing loss allowance	14.2	10.7

¹ Relates to the sub-let of previously closed offices associated with the strategic programme to centralise the Group's London Head Office functions (see note 5).

The provision for other receivables is highly immaterial (it can be quantified) and therefore no disclosure is provided.

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C. Foreign currency risk

Transactional foreign currency exposure arises primarily from the import of goods sourced from overseas suppliers and also from the export of goods from the UK to overseas subsidiaries. The most significant exposure is to the US dollar, incurred in the sourcing of Clothing & Home products from Asia.

Group Treasury hedges these Clothing & Home foreign currency exposures principally using forward foreign exchange contracts progressively based on dynamic forecasts from the business. Hedging is generally carried out in the six months before the period when purchase orders are entered into.

Other exposures arising from the export of goods to overseas subsidiaries are also hedged progressively over the course of the year before they are incurred. As at the balance sheet date, the gross notional value in sterling terms of forward foreign exchange sell or buy contracts amounted to £2,011.0m (last year: £1,785.7m) with a weighted average maturity date of seven months (last year: six months).

Gains and losses in equity on forward foreign exchange contracts designated in cash flow hedge relationships as at 30 March 2024 will be reclassified to the income statement at various dates over the following 14 months (last year: 14 months) from the balance sheet date.

The foreign exchange forwards are designated as cash flow hedges of highly probable forecast transactions. Both spot and forward points are designated in the hedge relationship; under IFRS 9 the currency basis spread may be excluded from the hedge relationship and recognised in other comprehensive income – cost of hedging reserve. The change in the fair value of the hedging instrument, to the degree effective, is deferred in equity and subsequently either reclassified to profit or loss or removed from equity and included in the initial cost of inventory as part of the “basis adjustment”. This will be realised in the income statement once the hedged item is sold. The Group has considered, and elected not to, recognise the currency basis spread element in the cost of hedging reserve, owing to the relatively short-dated nature of the hedging instruments.

The Group regularly reviews the foreign exchange hedging portfolio to confirm whether the underlying transactions remain highly probable. Any identified instance of over-hedging or ineffectiveness would result in immediate recycling to the income statement.

A change in the timing of a forecast item does not disqualify a hedge relationship nor the assertion of “highly probable” as there remains an economic relationship between the underlying transaction and the derivative.

The foreign exchange forwards are recognised at fair value. The Group has considered and elected to apply credit/debit valuation adjustments. The risks at the reporting date are representative of the financial year.

The Group also holds a number of cross-currency swaps to designate its fixed rate US dollar debt to fixed rate sterling debt. These are reported as cash flow hedges. The change in the fair value of the hedging instrument, to the degree effective, is retained in other comprehensive income, segregated by cost and effect of hedging. Under IFRS 9, the currency basis on the cross-currency swaps is excluded from the hedge designation and recognised in other comprehensive income – cost of hedging reserve. Effectiveness is measured using the hypothetical derivative approach. The contractual terms of the cross-currency swaps include break clauses every five years which allow for the interest rates to be reset (last reset November 2022).

The cross-currency swaps are recognised at fair value. The inclusion of credit risk on cross-currency swaps will cause ineffectiveness of the hedge relationship. The Group has considered and elected to apply credit/debit valuation adjustments, owing to the swaps’ relative materiality and longer dated nature.

The Group also hedges foreign currency intercompany loans where these exist. Forward foreign exchange contracts in relation to the hedging of the Group’s foreign currency intercompany loans are classified as fair value through profit and loss. The corresponding fair value movement of the intercompany loan balance resulted in a £1.1m loss (last year: £1.8m loss) in the income statement. As at the balance sheet date, the gross notional value of intercompany loan hedges was £246.7m (last year: £125.8m).

After taking into account the hedging derivatives entered into by the Group, the currency and interest rate exposure of the Group’s borrowings and other financial liabilities, is set out below:

	2024			2023		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Currency						
Sterling	2,889.6	–	2,889.6	3,391.9	–	3,391.9
Euro	93.3	–	93.3	105.5	–	105.5
Rupee	118.0	–	118.0	101.0	–	101.0
Other	0.2	–	0.2	0.6	–	0.6
	3,101.1	–	3,101.1	3,599.0	–	3,599.0

As at the balance sheet date and excluding lease liabilities, post-hedging the GBP and USD fixed rate borrowings are at an average rate of 5.3% (last year: 5.1%) and the weighted average time for which the rate is fixed is five years (last year: five years).

D. Interest rate risk

The Group is exposed to interest rate risk in relation to sterling, US dollar and euro variable rate financial assets and liabilities.

The Group's policy is to use derivative contracts where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk. The structure and maturity of these derivatives correspond to the underlying borrowings and are accounted for as fair value or cash flow hedges as appropriate.

At the balance sheet date, fixed rate borrowings amounted to £3,101.1m (last year: £3,599.0m) representing the public bond issues and lease liabilities, amounting to 100% (last year: 100%) of the Group's gross borrowings.

The effective interest rates at the balance sheet date were as follows:

	2024 %	2023 %
Committed and uncommitted borrowings	N/A	N/A
Medium-Term Notes	5.3%	5.1%
Leases	5.3%	5.1%

Derivative financial instruments

The below table illustrates the effects of hedge accounting on the consolidated statement of financial position and consolidated income statement through detailing separately by risk category and each type of hedge the details of the associated hedging instrument and hedged item.

	1 April 2023			
	Current		Non-Current	
	Forward foreign exchange contracts £m	Forward foreign exchange contracts £m	Cross-currency swaps £m	Forward foreign exchange contracts £m
	Cash flow hedges	FVTPL	Cash flow hedges	Cash flow hedges
Hedging risk strategy				
Notional / currency legs	1,730.2	125.8	252.9	155.2
Carrying amount assets	25.8	-	0.1	-
Carrying amount (liabilities)	(56.4)	(2.1)	(5.3)	(1.8)
	to Jul 2023	to Jun 2023	to Dec 2037	to May 2024
Maturity date				
Hedge ratio	100%	n/a	100%	100%
	Highly probable transactional FX exposures	Inter-company loans/deposits	USD fixed rate borrowing	Highly probable transactional FX exposures
Description of hedged item				
Change in fair value of hedging instrument	55.9	(2.1)	30.9	(4.3)
Change in fair value of hedged item used to determine hedge effectiveness	(55.9)	0.3	(30.0)	4.3
	GBP/USD 1.20; GBP/EUR 1.14		GBP/USD 1.19	GBP/USD 1.22; GBP/EUR 1.12
Weighted average hedge rate for the year				
Net amounts recognised within finance costs in profit and loss	-	(1.8)	0.9	-
Balance on cash flow hedge reserve at 1 April 2023	45.3	-	(7.0)	1.8
Balance on cost of hedging reserve at 1 April 2023	-	-	(5.8)	-

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	30 March 2024			
	Current		Non-Current	
	Forward foreign exchange contracts £m	Forward foreign exchange contracts £m	Cross-currency swaps £m	Forward foreign exchange contracts £m
	Cash flow hedges	FVTPL	Cash flow hedges	Cash flow hedges
Hedging risk strategy	1,547.6	246.7	252.9	216.7
Notional / currency legs	6.6	0.2	-	0.7
Carrying amount assets	(18.2)	(1.8)	(21.6)	(0.3)
Carrying amount (liabilities)	to Oct 2024	to Apr 2024	to Dec 2037	to Jun 2025
Maturity date	100%	n/a	100%	100%
Hedge ratio	Highly probable transactional FX exposures	Inter-company loans/deposits	USD fixed rate borrowing	Highly probable transactional FX exposures
Description of hedged item	17.6	0.5	(18.4)	2.2
Change in fair value of hedging instrument	(17.6)	(1.6)	18.4	(2.2)
Change in fair value of hedged item used to determine hedge effectiveness	GBP/USD 1.25; GBP/EUR 1.14	-	GBP/USD 1.19	GBP/USD 1.27; GBP/EUR 1.14
Weighted average hedge rate for the year	-	(1.1)	-	-
Amounts recognised within finance costs in profit and loss	6.0	-	6.1	(0.5)
Balance on cash flow hedge reserve at 30 March 2024	-	-	(7.4)	-
Balance on cost of hedging reserve at 30 March 2024				

	30 March 2024				1 April 2023			
	Notional Value		Fair Value		Notional Value		Fair Value	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current								
Forward foreign exchange contracts - cash flow hedges	501.3	1,046.3	6.6	(18.2)	559.2	945.6	22.6	(56.0)
- FVTPL	60.6	186.1	0.2	(1.8)	8.0	117.7	-	(2.1)
	561.9	1,232.4	6.8	(20.0)	567.2	1,063.3	22.6	(58.1)
Non-current								
Cross-currency swaps - cash flow hedges	-	252.9	-	(21.6)	125.0	127.9	0.1	(5.3)
Forward foreign exchange contracts - cash flow hedges	149.9	66.8	0.7	(0.3)	18.1	137.1	-	(1.8)
	149.9	319.7	0.7	(21.9)	143.1	265.0	0.1	(7.1)

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The Group's hedging reserves disclosed in the consolidated statement of changes in equity, relate to the following hedging instruments:

	Cost of hedging reserve CCIRS ¹	Deferred tax	Total cost of hedging reserve	Hedge reserve derivatives	Hedge reserve CCIRS	Hedge reserve gilt locks	Deferred tax	Total hedge reserve
	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance 3 April 2022	(5.0)	1.4	(3.6)	(29.5)	9.5	0.1	2.3	(17.6)
Add: Change in fair value of hedging instrument recognised in OCI ²	-	-	-	(45.3)	(30.9)	-	-	(76.2)
Add: Costs of hedging deferred and recognised in OCI	(0.8)	-	(0.8)	-	-	-	-	-
Less: Reclassified to the cost of inventory	-	-	-	123.9	-	-	-	123.9
Less: Reclassified from OCI to profit or loss	-	-	-	-	14.4	-	-	14.4
Less: Deferred tax	-	0.2	0.2	-	-	-	(12.6)	(12.6)
Closing balance 1 April 2023	(5.8)	1.6	(4.2)	49.1	(7.0)	0.1	(10.3)	31.9
Opening balance 2 April 2023	(5.8)	1.6	(4.2)	49.1	(7.0)	0.1	(10.3)	31.9
Add: Change in fair value of hedging instrument recognised in OCI	-	-	-	10.7	18.4	-	-	29.1
Add: Costs of hedging deferred and recognised in OCI	(1.6)	-	(1.6)	-	-	-	-	-
Less: Reclassified to the cost of inventory	-	-	-	(54.4)	-	-	-	(54.4)
Less: Reclassified from OCI to profit or loss	-	-	-	-	(5.3)	-	-	(5.3)
Less: Deferred tax	-	0.4	0.4	-	-	-	7.1	7.1
Closing balance 30 March 2024	(7.4)	2.0	(5.4)	5.4	6.1	0.1	(3.2)	8.4

¹ Cross-currency interest rate swaps

² Other comprehensive income

The Group holds a number of cross-currency interest-rate swaps to designate its USD to GBP fixed debt. These are reported as cash flow hedges. The ineffective portion recognised in profit or loss that arises from the cash flow hedge amounts to a £nil gain (last year: £0.9m gain) as the gain on the hedged items was £18.4m (last year: £30.0m loss) and the movement on the hedging instruments was a £18.4m loss (last year: £30.9m gain).

Movement in hedged items and hedging instruments

	2024 £m	2023 £m
Net (loss)/gain in fair value of cross-currency interest rate swap	(18.4)	30.9
Net gain/(loss) on hedged items	18.4	(30.0)
Ineffectiveness	-	0.9

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Sensitivity analysis

The table below illustrates the estimated impact on the income statement and equity as a result of market movements in foreign exchange and interest rates in relation to the Group's financial instruments. The directors consider that a 2% +/- (last year: 2%) movement in interest and a 20% +/- (last year: 20%) movement in sterling against the relevant currency represents a reasonably possible change. However, this analysis is for illustrative purposes only. The Group believes that these illustrative assumed movements continue to provide sufficient guidance.

The table excludes financial instruments that expose the Group to interest rate and foreign exchange risk where such a risk is fully hedged with another financial instrument. Also excluded are trade receivables and payables as these are either sterling denominated or the foreign exchange risk is hedged.

Interest rates The impact in the income statement due to changes in interest rates reflects the effect on the Group's floating rate debt and cash balances as at the balance sheet date. The impact in equity reflects the fair value movement in relation to the Group's cross-currency swaps.

Foreign exchange The impact from foreign exchange movements reflects the change in the fair value of the Group's transactional foreign exchange cash flow hedges at the balance sheet date. The equity impact shown for foreign exchange sensitivity relates to derivatives. This value is expected to be materially offset by the re-translation of the related transactional exposures.

	2% decrease in interest rates	2% increase in interest rates	20% weakening in sterling	20% strengthening in sterling
	£m	£m	£m	£m
At 1 April 2023				
Impact on income statement: (loss)/gain	(17.2)	17.2	–	–
Impact on other comprehensive income: (loss)/gain	3.0	(2.3)	227.9	(227.9)
At 30 March 2024				
Impact on income statement: (loss)/gain	(15.0)	15.0	–	–
Impact on other comprehensive income: (loss)/gain	5.8	(4.4)	278.9	(278.9)

Offsetting of financial assets and liabilities

The following tables set out the financial assets and financial liabilities which are subject to offsetting, enforceable master netting arrangements and similar agreements. Amounts which are set off against financial assets and liabilities in the Group's balance sheet are set out below. For trade and other receivables and trade and other payables, amounts not offset in the balance sheet but which could be offset under certain circumstances are also set out. To reconcile the amount shown in the tables below to the Statement of Financial Position, items which are not subject to offsetting should be included.

	Gross financial assets/ (liabilities) £m	Gross financial (liabilities)/ assets set off £m	Net financial assets/ (liabilities) per statement of financial position £m	Related amounts not set off in the statement of financial position £m	Net £m
At 1 April 2023					
Trade and other receivables	19.2	(16.5)	2.7	–	2.7
Derivative financial assets	22.7	–	22.7	(18.0)	4.7
	41.9	(16.5)	25.4	(18.0)	7.4
Trade and other payables	(317.3)	16.5	(300.8)	–	(300.8)
Derivative financial liabilities	(65.2)	–	(65.2)	18.0	(47.2)
	(382.5)	16.5	(366.0)	18.0	(348.0)

	Gross financial assets/ (liabilities) £m	Gross financial (liabilities)/ assets set off £m	Net financial assets/ (liabilities) per statement of financial position £m	Related amounts not set off in the statement of financial position £m	Net £m
At 30 March 2024					
Trade and other receivables	33.1	(31.2)	1.9	–	1.9
Derivative financial assets	7.5	–	7.5	(6.7)	0.8
	40.6	(31.2)	9.4	(6.7)	2.7
Trade and other payables	(357.8)	31.2	(326.6)	–	(326.6)
Derivative financial liabilities	(41.9)	–	(41.9)	6.7	(35.2)
	(399.7)	31.2	(368.5)	6.7	(361.8)

Amounts which do not meet the criteria for offsetting on the balance sheet but could be settled net in certain circumstances, principally relate to derivative transactions under International Swaps and Derivatives Association agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

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Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2: not traded in an active market but the fair values are based on quoted market prices or alternative pricing sources with reasonable levels of price transparency. The Group's level 2 financial instruments include interest rate and foreign exchange derivatives. Fair value is calculated using discounted cash flow methodology, future cash flows are estimated based on forward exchange rates and interest rates (from observable market curves) and contract rates, discounted at a rate that reflects the credit risk of the various counterparties for those with a long maturity.
- Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At the end of the reporting period, the Group held the following financial instruments at fair value:

	2024				2023			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value								
Financial assets at fair value through profit or loss (FVTPL)								
- derivatives held at FVTPL	–	0.2	–	0.2	–	–	–	–
- other investments ¹	–	12.3	12.6	24.9	–	12.3	8.6	20.9
Derivatives used for hedging	–	7.5	–	7.5	–	22.7	–	22.7
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss (FVTPL)								
- derivatives held at FVTPL	–	(1.8)	–	(1.8)	–	(2.1)	–	(2.1)
Derivatives used for hedging	–	(40.2)	–	(40.2)	–	(63.1)	–	(63.1)

There were no transfers between the levels of the fair value hierarchy during the period. There were also no changes made to any of the valuation techniques during the period.

¹ Within Level 3 other investments, the Group holds £9.4m of venture capital investments, managed by True Capital Limited, measured at FVTPL (last year: £7.3m) (see note 15) which are Level 3 instruments. The fair value of these investments has been determined in accordance with the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines. Where investments are either recently acquired or there have been recent funding rounds with third parties, the primary input when determining the valuation is the latest transaction price.

The Marks & Spencer UK Pension Scheme holds a number of financial instruments which make up the pension asset of £6,108.9m (last year: £6,781.9m). Level 1 and Level 2 financial assets measured at fair value through other comprehensive income amounted to £2,074.3m (last year: £2,754.7m). Additionally, the scheme assets include £4,034.6m (last year: £4,027.2m) of Level 3 financial assets. See note 10 for information on the Group's retirement benefits.

The following table represents the changes in Level 3 instruments held by the Pension Schemes:

	2024 £m	2023 £m
Opening balance	4,027.2	5,144.9
Fair value gain/(loss) recognised in other comprehensive income	362.5	(401.8)
Cash withdrawals	(355.1)	(715.9)
Closing balance	4,034.6	4,027.2

Fair value of financial instruments

With the exception of the Group's fixed rate bond debt and the Partnership liability to the Marks & Spencer UK Pension Scheme (note 11), there were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values as at the balance sheet date.

The carrying value of the Group's fixed rate bond debt (level 1 equivalent) was £921.7m (last year: £1,346.4m); the fair value of this debt was £919.8m (last year: £1,264.3m) which has been calculated using quoted market prices and includes accrued interest. The carrying value of the Partnership liability to the Marks & Spencer UK Pension Scheme (level 2 equivalent) is £88.8m (last year: £124.8m) and the fair value of this liability is £81.9m (last year: £121.9m).

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Capital policy

The Group's objectives when managing capital are to fund investment in the transformation and deliver financial performance at an investment grade level, to safeguard its ability to continue as a going concern in order to provide optimal returns for shareholders and to maintain an efficient capital structure to reduce the cost of capital.

In doing so, the Group's strategy is to sustain a capital structure that supports an investment grade credit rating and to retain appropriate levels of liquidity headroom to ensure financial stability and flexibility. To achieve this strategy, the Group regularly monitors key credit metrics such as the gearing ratio, cash flow to net debt and fixed charge cover to maintain this position. In addition, the Group ensures a combination of appropriate committed short-term liquidity headroom with a diverse and balanced long-term debt maturity profile which avoids creating a significant re-financing risk in any one financial period. As at the balance sheet date, the Group's average debt maturity profile was five years (last year: five years). During the year, the Group maintained its credit rating with Moody's of Ba1 but with an improved positive outlook and was upgraded to BBB- (stable) with Standard & Poor's.

In order to maintain or realign the capital structure, the Group will consider the appropriate level of dividends paid to shareholders and options to return capital to shareholders, issue new shares or sell assets to reduce debt.

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21 Provisions

	Property £m	Restructuring £m	Other £m	Total £m
At 3 April 2022	95.8	35.4	14.2	145.4
Provided in the year - charged to profit or loss	25.2	9.9	8.9	44.0
Released in the year	(46.0)	(0.2)	(0.6)	(46.8)
Utilised during the year	(3.5)	(28.6)	(1.4)	(33.5)
Exchange differences	-	-	0.1	0.1
Discount rate unwind	5.4	-	-	5.4
At 1 April 2023	76.9	16.5	21.2	114.6
Analysed as:				
Current				41.1
Non-current				73.5
	Property £m	Restructuring £m	Other £m	Total £m
At 2 April 2023	76.9	16.5	21.2	114.6
Provided in the year - charged to profit or loss	54.4	25.0	3.0	82.4
Provided in the year – charged to property, plant and equipment	5.3	-	-	5.3
Released in the year	(24.4)	(9.1)	(9.9)	(43.4)
Utilised during the year	(11.2)	(1.9)	(6.8)	(19.9)
Exchange differences	-	-	0.2	0.2
Discount rate unwind	6.6	-	-	6.6
At 30 March 2024	107.6	30.5	7.7	145.8
Analysed as:				
Current				47.2
Non-current				98.6

Property provisions relate primarily to obligations such as dilapidations arising as a result of the closure of stores, as part of the store estate strategic programme. These provisions are expected to be utilised over the period to the end of each specific lease (up to 10 years).

Restructuring provisions relate primarily to the strategic programme to transition to a single-tier UK distribution network, expected to be utilised over the period of closure of sites and new costs in the year associated with the furniture simplification strategic programme.

Other provisions include amounts in respect of probable liabilities for employee-related matters.

Provisions related to adjusting items were £130.5m at 30 March 2024 (last year: £95.6m), with a net charge in the year of £43.8m (last year: credit of £3.6m) (see note 5).

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22 Deferred tax

Deferred tax is provided under the balance sheet liability method using the tax rate at which the balances are expected to unwind of 25% (last year: 25%) for UK differences and local tax rates for overseas differences. Details of the changes to the UK corporation tax rate and the impact on the Group are described in note 7.

The movements in deferred tax assets and liabilities (after the offsetting of balances within the same jurisdiction as permitted by IAS 12 Income Taxes) during the year are shown below.

Deferred tax assets/(liabilities)								
	Land and buildings temporary differences £m	Capital allowances in excess of depreciation £m	Pension temporary differences £m	IFRS 16 adjustment	Other short-term temporary differences £m	Total UK deferred tax £m	Overseas deferred tax £m	Total £m
At 3 April 2022 (restated)	(199.8)	26.3	(292.1)	117.5	24.2	(323.9)	2.6	(321.3)
Credited/(charged) to income statement	3.7	(37.0)	(6.4)	(5.7)	4.9	(40.5)	(0.2)	(40.7)
Credited/(charged) to equity/other comprehensive income	-	-	158.0	-	17.6	175.6	(0.6)	175.0
At 1 April 2023 (restated)	(196.1)	(10.7)	(140.5)	111.8	46.7	(188.8)	1.8	(187.0)
At 2 April 2023 (restated)	(196.1)	(10.7)	(140.5)	111.8	46.7	(188.8)	1.8	(187.0)
Credited/(charged) to income statement	(23.0)	(63.9)	(4.5)	(7.1)	(0.7)	(99.2)	4.7	(94.5)
Credited/(charged) to equity/other comprehensive income	-	-	104.8	-	(2.1)	102.7	(0.8)	101.9
At 30 March 2024	(219.1)	(74.6)	(40.2)	104.7	43.9	(185.3)	5.7	(179.6)

Deferred tax has been restated in the comparative information. See note 1 for further details.

Other short-term temporary differences relate mainly to employee share options and financial instruments.

The deferred tax liability on land and buildings temporary differences is reduced by the benefit of capital losses with a gross value of £162.4m (last year: £170.2m (restated)) and a tax value of £40.6m (last year: £42.6m (restated)). The gross carried forward capital losses are £399.0m (last year: £348.0m) with a tax value of £99.8m (last year: £87.0m) and are inclusive of the gross £162.4m of losses used to reduce the deferred tax liability on land and buildings.

Due to uncertainty over their future use, no benefit has been recognised in respect of trading losses carried forward in overseas jurisdictions with a gross value of £5.2m (last year: £5.2m) and a tax value of £1.3m (last year: £1.3m).

No deferred tax is recognised in respect of undistributed earnings of overseas subsidiaries and joint ventures with a gross value of £46.4m (last year: £46.1m) unless a material liability is expected to arise on distribution of these earnings under applicable tax legislation. There is a potential tax liability in respect of undistributed earnings of £4.4m (last year: £4.4m) however this has not been recognised on the basis that the distribution can be controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

23 Ordinary share capital

	Shares	2024 £m	Shares	2023 £m
Issued and fully paid ordinary shares of 25p each	2,850,039,477	712.5	2,850,039,477	712.5

24 Contingencies and commitments

A. Capital commitments

	2024 £m	2023 £m
Commitments in respect of properties in the course of construction	172.2	96.8
Software capital commitments	6.5	6.1
	178.7	102.9

During 2021/22 the Group committed to invest up to £25.0m, over a three-year period to 2024/25, in an innovation and consumer growth fund managed by True Capital Limited. This period was extended to 2026/27 during the year. The fund can drawdown amounts at any time over the five-year period to make specific investments. At 30 March 2024, the Group had invested £10.1m (last year: £7.5m) of this commitment, which is held as a non-current other investment and measured at fair value through profit or loss (see note 15).

B. Other material contracts

See note 11 for details on the partnership arrangement with the Marks & Spencer UK Pension Scheme.

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25 Analysis of cash flows given in the statement of cash flows

Cash flows from operating activities

	2024 £m	2023 £m
Profit on ordinary activities after taxation	447.7	322.8
Income tax expense	238.9	109.8
Finance costs	182.5	202.9
Finance income	(94.0)	(62.7)
Operating profit	775.1	572.8
Share of results in other joint ventures	0.3	-
Increase in inventories	(31.4)	(59.0)
Increase in receivables	8.6	(35.5)
Increase in payables	107.6	142.8
Depreciation, amortisation and disposals	498.7	509.3
Non-cash pension expense	5.3	4.6
Non-cash share based payment expense	47.8	38.0
Defined benefit pension funding	(0.4)	(36.8)
Adjusting items net cash outflows ^{1,2}	(36.5)	(55.3)
Adjusting items M&S Bank ³	(2.0)	(2.0)
Adjusting operating profit items	81.4	71.3
Cash generated from operations	1,454.5	1,150.2

¹Excludes £24.1m (last year: £11.5m) of surrender payments included within repayment of lease liabilities in the consolidated statement of cash flows relating to leases within the store estate programme.

²Adjusting items net cash outflows relate to strategic programme costs associated with the Store estate, UK logistics, Structural simplification programme and M&S financial services transformation.

³Adjusting items M&S Bank relates to M&S Bank income recognised in operating profit offset by charges incurred in relation to the insurance mis-selling provision, which is a non-cash item.

26 Analysis of net debt

A. Reconciliation of movement in net debt

	At 3 April 2022 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasuremen ts £m	Exchange and other non-cash movements ¹ £m	At 1 April 2023 £m
Net debt						
Cash and cash equivalents (see note 17)	1,197.9	(143.2)	-	-	0.5	1,055.2
Net cash per statement of cash flows	1,197.9	(143.2)	-	-	0.5	1,055.2
Current other financial assets (see note 15)	17.6	(5.3)	-	-	0.7	13.0
Liabilities from financing activities	-	-	-	-	-	-
Medium Term Notes (see note 19)	(1,529.5)	262.3	-	-	(79.2)	(1,346.4)
Lease liabilities (see note 19)	(2,278.7)	347.0	-	(235.3)	(85.5)	(2,252.5)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 11)	(187.9)	66.0	-	-	-	(121.9)
Derivatives held to hedge Medium Term Notes	18.5	(57.4)	33.7	-	-	(5.2)
Liabilities from financing activities	(3,977.6)	617.9	33.7	(235.3)	(164.7)	(3,726.0)
Less: Cash flows related to interest and derivative instruments	63.3	(171.7)	(33.7)	-	178.6	36.5
Net debt	(2,698.8)	297.7	-	(235.3)	15.1	(2,621.3)

	At 2 April 2023 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasuremen ts £m	Exchange and other non-cash movements ¹ £m	At 30 March 2024 £m
Net debt						
Cash and cash equivalents (see note 17)	1,055.2	(57.7)	-	-	(2.1)	995.4
Net cash per statement of cash flows	1,055.2	(57.7)	-	-	(2.1)	995.4
Current other financial assets (see note 15)	13.0	(0.7)	-	-	-	12.3
Liabilities from financing activities	-	-	-	-	-	-
Medium Term Notes (see note 19)	(1,346.4)	461.3	-	-	(36.6)	(921.7)
Lease liabilities (see note 19)	(2,252.5)	332.4	-	(161.2)	(98.1)	(2,179.4)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 11)	(121.9)	40.0	-	-	-	(81.9)
Derivatives held to hedge Medium Term Notes	(5.2)	-	(16.4)	-	-	(21.6)
Liabilities from financing activities	(3,726.0)	833.7	(16.4)	(161.2)	(134.7)	(3,204.6)
Less: Cash flows related to interest and derivative instruments	36.5	(185.7)	16.4	-	168.5	35.7
Net debt	(2,621.3)	589.6	-	(161.2)	31.7	(2,161.2)

¹Exchange and other non-cash movements includes interest charges on Medium-Term Notes of £42.2m (last year: £65.4m), interest charges on lease liabilities of £115.0m (last year: £116.3m) and interest charges on the Partnership liability to the Marks & Spencer UK Pension Scheme of £4.1m (last year: £4.3m).

B. Reconciliation of net debt to statement of financial position

	2024 £m	2023 £m
Statement of financial position and related notes		
Cash and cash equivalents (see note 17)	995.4	1,055.2
Current other financial assets (see note 15)	12.3	13.0
Medium Term Notes – net of foreign exchange revaluation (see note 19)	(937.2)	(1,356.6)
Lease liabilities (see note 19)	(2,179.4)	(2,252.5)
Partnership liability to the Marks & Spencer UK Pension Scheme (see notes 11 and 20)	(88.8)	(124.8)
	(2,197.7)	(2,665.7)
Interest payable included within related borrowing and the Partnership liability to the Marks & Spencer UK Pension Scheme	36.5	44.4
Net debt	(2,161.2)	(2,621.3)

27 Related party transactions**A. Subsidiaries**

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements.

B. Joint ventures and associates***Nobody's Child Limited***

Nobody's Child Limited became an associate of the Group in November 2021.

During the year, the Group made purchases of goods amounting to £7.0m (last year: £6.3m)

At 30 March 2024, there was a balance of £0.1m within trade and other payables (last year: £nil) owed to Nobody's Child Limited, and £2.7m included within other financial assets (last year: £0.7m) owed from Nobody's Child Limited.

C. Marks & Spencer UK Pension Scheme

Details of other transactions and balances held with the Marks & Spencer UK Pension Scheme are set out in notes 10 and 11.

D. Key management compensation

The Group has determined that the key management personnel constitute the Marks and Spencer Group plc Board and the members of the Executive Committee.

	2024 £m	2023 £m
Salaries and short-term benefits	13.8	10.2
Pension costs ¹	0.4	0.4
Share-based payments	10.0	4.8
Total	24.2	15.4

¹ Last year restated to include split of pension costs, including payments in lieu of pension which were omitted last year.

E. Other related party transactions

The following transactions were carried out with Ocado Retail Limited, an associate of the parent company, and fellow subsidiaries of the parent company:

		Sales of goods and services £m	Purchases of goods and services £m	Amounts owed by other related parties £m	Amounts owed to other related parties £m
Ocado Retail Limited	2024	44.9	0.1	4.1	-
	2023	35.7	0.1	2.9	-
Fellow subsidiaries of the parent company	2024	-	441.1	-	52.2
	2023	-	208.9	-	40.9

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During the year the Company entered into the below interest-bearing loans with other related parties:

		Interest received £m	Interest paid £m	Amounts owed by other related parties £m	Amounts owed to other related parties £m
Fellow subsidiaries of the parent company	2024	18.1	3.5	296.0	73.1
	2023	5.4	0.5	215.6	55.6

The Group acquired 77.7% of the issued share capital of The Sports Edit Limited ("TSE") in February 2022. A further 4.8% of TSE's issued share capital was owned by Mr. Justin King, a Non-Executive Director of Marks and Spencer Group plc (the "JK TSE Shares"). Following shareholder approval, the Group acquired the JK TSE Shares from Mr. Justin King at a total purchase price of £0.3m in July 2022.

F. Transactions with parent company

During the year, the Company paid dividends to its parent company, Marks and Spencer Group plc of £20.0m (last year: £nil) and has decreased its loan to its parent company by £57.4m (last year: decrease of £0.2m). The outstanding balance was £2,483.6m (last year: £2,541.0m) and was non-interest bearing.

28 Contingent assets

As at 30 March 2024, the Group was seeking damages from an independent third party following their involvement in anti-competitive behaviour that adversely impacted the Group. The Group expected to receive an amount from the claim (either in settlement or from the legal proceedings), a position that was reinforced by recent court judgements in similar claims. In July 2024, £22.0m was received in settlement of the damages action.

29 Subsequent events

On 10 April 2024 M&S and HSBC UK announced a new seven-year deal focused on enhancing M&S' credit and payments offering through M&S Bank. See note 5 for further details.

In June 2024, following a tender offer, the Group repurchased £190.3m of its Medium-Term Notes.

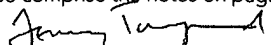
Company statement of financial position

	Notes	As at 30 March 2024 £m	As at 1 April 2023 (restated) £m	As at 3 April 2022 (restated) £m
Assets				
Non-current assets				
Intangible assets	C7	134.0	116.7	148.8
Property, plant and equipment	C8	4,091.8	4,060.1	3,954.4
Investments in group undertakings	C9	906.2	900.8	897.1
Investment in joint ventures		6.2	12.9	12.9
Other financial assets	C10	87.7	0.9	1.9
Retirement benefit asset	C4	493.8	846.4	1,367.3
Trade and other receivables	C11	3,139.5	3,149.0	2,933.8
Derivative financial instruments	C15	0.7	0.1	21.4
		8,859.9	9,086.9	9,337.6
Current assets				
Inventories		704.9	670.5	660.2
Other financial assets	C10	4.6	6.3	8.8
Trade and other receivables	C11	249.8	217.1	192.2
Derivative financial instruments	C15	6.9	26.5	44.4
Cash and cash equivalents	C12	838.0	986.5	1,113.7
Current tax asset		88.3	-	-
		1,892.5	1,906.9	2,019.3
Total assets		10,752.4	10,993.8	11,356.9
Liabilities				
Current liabilities				
Trade and other payables	C13	4,044.4	3,732.8	3,474.8
Borrowings and other financial liabilities	C14	298.4	461.9	218.9
Derivative financial instruments	C15	24.4	58.5	5.8
Provisions	C16	46.2	29.9	42.7
Current tax liabilities		-	8.5	3.6
		4,413.4	4,291.6	3,745.8
Non-current liabilities				
Retirement benefit deficit	C4	4.2	4.4	5.4
Trade and other payables	C13	3.5	4.7	5.8
Borrowings and other financial liabilities	C14	3,470.5	3,843.8	4,372.3
Derivative financial instruments	C15	21.9	7.1	0.4
Provisions	C16	88.4	70.2	85.7
Deferred tax liabilities	C17	175.2	168.2	246.8
		3,763.7	4,098.4	4,716.4
Total liabilities		8,177.1	8,390.0	8,462.2
Net assets		2,575.3	2,603.8	2,894.7
Equity				
Issued share capital	C18	712.5	712.5	712.5
Share premium account		386.1	386.1	386.1
Capital redemption reserve		8.0	8.0	8.0
Hedging reserve	C15	(3.9)	(23.6)	21.4
Retained earnings		1,472.6	1,520.8	1,766.7
Total equity		2,575.3	2,603.8	2,894.7

Deferred tax and retained earnings have been restated in the comparative information. See note C1 for further details.

The Company's profit for the year was £200.2m (last year: £136.6m (restated)).

The financial statements were approved by the Board and authorised for issue on 9 September 2024. The financial statements also comprise the notes on pages 95 to 129.


Jeremy Townsend, Chief Financial Officer

Registered number: 00214436

Company statement of changes in shareholders' equity

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Cost of Hedging Reserve £m	Retained earnings £m	Total £m
At 3 April 2022	712.5	386.1	8.0	17.4	4.0	1,761.9	2,889.9
Prior year restatement	-	-	-	-	-	4.8	4.8
At 3 April 2022 (restated)	712.5	386.1	8.0	17.4	4.0	1,766.7	2,894.7
Profit for the year (restated)	-	-	-	-	-	136.6	136.6
Other comprehensive income/(expense):							
Remeasurements of retirement benefit schemes	-	-	-	-	-	(566.9)	(566.9)
Tax credit on retirement benefit schemes	-	-	-	-	-	141.8	141.8
Cash flow hedges							
- fair value movement in other comprehensive income	-	-	-	82.5	0.8	-	83.3
- reclassified and reported in profit or loss	-	-	-	(14.4)	-	-	(14.4)
Tax on cash flow hedges	-	-	-	(18.6)	(0.2)	-	(18.8)
Other comprehensive income/(expense)	-	-	-	49.5	0.6	(425.1)	(375.0)
Total comprehensive income/(expense) (restated)	-	-	-	49.5	0.6	(288.5)	(238.4)
Cash flow hedges recognised in inventories	-	-	-	(126.8)	-	-	(126.8)
Tax on cash flow hedges recognised in inventories	-	-	-	31.7	-	-	31.7
Transactions with owners:							
Credit for share-based payments	-	-	-	-	-	37.8	37.8
Deferred tax on share schemes	-	-	-	-	-	4.8	4.8
At 1 April 2023 (restated)	712.5	386.1	8.0	(28.2)	4.6	1,520.8	2,603.8
At 2 April 2023 (restated)	712.5	386.1	8.0	(28.2)	4.6	1,520.8	2,603.8
Profit for the year	-	-	-	-	-	200.2	200.2
Other comprehensive income/(expense):							
Remeasurements of retirement benefit schemes	-	-	-	-	-	(397.2)	(397.2)
Tax credit on retirement benefit schemes	-	-	-	-	-	98.9	98.9
Cash flow hedges							
- fair value movement in other comprehensive income	-	-	-	(38.3)	1.6	-	(36.7)
- reclassified and reported in profit or loss	-	-	-	5.3	-	-	5.3
Tax on cash flow hedges	-	-	-	8.3	(0.4)	-	7.9
Other comprehensive income/(expense)	-	-	-	(24.7)	1.2	(298.3)	(321.8)
Total comprehensive income/(expense)	-	-	-	(24.7)	1.2	(98.1)	(121.6)
Cash flow hedges recognised in inventories	-	-	-	57.6	-	-	57.6
Tax on cash flow hedges recognised in inventories	-	-	-	(14.4)	-	-	(14.4)
Transactions with owners:							
Dividends	-	-	-	-	-	(20.0)	(20.0)
Credit for share-based payments	-	-	-	-	-	47.7	47.7
Tax on share schemes	-	-	-	-	-	22.2	22.2
At 30 March 2024	712.5	386.1	8.0	(9.7)	5.8	1,472.6	2,575.3

Company statement of cash flows

	Notes	52 weeks ended 30 March 2024 £m	52 weeks ended 1 April 2023 £m
Cash flows from operating activities			
Cash generated from operations	C20	1,122.9	940.7
Income tax paid		(181.1)	(58.1)
Net cash inflow from operating activities		941.8	882.6
Cash flows from investing activities			
Purchase of property, plant and equipment		(350.8)	(297.7)
Proceeds from sale of property, plant and equipment		6.1	1.1
Purchase of intangible assets		(69.1)	(82.1)
(Purchase)/sale of current financial assets		(1.1)	2.8
Proceeds on disposal of non-current financial assets		6.7	0.2
Interest received		57.2	30.5
Net cash used in investing activities		(351.0)	(345.2)
Cash flows from financing activities			
Interest paid ¹		(236.5)	(269.0)
Redemption of Medium Term Notes		(395.6)	(189.9)
Movement in intercompany loans treated as financing		278.5	54.0
Repayment of lease liabilities		(282.6)	(259.8)
Dividends paid		(20.0)	-
Purchase of shares in ultimate parent company held in employee trust		(83.1)	0.1
Net cash used in financing activities		(739.3)	(664.6)
Net outflow from activities		(148.5)	(127.2)
Opening net cash		986.5	1,113.7
Closing net cash	C12	838.0	986.5

¹Includes interest paid on lease liabilities of £160.5m (last year: £167.5m).

COMPANY NOTES TO THE FINANCIAL STATEMENTS

C1 ACCOUNTING POLICIES

General information

Marks and Spencer plc (the "Company") is a public limited company domiciled and incorporated in England and Wales under the Companies Act 2006. The address of the Company's registered office is Waterside House, 35 North Wharf Road, London W2 1NW, United Kingdom.

The principal activities of the Company and the nature of the Company's operations is as a Clothing & Home and Food retailer.

These financial statements are presented in sterling, which is the Company's functional currency, and are rounded to the nearest hundred thousand.

The Company's accounting policies are the same as those set out in note 1 of the Group financial statements, except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Loans from other Group undertakings and all other payables are initially recorded at fair value, which is generally the proceeds received. They are then subsequently carried at amortised cost. The loans are non-interest bearing and repayable on demand.

The Company's financial risk is managed as part of the Group's strategy and policies as discussed in note 20 of the Group financial statements.

In accordance with the exemption allowed by Section 408(3) of the Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income.

New accounting standards adopted by the Company

The Company has applied the following new standards and interpretations for the first time for the annual reporting period commencing 2 April 2023:

- IFRS 17 Insurance Contracts.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 8: Definition of Accounting Estimates.
- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 12: International Tax reform – Pillar Two Model rules.

The adoption of the standards and interpretations listed above has not led to any changes to the Company's accounting policies or had any other material impact on the financial position or performance of the Company.

New accounting standards in issue but not yet effective

New standards and interpretations that are in issue but not yet effective are listed below:

- Amendment to IFRS 16: Lease Liability in a Sale and Leaseback.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current to contractual obligations with suppliers.
- Amendments to IAS 1: Non-current Liabilities with Covenants.
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements.
- Amendments to IAS 21: Lack of Exchangeability.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- IFRS 18: Presentation and Disclosure in Financial Statements.

The adoption of the above standards and interpretations is not expected to lead to any changes to the Company's accounting policies or have any other material impact on the financial position or performance of the Company.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Prior year restatement

An error has been identified within the Company's deferred tax calculations which was triggered by a series of historic changes in the residual value applied to Buildings impacting the portion of the asset to be recovered through use and the portion through sale. In line with IAS 8, the Company has restated balances as at 1 April 2023 and 2 April 2022. Specifically, the impact on the financial results as at 1 April 2023 was a £23.6m increase in deferred tax liabilities recognised in relation to Buildings following management's downwards revision of its estimate of the residual value on Buildings. There is no impact on cash flow statement in any years. The financial impact of the errors identified are as follows:

	As at 1 April 2023			As at 2 April 2022		
	Reported £m	Adjustment £m	Restated £m	Reported £m	Adjustment £m	Restated £m
Deferred tax liability	144.6	23.6	168.2	251.6	(4.8)	246.8
Retained earnings	1,544.4	(23.6)	1,520.8	1,761.9	4.8	1,766.7

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the Company to make estimates and judgements that affect the application of policies and reported amounts.

Critical judgements represent key decisions made by management in the application of the Company accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a key source of estimation uncertainty. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Company's critical accounting judgements and estimates are aligned with those disclosed in note 1 of the Group financial statements. Additional key sources of estimation uncertainty are noted below.

Impairment of investments in subsidiary undertakings

Investments in subsidiaries are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is estimated based on the fair value of each of the subsidiaries as determined by their individual net asset values. In estimating the recoverable amount, the Company makes assumptions (which are sources of estimation uncertainty) and judgements on the value of these investments using inherently subjective underlying property valuations. Whilst the Company considers the assumptions adopted represent the best estimate, because of the inherent uncertainty of valuation, it is reasonably possible that outcomes within the next financial year may differ significantly from the assumptions. Refer to note C9 for further details.

C2 DIVIDENDS

	2024 per share	2023 per share	2024 £m	2023 £m
Dividends on equity ordinary shares				
Paid interim dividend	0.7p	-	20.0	-
	0.7p	-	20.0	-

On 21 May 2024, the directors approved an interim dividend of 1.5p per share (last year: nil per share) which, in line with the requirements of IAS 10 'Events after the Reporting Period', has not been recognised within these results.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C3 EMPLOYEES

A. AGGREGATE REMUNERATION

The aggregate remuneration and associated costs of Marks and Spencer plc employees were:

	2024 Total £m	2023 Total £m
Wages and salaries	1,253.2	1,183.9
Social security costs	90.8	82.5
Pension costs	74.5	70.0
Share-based payments	41.7	32.5
Employee welfare and other personnel costs	34.7	38.4
Capitalised staffing costs	(20.5)	(14.9)
Total aggregate remuneration	1,474.4	1,392.4

B. AVERAGE MONTHLY NUMBER OF EMPLOYEES

	2024	2023
Stores		
- management and supervisory categories	4,915	4,823
- other	52,150	50,019
Support centre		
- management and supervisory categories	3,627	3,737
- other	862	765
Operations		
- management and supervisory categories	127	128
- other	1,651	1,752
Total average number of employees	63,332	61,224

The average number of full-time equivalent employees is 42,330 (last year: 41,924).

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C4 RETIREMENT BENEFITS

The Company provides pension arrangements for the benefit of its UK employees through the Your M&S Pension Saving Plan (a defined contribution (DC) arrangement) and prior to 2017, through the Marks & Spencer Pension Scheme ("UK DB Pension Scheme") (a defined benefit (DB) arrangement).

The legacy UK DB pension scheme operated on a final pensionable salary basis and is governed by a Trustee board which is independent of the Group. The UK DB scheme closed to future accrual on 1 April 2017. There will be no further service charge relating to the scheme and no future monthly employer contributions for current service. At year end the UK DB pension scheme had no active members (last year nil), 46,779 deferred members (last year: 49,634) and 54,085 pensioners (last year: 53,634).

The DC plan is a pension plan under which the Group pays contributions to an independently administered fund. Such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with the investment returns earned on the contributions arising from the performance of each individual's investments and how each member chooses to receive their retirement benefits. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee. At the year end, the DC arrangement had some 45,560 active members (last year: 56,520) and some 57,055 deferred members (last year: 52,956).

Other retirement benefits also include a UK post-retirement healthcare scheme and unfunded retirement benefits.

The total Company retirement benefit cost was £14.8m (last year: £8.3m). Of this, income of £43.7m (last year: income of £46.1m) relates to the UK DB pension scheme, costs of £57.9m (last year: costs of £53.6m) to the UK DC plan and costs of £0.7m (last year: costs of £0.8m) to other retirement benefit schemes.

The most recent actuarial valuation of the Marks and Spencer UK Pension Scheme was carried out as at 31 March 2021 and showed a funding surplus of £687m. This is an improvement on the previous position at 31 March 2018 (statutory surplus of £652m), primarily due to lower assumed life expectancy. The Company and Trustee have confirmed, in line with the current funding arrangement, that no further contributions will be required to fund past service as a result of this valuation (other than those already contractually committed under the existing Marks and Spencer Scottish Limited Partnership arrangements – see note C5).

The Company is aware of a UK High Court legal ruling in June 2023 between Virgin Media Limited and NTL Pension Trustees II Limited, which decided that certain historic rule amendments were invalid if they were not accompanied by the actuarial certifications. The ruling was subject to appeal and in July 2024 the Court of Appeal confirmed the UK High Court legal ruling from June 2023. The Company is in the process of assessing the impact of this ruling. As the outcome of the impact analysis is still unknown, no adjustments have been made to the Company Financial Statements at 30 March 2024.

A. PENSIONS AND OTHER POST-RETIREMENT LIABILITIES

	2024 £m	2023 £m
Total market value of assets	6,439.7	7,066.4
Present value of scheme liabilities	(5,945.9)	(6,220.0)
Net funded pension plan asset	493.8	846.4
Unfunded retirement benefit	(2.0)	(2.0)
Post-retirement healthcare	(2.2)	(2.4)
Net retirement benefit asset	489.6	842.0

	2024 £m	2023 £m
Analysed in the statement of financial position as:		
Retirement benefit asset	493.8	846.4
Retirement benefit deficit	(4.2)	(4.4)
	489.6	842.0

In the event of a plan wind-up, the pension scheme rules provide Marks and Spencer plc with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities. In the ordinary course of business, the Trustees have no rights to wind up or change the benefits due to the members of the scheme. As a result, any net surplus in the UK DB Pension Scheme is recognised in full.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B. SCHEME ASSETS

Changes in the fair value of the scheme assets are as follows:

	2024 £m	2023 £m
Fair value of scheme assets at start of year	7,066.4	10,295.8
Interest income based on discount rate	335.3	286.5
Actual return on scheme assets excluding amounts included in net interest income ¹	(629.3)	(3,172.7)
Employer contributions	1.1	1.4
Benefits paid	(328.8)	(340.0)
Administration costs	(5.0)	(4.6)
Fair value of scheme assets at end of year	6,439.7	7,066.4

¹ The actual return on scheme assets was a loss of £291.9m (last year: loss of £2,886.2m).

C. PENSIONS AND OTHER POST-RETIREMENT LIABILITIES

Changes in the present value of retirement benefit obligations are as follows:

	2024 £m	2023 £m
Present value of obligation at start of year	6,224.4	8,933.9
Interest cost	286.6	235.9
Benefits paid	(328.8)	(339.6)
Actuarial loss – experience	4.4	255.3
Actuarial gain – demographic assumptions	(101.4)	(205.4)
Actuarial gain– financial assumptions	(135.1)	(2,655.7)
Present value of obligation at end of year	5,950.1	6,224.4
Analysed as:		
Present value of pension scheme liabilities	5,945.9	6,220.0
Unfunded pension plans	2.0	2.0
Post-retirement healthcare	2.2	2.4
Present value of obligation at end of year	5,950.1	6,224.4

The average duration of the defined benefit obligation at 30 March 2024 is 13.0 years (last year: 14.0 years).

D. ANALYSIS OF ASSETS

The investment strategy of the UK defined benefit pension scheme is driven by its liability profile, in particular its inflation-linked pension benefits.

In addition to its interest in the Scottish Limited Partnership (refer to note C5), the scheme invests in different types of bonds (including corporate bonds and gilts) and derivative instruments (including inflation, interest rate, cross-currency and total return swaps) in order to align movements in the value of its assets with movements in its liabilities arising from changes in market conditions. Broadly the scheme has hedging that covers 93% of interest rate movements and 102% of inflation movements, as measured on the Trustee's funding assumptions which use a discount rate derived from gilt yields.

By funding its DB pension schemes, the Company is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the schemes' assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the schemes' liabilities.
- The level of price inflation may be higher than that assumed, resulting in higher payments from the schemes.
- Scheme members may live longer than assumed, for example due to advances in healthcare. Members may also exercise (or not exercise) options in a way that lead to increases in the schemes' liabilities, for example through early retirement or commutation of pension for cash.
- Legislative changes could also lead to an increase in the schemes' liabilities.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

In addition, the Company is exposed to additional risks through its obligation to the UK DB Pension Scheme via its interest in the Scottish Limited Partnership (see note C5). In particular, under the legal terms of the Partnership, a default by the Company on the rental payments to the Partnership or a future change in legislation could trigger earlier or higher payments to the pension scheme, or an increase in the collateral to be provided by the Company.

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	2024			2023		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Debt investments						
– Government Bonds net of repurchase agreements ¹	1,639.7	(106.2)	1,533.5	1,993.6	(196.6)	1,797.0
– Corporate Bonds	-	1.1	1.1	-	1.2	1.2
– Asset backed securities and structured debt	-	258.8	258.8	-	443.6	443.6
Scottish Limited Partnership Interest (see note C5)	-	500.6	500.6	-	487.3	487.3
Equity investments						
– Developed markets	-	-	-	-	-	-
– Emerging markets	-	-	-	109.5	-	109.5
Growth Asset Funds						
– Global Property	-	214.5	214.5	-	281.5	281.5
– Hedge and Reinsurance	-	314.5	314.5	-	316.2	316.2
– Private Equity and Infrastructure	-	142.0	142.0	-	165.6	165.6
Derivatives						
– Interest and inflation rate swaps	162.6	-	162.6	-	88.6	88.6
– Foreign exchange contracts and other derivatives	(3.5)	-	(3.5)	-	21.4	21.4
Cash and Cash equivalents	224.6	-	224.6	-	206.2	206.2
Other						
– Buy In Insurance	-	2,026.3	2,026.3	-	2,150.0	2,150.0
– Secure Income Asset Funds	-	1,064.7	1,064.7	-	998.4	998.4
Total	2,023.4	4,416.3	6,439.7	2,103.1	4,963.4	7,066.4

¹ Repurchase agreements were £106.2m (last year £196.6m)

The fair values of the above equity and debt investments are based on publicly available market prices wherever available. Unquoted investments, hedge funds and reinsurance funds are stated at fair value estimates provided by the manager of the investment or fund. Property includes both quoted and unquoted investments. The fair value of the Scottish Limited Partnership interest is based on the expected cash flows and benchmark asset-backed credit spreads. It is the policy of the scheme to hedge a proportion of interest rate and inflation risk. The scheme reduces its foreign currency exposure using forward foreign exchange contracts.

E. FINANCIAL ASSUMPTIONS

The financial assumptions for the UK DB Pension Scheme and the most recent actuarial valuations of the other post-retirement schemes have been updated by independent qualified actuaries to take account of the requirements of IAS 19 – ‘Employee Benefits’ in order to assess the liabilities of the schemes and are as follows:

	2024 %	2023 %
Rate of increase in pensions in payment for service	2.1 - 3.1	2.2 - 3.2
Discount rate	4.80	4.75
Inflation rate for RPI	3.20	3.25
Long-term healthcare cost increases	7.20	7.30

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F. DEMOGRAPHIC ASSUMPTIONS

The UK demographic assumptions are mainly in line with those adopted for the last formal actuarial valuation of the scheme performed as at 31 March 2021. The UK post-retirement mortality assumptions are based on an analysis of the pensioner mortality trends under the scheme for the period to March 2021. The specific mortality rates used are based on the VITA lite tables, with future projections based on up-to-date industry models, parameterised to reflect scheme data. The life expectancies underlying the valuation are as follows:

	2024	2023
Current pensioners (at age 65)		
– males	21.7	22.0
– females	24.1	24.4
Future pensioners – currently in deferred status (at		
– males	23.0	23.6
– females	25.5	26.1

G. SENSITIVITY ANALYSIS

The table below summarises the estimated impact of changes in the principal actuarial assumptions on the UK DB Pension Scheme surplus:

	2024 £m	2023 £m
Decrease in scheme surplus caused by a decrease in the discount rate of 0.25%	(30.0)	(25.0)
Increase in scheme surplus caused by an increase in the discount rate of 0.25%	25.0	20.0
Decrease in scheme surplus caused by a decrease in the discount rate of 1.0%	(120.0)	(95.0)
Increase in scheme surplus caused by an increase in the discount rate of 1.0%	100.0	80.0
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.25%	(20.0)	(30.0)
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.5%	(40.0)	(60.0)
Increase in scheme surplus caused by decrease in the average life expectancy of one year	130.0	130.0

The sensitivity analysis above is based on a change in one assumption while holding all others constant. Therefore, interdependencies between the assumptions have not been taken into account within the analysis. The sensitivities reflect the range of recent assumption movements and illustrate that the financial assumptions sensitivities do not move in a linear fashion.

H. ANALYSIS OF AMOUNT CHARGED AGAINST PROFITS

Amounts recognised in comprehensive income in respect of defined benefit retirement plans are as follows:

	2024 £m	2023 £m
Administration costs	5.0	4.6
Net interest income	(48.7)	(50.6)
Total	(43.7)	(46.0)
Remeasurement on the net defined benefit surplus:		
Actual return on scheme assets excluding amounts included in net interest income	629.3	3,172.7
Actuarial (gain) – demographic assumptions	(101.4)	(205.4)
Actuarial loss – experience	4.4	255.3
Actuarial (gain) – financial assumptions	(135.1)	(2,655.7)
Components of defined benefit expense recognised in other comprehensive income	397.2	566.9

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C5 MARKS & SPENCER UK PENSION SCHEME INTEREST IN THE SCOTTISH LIMITED PARTNERSHIP

The Company is a general partner and the Marks & Spencer UK Pension Scheme is a limited partner of the Marks and Spencer Scottish Limited Partnership (the Partnership). Under the partnership agreement, the limited partners have no involvement in the management of the business and shall not take any part in the control of the partnership. The general partner is responsible for the management and control of the partnership and as such, the Partnership is consolidated into the results of the Group.

The Partnership holds £1.3bn (last year: £1.3bn) of properties at book value which have been leased back to Marks and Spencer plc. The Company retains control over these properties, including the flexibility to substitute alternative properties into the Partnership. The first limited partnership interest (held by the Marks & Spencer UK Pension Scheme) previously entitled the Pension Scheme to receive £73.0m in 2023 and £54.4m in 2024. During the period, the Company and the pension scheme Trustees agreed to amend the distribution dates so that the Pension Scheme received £40.0m in October 2023 and would receive £89.7m in June 2024.

The second Partnership interest (also held by the Marks & Spencer UK Pension Scheme), previously entitled the Pension Scheme to receive a further annual distribution of £36.4m from June 2017 until June 2031. During the period, the Company and the Pension Scheme Trustees agreed to amend the distribution dates so that the Pension Scheme was entitled to £38.3m in June 2024 and then an annual distribution of £36.4m from June 2024 to June 2031. All profits generated by the Partnership in excess of these amounts are distributable to Marks and Spencer plc.

The partnership liability in relation to the first interest of £88.8m (last year: £124.8m) is valued at the net present value of the future expected distributions from the Partnership and is included as a liability in the Company's financial statements as it is a transferable financial instrument and measured at amortised cost, being the net present value of the future expected distributions from the Partnership. During the period to 30 March 2024 an interest charge of £4.1m (last year: £4.3m) was recognised in the income statement representing the unwinding of the discount included in this obligation. The first limited partnership interest of the Pension Scheme is included within the UK DB Pension Scheme assets, valued at £88.5m (last year: £122.8m).

The second partnership interest included within the UK DB Pension Scheme assets, valued at £377.7m (last year: £364.7m), is not a transferable financial instrument and therefore is not included as a plan asset in accordance with IAS 19 in the Consolidated Statement of Financial Position, although it is included within plan assets on the Company's Statement of Financial Position. Similarly, the associated liability is recognised in the individual financial statements of the Partnership but is not included in the Consolidated Statement of Financial Position; rather, the annual distribution is recognised as a contribution to the scheme each year.

On 27 June 2024, the Trustees agree that £40.0m of the amounts due on 30 June 2024 under the first limited partnership interest would be paid by this date and the remaining balance deferred, and the amounts due on 30 June 2024 under the second partnership interest would also be deferred. The deferred amounts are currently due to be paid on the earlier of the execution of a further amended agreement or 30 September 2024.

The Company and Pension scheme are in ongoing discussions to ensure that the distributions to the scheme are appropriate. If the ongoing discussions are successfully concluded, the profile of contributions to the scheme would be revised so that distributions in the year would substantially reduce and the Company would commit to extending the distribution profile, if required, to ensure that the scheme was fully funded.

C6 SHARE-BASED PAYMENTS

Disclosures for the Company are not provided here as the impact on the income statement, and the assets and liabilities of the Company are not materially dissimilar to that of note 12 in the Company's consolidated financial statements.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C7 INTANGIBLE ASSETS

	Computer software £m	Computer software under development £m	Total £m
At 2 April 2022			
Cost	1,471.2	63.1	1,534.3
Accumulated amortisation, impairments and write-offs	(1,377.3)	(8.2)	(1,385.5)
Net book value	93.9	54.9	148.8
Year ended 1 April 2023			
Opening net book value	93.9	54.9	148.8
Additions	3.0	79.1	82.1
Transfers	35.5	(64.3)	(28.8)
Disposals	(0.7)	-	(0.7)
Amortisation charge	(84.7)	-	(84.7)
Closing net book value	47.0	69.7	116.7
At 1 April 2023			
Cost	1,509.7	77.9	1,587.6
Accumulated amortisation, impairments and write-offs	(1,462.7)	(8.2)	(1,470.9)
Net book value	47.0	69.7	116.7
Year ended 30 March 2024			
Opening net book value	47.0	69.7	116.7
Additions	-	69.1	69.1
Transfers	88.0	(82.2)	5.8
Disposals	(5.4)	-	(5.4)
Amortisation charge	(52.2)	-	(52.2)
Closing net book value	77.4	56.6	134.0
At 30 March 2024			
Cost	1,597.7	64.8	1,662.5
Accumulated amortisation, impairments and disposals	(1,520.3)	(8.2)	(1,528.5)
Net book value	77.4	56.6	134.0

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C8 PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment of £4,091.8m (last year: £4,060.1m) consists of owned assets of £2,429.0m (last year: £2,333.9m) and right-of-use assets of £1,662.8m (last year: £1,726.2m).

Property, plant and equipment – owned

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
Year ended 1 April 2023				
Opening net book value	559.7	1,490.5	140.9	2,191.1
Additions	0.8	23.0	284.9	308.7
Transfers and reclassifications	15.0	281.5	(269.8)	26.7
Disposals	0.3	(2.6)	-	(2.3)
Impairment reversals	64.2	75.0	-	139.2
Impairment charge	(38.0)	(28.9)	-	(66.9)
Depreciation charge	(27.0)	(235.6)	-	(262.6)
Closing net book value	575.0	1,602.9	156.0	2,333.9
At 1 April 2023				
Cost	969.9	5,067.2	160.3	6,197.4
Accumulated depreciation, impairments and write-offs	(394.9)	(3,464.3)	(4.3)	(3,863.5)
Net book value	575.0	1,602.9	156.0	2,333.9
Year ended 30 March 2024				
Opening net book value	575.0	1,602.9	156.0	2,333.9
Additions	0.2	13.4	301.9	315.5
Transfers and reclassifications	10.0	295.4	(313.0)	(7.6)
Disposals	(32.9)	2.3	(1.1)	(31.7)
Impairment reversals	45.8	56.8	-	102.7
Impairment charge	(10.6)	(24.4)	-	(35.0)
Depreciation charge	(25.7)	(223.1)	-	(248.8)
Closing net book value	561.9	1,723.4	143.8	2,429.0
At 30 March 2024				
Cost	980.1	5,376.0	149.2	6,505.3
Accumulated depreciation, impairments and write-offs	(418.2)	(3,652.7)	(5.4)	(4,076.3)
Net book value	561.9	1,723.4	143.8	2,429.0

Disposals in the year include assets with gross book value of £163.7m (last year: £235.9m).

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C8 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Right-of-use assets

The Company adopted IFRS 16 Leases from 31 March 2019. Refer to note 1 of the Group financial statements for the accounting policy. The right-of-use assets recognised on adoption of IFRS 16 are reflected in the underlying asset classes of property, plant and equipment.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-of-use assets			
	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
As at 2 April 2022	1,715.7	47.6	1,763.3
Additions	164.9	20.8	185.7
Transfers and reclassifications	2.1	-	2.1
Disposals	(27.0)	(12.3)	(39.3)
Impairment reversals	67.1	-	67.1
Impairment charge	(34.5)	-	(34.5)
Depreciation charge	(202.3)	(15.9)	(218.2)
As at 1 April 2023	1,686.0	40.2	1,726.2
Additions	134.9	7.5	142.4
Transfers and reclassifications	1.7	-	1.7
Disposals	(14.9)	-	(14.9)
Impairment reversals	27.9	-	27.9
Impairment charge	(25.6)	-	(25.6)
Depreciation charge	(181.2)	(13.8)	(195.0)
As at 30 March 2024	1,628.8	33.9	1,662.8

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

For impairment testing purposes, the Company has determined that each store is a separate CGU, with the exception of Outlets stores, which are considered together as one CGU. Click & collect sales are included in the cash flows of the relevant CGU.

Each CGU is tested for impairment at the balance sheet date if any indicators of impairment and impairment reversals have been identified. Stores identified within the Company's store estate programme are automatically tested for impairment.

The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows, covering a three-year period, which have regard to historic performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed initiatives. The cash flows include ongoing capital expenditure required to maintain the store network, but exclude any growth capital initiatives not committed. Cash flows beyond this three-year period are extrapolated using a long-term growth rate based on management's future expectations, with reference to forecast GDP growth. These growth rates do not exceed the long-term growth rate for the Group's retail businesses in the relevant territory. If the CGU relates to a store which the Group has identified as part of the store estate programme, the value in use calculated has been modified by estimation of the future cash flows up to the point where it is estimated that trade will cease and then estimation of the timing and amount of costs associated with closure. 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. We also expect any potential store refurbishments to be phased over multiple years and therefore any changes required due to climate change would not have a material impact in any given year and the warehouse and support centres are located in areas which we would not expect to be physically impacted by climate change. As a consequence there has been no material impact in the forecast cash flows used for impairment testing.

The key assumptions in the value in use calculations are the growth rates of sales and gross profit margins, changes in the operating cost base, long-term growth rates and the risk-adjusted pre-tax discount rate. 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 country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The pre-tax discount rates range from 12.5% to 17.6% (last year: 12.5% to 18.1%). If the CGU relates to a store which the Group has identified as part of the store estate programme, the additional key assumptions in the value in use calculations are costs associated with closure, the disposal proceeds from store exits and the timing of the store exits.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Impairments – UK stores excluding the store estate programme

During the year, the Group has recognised an impairment charge of £1.1m and impairment reversals of £25.3m in property, plant and equipment as a result of UK store impairment testing unrelated to the store estate programme (last year: impairment charge of £15.5m and impairment reversals of £174.9m). The impaired stores were impaired to their value in use recoverable amount of £70.4m, which is their carrying value at year end. The stores with impairment reversals were written-back to the lower of their value in use recoverable amount, and the carrying value if the impairment had not occurred, of £87.3m.

For UK stores, when considering both impairment charges and reversals, cash flows beyond the three-year period are extrapolated using the Group's current view of achievable long-term growth of 2.0%, adjusted to 0% where management believes the current trading performance and future expectations of the store do not support the growth rate of 2.0%. The rate used to discount the forecast cash flows for UK stores is 12.5% (last year: 8.5%).

As disclosed in the accounting policies (note C1), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to further impairments. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions across the UK store portfolio.

Neither an increase or reduction in sales of 5% from the three-year plan in year 3, a 25 basis point increase in the discount rate, a 25 basis point increase or reduction in gross profit margin from year 3 onwards, result in a significant change to the impairment charge or impairment reversal, individually or in combination with the other reasonably possible scenarios considered.

Impairments – Store estate programme

During the year, the Company has recognised an impairment charge of £59.5m and impairment reversals of £103.3m relating to the ongoing store estate programme (last year: impairment charge of £85.9m and impairment reversals of £31.4m). These stores were impaired to their 'value in use' recoverable amount of £109.6m, which is their carrying value at year end. Impairment reversals predominantly reflect changes to expected store closure dates and improved trading expectations compared to those assumed at the end of the prior year end.

Where the planned closure date for a store is outside the three-year plan period, no growth rate is applied. The rate used to discount the forecast cash flows for UK stores is 7.3% (last year: 8.5%).

As disclosed in the accounting policies (note C1), the cash flows used within the impairment models for the store estate programme are based on assumptions which are sources of estimation uncertainty, and small movements in these assumptions could lead to further impairments. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions across the store estate programme.

A delay of 12 months in the date of each store exit would result in a decrease of the impairment charge by £29.1m.

Neither an increase or decrease of 5% from the three-year plan in years 2 and 3, a 25 basis point increase in the discount rate, a 25 basis point reduction in gross profit margin during the period of trading nor a 2% increase in the costs associated with exiting a store would result in a significant increase to the impairment charge, individually or in combination with the other reasonably possible scenarios considered.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C9 INVESTMENTS

A. INVESTMENTS IN GROUP UNDERTAKINGS

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
At 2 April 2022			
Cost	1,204.4	0.5	1,204.9
Provision for impairment	(307.8)	-	(307.8)
Net book value	896.6	0.5	897.1
Year ended 1 April 2023			
Opening net book value	896.6	0.5	897.1
Additions	0.5	-	0.5
Provision for impairment charge	(3.6)	-	(3.6)
Provision for impairment reversal	6.8	-	6.8
Closing net book value	900.3	0.5	900.8
At 1 April 2023			
Cost	1,204.9	0.5	1,205.4
Provision for impairment	(304.6)	-	(304.6)
Net book value	900.3	0.5	900.8
Year ended 30 March 2024			
Opening net book value	900.3	0.5	900.8
Additions	-	-	-
Provision for impairment charge	(1.3)	-	(1.3)
Provision for impairment reversal	6.7	-	6.7
Closing net book value	905.7	0.5	906.2
At 30 March 2024			
Cost	1,204.9	0.5	1,205.4
Provision for impairment	(299.2)	-	(299.2)
Net book value	905.7	0.5	906.2

For impairment testing purposes the carrying value of the investment held by the Company is compared to the net assets of the subsidiary companies adjusted for impairments of fixed assets held by the subsidiaries calculated on the same basis as note C8.

B. SUBSIDIARY UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation and the effective percentage of equity owned, as at 30 March 2024 is disclosed below.

Name	Registered address	Country of incorporation	Share Class	Proportion of shares held by:	
				Company	A subsidiary
Amethyst Leasing (Holdings) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Amethyst Leasing (Properties) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	-	100%
Aprill Limited	24-29 Mary Street, Dublin 2, Ireland	Republic of Ireland	€1.25 Ordinary	-	100%
Busyexport Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Founders Factory Retail Limited	Founders Factory (Level 7), Arundel Street Building 180 Strand, 2 Arundel Street, London, WC2R 3DA	United Kingdom	£0.0001 Ordinary	0.004%	-
			£0.0001 preferred	100%	-
Hedge End Park Limited	33 Holborn, London, EC1N 2HT	United Kingdom	£1 Ordinary A	-	-
			£1 Ordinary B	100%	-

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C9 INVESTMENTS CONTINUED

B. SUBSIDIARY UNDERTAKINGS

Ignazia Limited	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	£1 Ordinary	–	100%
Marks and Spencer (Jaeger) Limited	Waterside House, 35 North Wharf Road, London, United Kingdom, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Nobody's Child Limited	10-11 Greenland Place, Camden, London, NW1 0AP	United Kingdom	£0.01 Ordinary	–	–
			£0.01 Preference	100%	–
The Sports Edit Limited	Waterside House, 35 North Wharf Road, London, United Kingdom, W2 1NW	United Kingdom	£0.01 A Ordinary	100%	–
			£0.01 B Ordinary	100%	–
			£0.01 C Ordinary	–	–
M&S Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer Services S.R.O	Jemnická 1138/1, Michle, Praha 4, 140 00, Czech Republic	Czech Republic CZK NPV		–	100%
Manford (Textiles) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks & Spencer (Portugal) Lda.	Avenida da Liberdade 249, 8º, 1250-143, Lisbon, Portugal	Portugal	€1 Ordinary	–	100%
Marks & Spencer Company Archive CIC	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	Membership	– ¹	–
Marks & Spencer Outlet Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Sparks Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer (Australia) Pty Limited	Minter Ellison Governor Macquarie Tower, Level 40 1 Farrer Place Sydney NSW 2000 Australia	Australia	AUD 2 Ordinary	100%	–
Marks and Spencer (Bradford) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer (Hong Kong) Investments Limited	Suites 807-13, 8/F, South Tower, World Finance Centre, Harbour City, Kowloon, Hong Kong	Hong Kong	No Par Value Ordinary	–	100%
Marks and Spencer (India) Pvt Limited	Plot No 64, 2nd Floor, Holly Hocks, Sector 44, Gurgaon – 122 002, Haryana, India	India	INR10 Ordinary	0.002%	99.998%
Marks and Spencer (Ireland) Limited	24/27 Mary Street, Co. Dublin, Dublin 1, D01 YE83, Ireland	Republic of Ireland	€1.25 Ordinary	–	100%
Marks and Spencer Pensions Trust (Ireland) Company Limited By Guarantee	24/27 Mary Street, Co. Dublin, Dublin 1, D01 YE83, Ireland	Republic of Ireland	NA ²	–	–

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C9 INVESTMENTS CONTINUED

B. SUBSIDIARY UNDERTAKINGS

Marks and Spencer (Nederland) B.V.	Basisweg 10, 1043 AP, Amsterdam, Netherlands	The Netherlands	€450 Ordinary	-	100%
Marks and Spencer (Northern Ireland) Limited	Merchant Square, 20-22 Wellington Place, Belfast, BT1 6GE	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer (Property Ventures) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer (Investment Holdings) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer (Shanghai) Limited	Unit 03-04 16/F, Eco City 1788, 1788 West Nan Jing Road, Shanghai, China ⁶	China	USD NPV	-	100%
Marks and Spencer (Singapore) Investments Pte. Ltd	77 Robinson Road, Singapore #13-00 Robinson 77, Singapore 068896, Singapore	Singapore	No Par Value Ordinary	-	100%
Marks and Spencer 2005 (Brooklands Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Chester Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Fife Road Kingston Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Glasgow Sauchiehall Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Hedge End Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Kensington Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Kingston-on-Thames Satellite Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Kingston-on-Thames Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Parman House Kingston Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Pudsey Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Warrington Gemini Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C9 INVESTMENTS CONTINUED

B. SUBSIDIARY UNDERTAKINGS

Marks and Spencer Chester Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	–	100%
Marks and Spencer Clothing Textile Trading J.S.C.	Havalani Karsisi Istanbul Dunya Ticaret Merkezi A3 Blok, Kat:11 Yesilkoy, Bakirkoy, Istanbul, Turkey	Turkey	TRL 25.00 Ordinary	–	100%
Marks and Spencer Czech Republic a.s	Jemnická 1138/1, Michle, Praha 4, 140 00, Czech Republic	Czech Republic	CZK 1,000 Ordinary	0.001%	99.999%
			CZK 100,000 Ordinary	–	100%
			CZK 1,000,000 Ordinary	–	100%
Marks and Spencer International Holdings Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer Investments	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	–	100%
Marks and Spencer BV	Basisweg 10, 1043 AP, Amsterdam, Netherlands	The Netherlands	€100 Ordinary	–	100%
Marks & Spencer Marinopoulos Greece SA	33-35 Ermou Street, Athens 10563, Greece	Greece	€3 Ordinary	–	80% ⁵
			€3 Preference	–	100%
Marks and Spencer Property Developments Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	–	100%
Marks and Spencer (Property Investments) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer Property Holdings Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer Reliance India Pvt Limited	4th Floor, Court House, Lokmanya Tilak Marg, Dhobi Talao, Mumbai, 400 002, India	India	INR 10 Class A	–	51%
			INR 10 Class B	–	100%
			INR 5 Class C	–	– ³
Marks and Spencer Scottish Limited Partnership	2-28 St Nicholas Street, Aberdeen, AB10 1BU	United Kingdom	Partnership interest	– ⁴	–
Marks and Spencer Simply Foods Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer Stores B.V. ⁷	Basisweg 10, 1043 AP, Amsterdam, Netherlands	The Netherlands	€450 Ordinary	–	100%
M.S. General Insurance L.P.	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	Partnership interest	–	100%
Marks and Spencer (SA) (Pty) Limited	Woolworths House, 93 Longmarket Street, Cape Town, 8001, South Africa	South Africa	ZAR 2 Ordinary	100%	–
M & S Mode International B.V. ⁸	Basisweg 10, 1043 AP, Amsterdam, Netherlands	The Netherlands	€100 Ordinary	–	100%
Marks and Spencer France Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	€1.14 Ordinary	100%	–
Marks and Spencer Pearl (1) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer Pearl (Davertry) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C9 INVESTMENTS CONTINUED

B. SUBSIDIARY UNDERTAKINGS

Ruby Properties (Cumbernauld) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Ruby Properties (Hardwick) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Ruby Properties (Long Eaton) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Ruby Properties (Thornccliffe) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Ruby Properties (Tunbridge) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Simply Food (Property Investments)	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	–	100%
Simply Food (Property Ventures) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
St Michael Finance Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
St. Michael (Textiles) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	–	100%
Teranis Limited	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	£1 Ordinary	–	100%

1. The company is a Community Interest Company, not established or conducted for private gain. It is limited by guarantee of its members and does not have any share capital. Marks and Spencer plc is the sole member.
2. No share capital as the company is limited by guarantee.
3. INR 5 Class C shares 100% owned by JV partner.
4. Marks and Spencer plc is the General Partner.
5. 20% of ordinary shares are owned by JV partner.
6. Registered address from 19 April 2024: Unit 03-05A 16/F, Eco City 1788, 1788 West Nan Jing Road, Shanghai, China
7. Liquidated on 29 May 2024
8. Liquidated on 15 May 2024

C10 OTHER FINANCIAL ASSETS

	2024 £m	2023 £m
Non-current		
Other investments ¹	87.7	0.9
	87.7	0.9
Current		
Short-term investments	4.6	6.3

¹Non-current other investments includes £84.4m (last year: £0.3m) shares in Marks and Spencer Group plc held for employee share schemes.

Other financial assets are measured at fair value with changes in their value taken to the income statement.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C11 TRADE AND OTHER RECEIVABLES

	2024 £m	2023 £m
Non-current		
Prepayments	113.3	122.2
Lease receivables – net of provision for impairment	63.0	65.5
Amounts owed by parent company	2,483.6	2,541.0
Amounts owed by subsidiary companies	479.6	420.3
	3,139.5	3,149.0
Current		
Trade receivables	103.7	89.2
Less: Provision for impairment of receivables	(1.2)	(5.3)
Trade receivables – net	102.5	83.9
Other receivables	11.9	14.1
Prepayments and accrued income	109.2	100.2
Amounts owed by subsidiary companies	26.2	18.9
	249.8	217.1

As at 30 March 2024, £403.4m (last year: £321.7m) of the amounts owed by group companies is interest-bearing. Overall, the interest receivable during the year was £26.2m (last year: £10.0m). Interest rates are set within individual company loan agreements and reference SONIA plus an applicable margin. The remaining £2,658.0m (last year: £2,658.5m) of the amounts owed by group companies are interest-free. Amounts owed by group companies are repayable on demand.

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The Company's assessment of any expected credit losses is included in note C15(b). Included in prepayments and accrued income is £6.0m (last year: £8.8m) of accrued supplier income relating to rebates that have been earned but not yet invoiced. An immaterial amount of supplier income that has been invoiced but not yet settled against future trade creditor balances is included within trade creditors, where there is a right to offset.

The maturity analysis of the Company's lease receivables is as follows:

	2024 £m	2023 £m
Timing of cash flows		
Within one year	4.7	4.7
Between one and two years	6.1	4.7
Between two and three years	7.8	6.1
Between three and four years	7.8	7.8
Between four and five years	7.8	7.8
More than five years	105.5	113.3
Total undiscounted cash flows	139.7	144.4
Effect of discounting	(62.5)	(68.2)
Present value of lease payments receivable	77.2	76.2
Less: provision for impairment of receivables	(14.2)	(10.7)
Net investment in the lease	63.0	65.5

C12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are £838.0m (last year: £986.5m). The carrying amount of these assets approximates their fair value.

The effective interest rate on short-term bank deposits is 5.3% (last year: 4.1%). These deposits have an average maturity of 16 days (last year: 19 days).

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2024 £m	2023 £m
Cash at bank and in hand	838.0	986.5

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C13 TRADE AND OTHER PAYABLES

	2024 £m	2023 £m
Current		
Trade and other payables	1,325.5	1,345.9
Social security and other taxes	53.2	59.2
Accruals	591.1	515.2
Deferred income	42.9	43.8
Amounts owed to subsidiary companies	2,031.7	1,768.7
	4,044.4	3,732.8
Non-current		
Other payables	1.4	1.4
Deferred income	2.1	3.3
	3.5	4.7

As at 30 March 2024, £1,460.5m (last year: £1,347.7m) of the amounts owed to subsidiaries is interest-bearing. Overall, the interest payable during the year was £72.2m (last year: £19.1m). Interest rates are set within individual company loan agreements and reference SONIA plus an applicable margin. The remaining £596.3m (last year: £455.0m) of the amounts owed to subsidiaries are interest-free. Amounts owed to subsidiaries are repayable on demand.

A contract liability arises in respect of gift cards and voucher schemes as payment has been received for a performance obligation which will be performed at a later point in time. Included within trade and other payables are gift card/voucher scheme liabilities:

	2024 £m	2023 £m
Opening balance	184.5	185.1
Issues	449.9	408.1
Released to the income statement	(436.4)	(408.7)
Closing balance	198.0	184.5

The Company operates a number of supplier financing arrangements, under which suppliers can obtain accelerated settlement on invoices from the finance provider. This is a form of reverse factoring which has the objective of serving the Company's suppliers by giving them early access to funding. The Company settles these amounts in accordance with each supplier's agreed payment terms.

The Company is not party to these financing arrangements and the arrangements do not permit the Company to obtain finance from the provider by paying the provider later than the Company would have paid its supplier. The Company does not incur any interest towards the provider on the amounts due to the suppliers. The Company therefore discloses the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain the same as those of other trade payables.

The payments by the Company under these arrangements are included within operating cash flows because they continue to be part of the normal operating cycle of the Company and their principal nature remains operating – i.e. payments for the purchase of goods and services.

At 30 March 2024, £284.1m (last year: £303.9m) of trade payables were amounts owed under these arrangements. During the year, the maximum facility available at any one time under the arrangements was £441.4m (last year: £442.6m).

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C14 BORROWINGS AND OTHER FINANCIAL LIABILITIES

	2024 £m	2023 £m
Current		
Lease liabilities	268.3	234.6
3.00% £300m Medium-Term Notes 2023 ¹	-	185.3
Interest accrued on Medium-Term Notes	30.1	42.0
	298.4	461.9
Non-current		
4.75% £400m Medium-Term Notes June 2025 ^{1,2}	205.6	330.0
3.75% £300m Medium-Term Notes May 2026 ¹	200.8	298.9
3.25% £250m Medium-Term Notes July 2027 ¹	248.9	248.6
7.125% US\$300m Medium-Term Notes December 2037 ^{3,4}	251.8	251.8
Revaluation of Medium-Term Notes ⁵	(15.5)	(10.2)
Lease liabilities	2,578.9	2,724.7
	3,470.5	3,843.8
Total	3,768.9	4,305.7

¹These notes are issued under Marks and Spencer plc's £3bn Euro Medium-Term Note programme and all pay interest annually.

²The Company occasionally enters into interest rate swaps to manage interest rate exposure. At year end, £2.1m (last year: £6.1m) of fair value adjustment for terminated hedges to be amortised over the remaining debt maturity.

³Interest on these bonds is payable biannually.

⁴US\$300m Medium-Term Note exposure swapped to sterling (fixed-to-fixed cross currency interest rate swaps). Refer to note C15 for further details.

⁵Revaluation consists of cumulative foreign exchange gain on revaluation of the 7.125% US\$300m Medium-Term Notes 2037 of £15.5m (last year: £10.2m).

Leases

The Company leases various stores, offices, warehouses and equipment with varying terms, escalation clauses and renewal rights.

The Company has certain leases with lease terms of 12 months or less and leases of assets with low values. The Company applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

Set out below are the carrying amounts of lease liabilities and the movements during the period.

	2024 £m	2023 £m
Opening lease liabilities	2,959.3	3,061.7
Additions	153.3	196.9
Interest expense relating to lease liabilities	160.5	163.8
Payments	(419.0)	(427.3)
Disposals	(7.1)	(35.6)
Exchange and other movements	0.2	(0.2)
	2,847.2	2,959.3
Current	268.3	234.6
Non-current	2,578.9	2,724.7

The maturity analysis of lease liabilities is disclosed in note C15(a).

Future cash outflows related to the post break clause period included in the lease liability

The Company holds certain leases that contain break clause options to provide operational flexibility. In accordance with IFRS 16, the Company has calculated the full lease term, beyond break, to represent the reasonably certain lease term (except for those stores identified as part of the store estate programme) within the total £2,847.2m of lease liabilities held on the balance sheet.

The following amounts were recognised in profit or loss:

	2024 £m	2023 £m
Expenses relating to short-term leases	10.5	10.0
Expenses relating to low-value assets	-	-
Expenses relating to variable consideration	4.1	3.2

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C15 FINANCIAL INSTRUMENTS

Treasury policy

The Company operates a centralised treasury function to manage the Company's funding requirements and financial risks in line with the Board-approved treasury policies and procedures, and their delegated authorities.

The Company's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Company's operations.

The Group treasury function also enters into derivative transactions, principally cross-currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and foreign currency risks arising from the Company's operations and financing.

It remains the Company's policy not to hold or issue financial instruments for trading purposes, except where financial constraints necessitate the need to liquidate any outstanding investments. The treasury function is managed as a cost centre and does not engage in speculative trading.

Financial risk management

The principal financial risks faced by the Company are liquidity and funding, counterparty, foreign currency and interest rate risks. The policies and strategies for managing these risks are summarised on the following pages:

A. Liquidity & funding risk

The risk that the Company could be unable to settle or meet its obligations as they fall due:

- The Company's funding strategy ensures a mix of funding sources offering sufficient headroom, maturity and flexibility, and cost-effectiveness to match the requirements of the Company.
- Marks and Spencer plc is financed by a combination of retained profits, bank borrowings, Medium-Term Notes and committed syndicated bank facilities.
- Operating subsidiaries are financed by a combination of retained profits, bank borrowings and intercompany loans.

The Company has a committed syndicated bank revolving credit facility of £850m with a current maturity date of 13 June 2027. The facility contains a financial covenant, being the ratio of earnings before interest, tax, depreciation and amortisation; to net interest and depreciation on right-of-use assets under IFRS 16. The covenant is measured biannually. The Company was not in breach of this metric at the reporting date.

The revolving credit facility includes four sustainability metrics where the margin payable on the facility is adjusted to reflect the Company's performance against ESG targets material to the Company's "Plan A" objectives. Any adjustment to the margin relating to these metrics would not be material to the Company.

The Company also has a number of uncommitted facilities available to it. At year end, these amounted to £25m (last year: £25m), all of which are due to be reviewed within a year. At the balance sheet date, a sterling equivalent of £nil (last year: £nil) was drawn under the committed facilities and £nil (last year: £nil) was drawn under the uncommitted facilities.

In addition to the existing borrowings, the Company has a Euro Medium-Term Note programme of £3bn, of which £0.7bn (last year: £1.1bn) was in issuance as at the balance sheet date. The initial rate of interest is fixed at the date of issue and the Notes are referred to as fixed rate borrowings throughout the Annual Report as the coupon does not change with movements in benchmark interest rates. However, the rate of interest on certain Notes varies both up and down in response to third-party credit ratings (to above/below Baa3 or above/below BBB-) that reflects the relative deterioration or improvement in the Company's cost of credit, and the interest payable on these Notes increases or decreases from the next interest payment date following a relevant credit rating downgrade or upgrade. As the original contractual terms of these Notes provide for changes in cash flows to be reset to reflect the relative deterioration or improvement in the Company's cost of credit, the Company considers these Notes to be floating rate instruments when determining amortised cost under IFRS 9 and consequently the Company applied IFRS 9 paragraph B5.4.5, which requires no adjustment to the carrying amount of the liabilities or immediate impact on profit and loss. If the Company had determined these Notes to be fixed rate instruments, the Notes would be remeasured to reflect the revised cash flows discounted at the original effective rate. This would result in initially a higher interest expense to profit or loss, offset by lower interest charges subsequently, when compared to the Company's treatment.

The table below summarises the contractual maturity of the Company's non-derivative financial liabilities and derivatives translated at the year end spot rate, excluding trade payables, other payables and accruals. The carrying value of all trade payables, other payables and accruals of £1,918.0m (last year: £1,862.5m) is equal to their contractual undiscounted cash flows (see note C13) which are due within one year.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Medium-Term Notes £m	Lease liabilities ¹ £m	Total borrowings and other financial liabilities £m	Cash inflow on derivatives ² £m	Cash outflow on derivatives ² £m	Total derivative liabilities £m
Timing of cash flows						
Within one year	(252.7)	(391.0)	(643.7)	1,169.3	(1,228.1)	(58.8)
Between one and two years	(59.3)	(397.5)	(456.8)	145.8	(147.4)	(1.6)
Between two and five years	(1,002.2)	(1,098.0)	(2,100.2)	26.0	(26.0)	-
More than five years	(415.6)	(3,361.4)	(3,777.0)	207.8	(214.7)	(6.9)
Total undiscounted cash flows	(1,729.8)	(5,247.9)	(6,977.7)	1,548.9	(1,616.2)	(67.3)
Effect of discounting	383.4	2,288.6	2,672.0			
At 1 April 2023	(1,346.4)	(2,959.3)	(4,305.7)			
Timing of cash flows						
Within one year	(47.9)	(404.1)	(452.0)	1,566.4	(1,593.1)	(26.7)
Between one and two years	(251.6)	(401.5)	(653.1)	83.7	(84.1)	(0.4)
Between two and five years	(532.3)	(1,056.3)	(1,588.6)	50.7	(51.1)	(0.4)
More than five years	(389.6)	(3,100.9)	(3,490.5)	389.6	(406.2)	(16.6)
Total undiscounted cash flows	(1,221.4)	(4,962.8)	(6,184.2)	2,090.4	(2,134.5)	(44.1)
Effect of discounting	299.7	2,115.6	2,415.3			
At 30 March 2024	(921.7)	(2,847.2)	(3,768.9)			

¹Total undiscounted lease payments of £546.4m relating to the period post-break clause, and the earliest contractual lease exit point, are included in lease liabilities. These undiscounted lease payments should be excluded when determining the Company's contractual indebtedness under these leases, where there is a contractual right to break.

²Cash inflows and outflows on derivative instruments that require gross settlement (such as cross-currency swaps and forward foreign exchange contracts) are disclosed gross. Cash inflows and outflows on derivative instruments that settle on a net basis are disclosed net.

B. Counterparty risk

Counterparty risk exists where the Company can suffer financial loss through the default or non-performance of the counterparties with whom it transacts.

Exposures are managed in accordance with the Company treasury policy which limits the value that can be placed with each approved counterparty to minimise the risk of loss. The minimum long-term rating for all counterparties is long-term Standard & Poor's (S&P)/Moody's A-/A3 (BBB+/Baa1 for committed lending banks). In the event of a rating by one agency being different from the other, reference will be made to Fitch to determine the casting vote of the rating group. In the absence of a Fitch rating, the lower agency rating will prevail. Limits are reviewed regularly by senior management. The credit risk of these financial instruments is estimated as the fair value of the assets resulting from the contracts.

The table below analyses the Company's short-term investments and derivative assets by credit exposure excluding bank balances, store cash and cash in transit.

	Credit rating of counterparty								Total £m
	AAA £m	AA+ £m	AA £m	AA- £m	A+ £m	A £m	A- £m	BBB+ £m	
Cash and cash equivalents ¹	99.4	-	-	79.3	342.4	246.2	65.0	-	832.3
Other investments ²	-	-	-	4.9	4.2	3.1	-	-	12.2
Derivative assets ³	-	-	-	-	10.0	7.4	5.0	-	22.4
At 1 April 2023	99.4	-	-	84.2	356.6	256.7	70.0	-	866.9
	Credit rating of counterparty								Total £m
	AAA £m	AA+ £m	AA £m	AA- £m	A+ £m	A £m	A- £m	BBB+ £m	
Cash and cash equivalents ¹	116.7	-	-	119.0	221.8	92.7	187.0	-	737.2
Other investments ²	-	-	-	3.0	7.9	1.2	-	-	12.1
Derivative assets ³	-	-	-	0.9	6.0	0.3	0.2	-	7.4
At 30 March 2024	116.7	-	-	122.9	235.7	94.2	187.2	-	756.7

¹Includes cash on deposit and money market funds held by Marks and Spencer plc and Marks and Spencer General Insurance. Excludes cash in hand and in transit of £67.6m (last year: £164.3m).

²Relates to money market deposits held by Marks and Spencer General Insurance. Excludes other non-rated investments of £nil (last year: £0.7m).

³Standard & Poor's equivalent rating shown as reference to the majority credit rating of the counterparty from either Standard & Poor's, Moody's or Fitch where applicable.

The Company has a very low retail credit risk due to transactions principally being of a high volume, low value and short maturity.

The maximum exposure to credit risk at the balance sheet date was as follows: trade receivables £103.7m (last year: £89.2m), lease receivables £63.0m (last year: £65.5m), other receivables £11.9m (last year: £14.1m), amounts owed by group companies £2,989.4m (last year: £2,980.2m), cash and cash equivalents £838.0m (last year: £986.5m) and derivatives £7.4m (last year: £22.4m).

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Impairment of financial assets

The credit risk management practices of the Company include internal review and reporting of the ageing of trade and other receivables by days past due by a centralised accounts receivable function, and grouped by respective contractual revenue stream, along with liaison with the debtors by the credit control function.

The Company applies the IFRS 9 simplified approach in measuring expected credit losses which use a lifetime expected credit loss allowance for all trade receivables and lease receivables.

To measure expected credit losses, trade receivables have been grouped by shared credit risk characteristics along the lines of differing revenue streams such as international franchise, UK franchise, food, corporate and sundry, as well as by geographical location and days past due. In addition to the expected credit losses calculated using a provision matrix, the Company may provide additional provision for the receivables of particular customers if the deterioration of financial position was observed. The Company's trade receivables are of very low credit risk due to transactions being principally of high volume, low value and short maturity. Therefore, it also has very low concentration risk.

The expected loss rates are determined based on the average write-offs as a proportion of average debt over a period of 36 months prior to the reporting date. The historical loss rates are adjusted for current and forward-looking information where significant. The Company considers GDP growth, unemployment, sales growth and bankruptcy rates of the countries in which goods are sold to be the most relevant factors and, where the impact of these is significant, adjusts the historical loss rates based on expected changes in these factors.

Historical experience has indicated that debts aged 180 days or over are generally not recoverable. The Company has incorporated this into the expected loss model through a uniform loss rate for ageing buckets below 180 days, dependent on the revenue stream and country and providing for 100% of debt aged over 180 days past due. Where the Company specifically holds insurance or holds the legal right of offset with debtors which are also creditors, the loss provision is applied only to the extent of the uninsured or net exposure.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery include the failure of the debtor to engage in a payment plan, and failure to make contractual payments within 180 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit, and subsequent recoveries are credited to the same line item.

As at 1 April 2023	Current £m	Up to 30 days past due £m	31-60 days past due £m	61-90 days past due £m	91-180 days past due £m	181 days or more past due £m	Total £m
Gross carrying amount - trade receivables	67.6	14.7	2.5	1.7	1.2	1.5	89.2
Expected loss rate	1.2%	4.8%	28.0%	35.3%	66.7%	100.0%	5.7%
Lifetime expected credit loss	0.8	0.7	0.7	0.6	0.8	1.5	5.1
Net carrying amount	66.8	14.0	1.8	1.1	0.4	-	84.1

As at 30 March 2024	Current £m	Up to 30 days past due £m	31-60 days past due £m	61-90 days past due £m	91-180 days past due £m	181 days or more past due £m	Total £m
Gross carrying amount - trade receivables	92.4	3.9	3.6	0.5	2.8	0.5	103.7
Expected loss rate	0.1%	1.1%	2.8%	4.0%	18.5%	100.0%	1.1%
Lifetime expected credit loss	0.1	-	0.1	-	0.5	0.5	1.2
Net carrying amount	92.3	3.9	3.5	0.5	2.3	-	102.5

The closing loss allowances for trade receivables reconciles to the opening loss allowances as follows:

	2024 £m	2023 £m
Trade receivables expected loss provision		
Opening loss allowance	5.1	4.2
(Decrease)/increase in loss allowance recognised in profit and loss during the year	(2.1)	5.8
Receivables written off during the year as uncollectable	(1.8)	(4.9)
Closing loss allowance	1.2	5.1

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The closing loss allowances for lease receivables reconciles to the opening loss allowances as follows:

	2024	2023
	£m	£m
Lease receivables expected loss provision		
Opening loss allowance	10.7	-
Increase in loss allowance recognised in profit and loss during the year ¹	3.5	10.7
Closing loss allowance	14.2	10.7

¹ Relates to the sub-let of previously closed offices associated with the strategic programme to centralise the Company's London Head Office functions.

The provision for other receivables is highly immaterial (it can be quantified) and therefore no disclosure is provided.

C. Foreign currency risk

Transactional foreign currency exposure arises primarily from the import of goods sourced from overseas suppliers and also from the export of goods from the UK to overseas subsidiaries. The most significant exposure is to the US dollar, incurred in the sourcing of Clothing & Home products from Asia.

Group Treasury hedges these Clothing & Home foreign currency exposures principally using forward foreign exchange contracts progressively based on dynamic forecasts from the business. Hedging is generally carried out in the six months before the period when purchase orders are entered into.

Other exposures arising from the export of goods to overseas subsidiaries are also hedged progressively over the course of the year before they are incurred. At the balance sheet date the gross notional value in sterling terms of forward foreign exchange contracts amounted to £2,241.8m (last year: £2,011.2m) with a weighted average maturity date of seven months (last year: eight months).

Gains and losses in equity on forward foreign exchange contracts designated in cash flow hedge relationships as at 30 March 2024 will be released to the income statement at various dates over the following 14 months (last year: 14 months) from the balance sheet date.

The foreign exchange forwards are designated as cash flow hedges of highly probable forecast transactions. Both spot and forward points are designated in the hedge relationship; under IFRS 9 the currency basis spread may be excluded from the hedge relationship and recognised in other comprehensive income – cost of hedging reserve. The change in the fair value of the hedging instrument, to the degree effective, is deferred in equity and subsequently either reclassified to profit or loss or removed from equity and included in the initial cost of inventory as part of the “basis adjustment”. This will be realised in the income statement once the hedged item is sold. The Company has considered, and elected not to, recognise the currency basis spread element in the cost of hedging reserve, owing to the relatively short-dated nature of the hedging instruments.

The Company regularly reviews the foreign exchange hedging portfolio to confirm whether the underlying transactions remain highly probable. Any identified instance of over-hedging or ineffectiveness would result in immediate recycling to the income statement.

A change in the timing of a forecast item does not disqualify a hedge relationship nor the assertion of “highly probable” as there remains an economic relationship between the underlying transaction and the derivative.

The foreign exchange forwards are recognised at fair value. The Company has considered and elected to apply credit/debit valuation adjustments. The risks at the reporting date are representative of the financial year.

The Company also holds a number of cross-currency swaps to designate its fixed rate US dollar debt to fixed rate sterling debt. These are reported as cash flow hedges. The change in the fair value of the hedging instrument, to the degree effective, is retained in other comprehensive income, segregated by cost and effect of hedging. Under IFRS 9, the currency basis on the cross-currency swaps is excluded from the hedge designation and recognised in other comprehensive income – cost of hedging reserve. Effectiveness is measured using the hypothetical derivative approach. The contractual terms of the cross-currency swaps include break clauses every five years which allow for the interest rates to be reset (last reset November 2022).

The cross-currency swaps are recognised at fair value. The inclusion of credit risk on cross-currency swaps will cause ineffectiveness of the hedge relationship. The Company has considered and elected to apply credit/debit valuation adjustments, owing to the swaps' relative materiality and longer dated nature.

The Company also hedges foreign currency intercompany loans where these exist. Forward foreign exchange contracts in relation to the hedging of the Company's foreign currency intercompany loans are classified as fair value through profit and loss. The corresponding fair value movement of the intercompany loan balance resulted in a £1.6m loss (last year: £0.3m gain) in the income statement. As at the balance sheet date, the gross notional value of intercompany loan hedges was £246.7m (last year: £125.8m).

After taking into account the hedging derivatives entered into by the Company, the currency and interest rate exposure of the Company's borrowings and other financial liabilities, is set out below:

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2024			2023		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Currency						
Sterling	3,768.9	-	3,768.9	4,305.7	-	4,305.7
	3,768.9	-	3,768.9	4,305.7	-	4,305.7

As at the balance sheet date and excluding lease liabilities, post-hedging, the GBP and USD fixed rate borrowings are at an average rate of 5.3% (last year: 5.1%) and the weighted average time for which the rate is fixed is five years (last year: five years).

D. Interest rate risk

The Company is exposed to interest rate risk in relation to sterling, US dollar and euro variable rate financial assets and liabilities.

The Company's policy is to use derivative contracts where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk. The structure and maturity of these derivatives correspond to the underlying borrowings and are accounted for as fair value or cash flow hedges as appropriate.

At the balance sheet date, fixed rate borrowings amounted to £3,768.9m (last year: £4,305.7m) representing the public bond issues and lease liabilities, amounting to 100% (last year: 100%) of the Company's gross borrowings.

The effective interest rates at the balance sheet date were as follows:

	2024 %	2023 %
Committed and uncommitted borrowings	N/A	N/A
Medium-Term Notes	5.3%	5.1%
Leases	5.5%	5.3%

Derivative financial instruments

The below table illustrates the effects of hedge accounting on the statement of financial position and income statement through detailing separately by risk category and each type of hedge the details of the associated hedging instrument and hedged item.

	1 April 2023			
	Current		Non-Current	
	Forward foreign exchange contracts £m	Forward foreign exchange contracts £m	Cross-currency swaps £m	Forward foreign exchange contracts £m
	Cash flow hedges	FVTPL	Cash flow hedges	Cash flow hedges
Hedging risk strategy				
Notional / currency legs	1,730.2	125.8	252.9	155.2
Carrying amount assets	25.8	-	0.1	-
Carrying amount (liabilities)	(56.4)	(2.1)	(5.3)	(1.8)
	to Jul 2023	to Jun 2023	to Dec 2037	to May 2024
Maturity date				
Hedge ratio	100%	n/a	100%	100%
	Highly probable transactional FX exposures	Inter-company loans/deposits & subsidiary FX exposures	USD fixed rate borrowing	Highly probable transactional FX exposures
Description of hedged item				
Change in fair value of hedging instrument	55.9	(2.1)	30.9	(4.3)
Change in fair value of hedged item used to determine hedge effectiveness	(55.9)	0.3	(30.0)	4.3
	GBP/USD 1.20, GBP/EUR1.14		GBP/USD 1.19	GBP/USD 1.22, GBP/EUR1.12
Weighted average hedge rate for the year				
Net amounts recognised within finance costs in profit and loss	-	(1.8)	0.9	-
Balance on cash flow hedge reserve at 1 April 2023	45.3	-	(7.0)	1.8
Balance on cost of hedging reserve at 1 April 2023	-	-	(5.8)	-

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	30 March 2024			
	Current		Non-Current	
	Forward foreign exchange contracts £m	Forward foreign exchange contracts £m	Cross-currency swaps £m	Forward foreign exchange contracts £m
	Cash flow hedges	FVTPL	Cash flow hedges	Cash flow hedges
Hedging risk strategy				
Notional / currency legs	1,778.4	246.7	252.9	216.7
Carrying amount assets	6.8	0.2	-	0.7
Carrying amount (liabilities)	(22.6)	(1.8)	(21.6)	(0.3)
Maturity date	to Oct 2024	to Apr 2024	to Dec 2037	to Jun 2025
Hedge ratio	100%	n/a	100%	100%
Description of hedged item	Highly probable transactional FX exposures	Inter-company loans/deposits	USD fixed rate borrowing	Highly probable transactional FX exposures
Change in fair value of hedging instrument	17.7	0.5	18.4	2.2
Change in fair value of hedged item used to determine hedge effectiveness	(17.7)	(1.6)	(18.4)	(2.2)
Weighted average hedge rate for the year	GBP/USD 1.25; GBP/EUR 1.14	-	GBP/USD 1.19	GBP/USD 1.27; GBP/EUR 1.14
Amounts recognised within finance costs in profit and loss	-	(1.1)	-	-
Balance on cash flow hedge reserve at 30 March 2024	9.9	-	6.1	(0.5)
Balance on cost of hedging reserve at 30 March 2024	-	-	(7.4)	-

30 March 2024						1 April 2023			
		Notional Value		Fair Value		Notional Value		Fair Value	
		Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current									
Forward foreign exchange contracts	- cash flow hedges	526.2	1,252.3	6.8	(22.6)	712.1	1,018.1	25.8	(56.4)
	- FVTPL	60.6	186.1	0.2	(1.8)	8.0	117.7	-	(2.1)
		586.8	1,438.4	7.0	(24.4)	720.1	1,135.8	25.8	(58.5)
Non-current									
Cross-currency swaps	- cash flow hedges	-	252.9	-	(21.6)	125.0	127.9	0.1	(5.3)
Forward foreign exchange contracts	- cash flow hedges	149.9	66.8	0.7	(0.3)	18.1	137.1	-	(1.8)
		149.9	319.7	0.7	(21.9)	143.1	265.0	0.1	(7.1)

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The Company's hedging reserves disclosed in the statement of changes in equity, relate to the following hedging instruments:

	Cost of hedging reserve CCIRS ¹	Deferred tax	Total cost of hedging reserve	Hedge reserve FX derivatives	Hedge reserve CCIRS	Hedge reserve gilt locks	Deferred tax	Total hedge reserve
	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance 3 April 2022	(5.0)	1.0	(4.0)	(30.4)	9.5	0.1	3.4	(17.4)
Add: Change in fair value of hedging instrument recognised in OCI	-	-	-	(51.6)	(30.9)	-	-	(82.5)
Add: Costs of hedging deferred and recognised in OCI	(0.8)	-	(0.8)	-	-	-	-	-
Less: Reclassified to the cost of inventory	-	-	-	126.8	-	-	-	126.8
Less: Reclassified from OCI to profit or loss	-	-	-	-	14.4	-	-	14.4
Less: Deferred tax	-	0.2	0.2	-	-	-	(13.1)	(13.1)
Closing balance 1 April 2023	(5.8)	1.2	(4.6)	44.8	(7.0)	0.1	(9.7)	28.2
Opening balance 2 April 2023	(5.8)	1.2	(4.6)	44.8	(7.0)	0.1	(9.7)	28.2
Add: Change in fair value of hedging instrument recognised in OCI	-	-	-	19.9	18.4	-	-	38.3
Add: Costs of hedging deferred and recognised in OCI	(1.6)	-	(1.6)	-	-	-	-	-
Less: Reclassified to the cost of inventory	-	-	-	(57.6)	-	-	-	(57.6)
Less: Reclassified from OCI to profit or loss	-	-	-	-	(5.3)	-	-	(5.3)
Less: Deferred tax	-	0.4	0.4	-	-	-	6.1	6.1
Closing balance 30 March 2024	(7.4)	1.6	(5.8)	7.1	6.1	0.1	(3.6)	9.7

¹ Cross-currency interest rate swaps

² Other comprehensive income

The Company holds a number of cross-currency interest rate swaps to designate its USD to GBP fixed debt. These are reported as cash flow hedges. The ineffective portion recognised in profit or loss that arises from the cash flow hedge amounts to a £nil gain (last year: £0.9m gain) as the gain on the hedged items was £18.4m (last year: £30.0m loss) and the movement on the hedging instruments was a £18.4m loss (last year: £30.9m gain).

Movement in hedged items and hedging instruments

	2024 £m	2023 £m
Net (loss)/gain in fair value of cross-currency interest rate swap	(18.4)	30.9
Net gain/(loss) on hedged items	18.4	(30.0)
Ineffectiveness	-	0.9

Sensitivity analysis

The table below illustrates the estimated impact on the income statement and equity as a result of market movements in foreign exchange and interest rates in relation to the Company's financial instruments. The directors consider that a 2%+/- (last year: 2%) movement in interest and a 20% +/- (last year: 20%) movement in sterling against the relevant currency represent reasonably possible changes. However, this analysis is for illustrative purposes only. The Company believes that these illustrative assumed movements continue to provide sufficient guidance.

The table excludes financial instruments that expose the Company to interest rate and foreign exchange risk where such a risk is fully hedged with another financial instrument. Also excluded are trade receivables and payables as these are either sterling denominated, or the foreign exchange risk is hedged.

Interest rates The impact in the income statement due to changes in interest rates reflects the effect on the Company's floating rate debt and cash balances as at the balance sheet date. The impact in equity reflects the fair value movement in relation to the Company's cross-currency swaps.

Foreign exchange The impact from foreign exchange movements reflects the change in the fair value of the Company's transactional foreign exchange cash flow hedges at the balance sheet date. The equity impact shown for foreign exchange sensitivity relates to derivatives. This value is expected to be materially offset by the re-translation of the related transactional exposures.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2% decrease in interest rates £m	2% increase in interest rates £m	20% weakening in sterling £m	20% strengthening in sterling £m
At 1 April 2023				
Impact on income statement: (loss)/gain	(16.9)	16.9	-	-
Impact on other comprehensive income: (loss)/gain	3.0	(2.3)	267.3	(267.3)
At 30 March 2024				
Impact on income statement: (loss)/gain	(15.0)	15.0	-	-
Impact on other comprehensive income: (loss)/gain	5.8	(4.4)	315.7	(315.7)

Offsetting of financial assets and liabilities

The following tables set out the financial assets and financial liabilities which are subject to offsetting, enforceable master netting arrangements and similar agreements. Amounts which are set off against financial assets and liabilities in the Company's balance sheet are set out below. For trade and other receivables and trade and other payables, amounts not offset in the balance sheet, but which could be offset under certain circumstances, are also set out. To reconcile the amount shown in the tables below to the Statement of Financial Position, items which are not subject to offsetting should be included.

	Gross financial assets/ (liabilities) £m	Gross financial (liabilities)/ assets set off £m	Net financial assets/ (liabilities) per statement of financial position £m	Related amounts not set off in the statement of financial position £m	Net £m
At 1 April 2023					
Trade and other receivables	19.2	(16.5)	2.7	-	2.7
Derivative financial assets	26.0	-	26.0	(18.5)	7.5
	45.2	(16.5)	28.7	(18.5)	10.2

Trade and other payables	(317.3)	16.5	(300.8)	-	(300.8)
Derivative financial liabilities	(65.6)	-	(65.6)	18.5	(47.1)
	(382.9)	16.5	(366.4)	18.5	(347.9)

	Gross financial assets/ (liabilities) £m	Gross financial (liabilities)/ assets set off £m	Net financial assets/ (liabilities) per statement of financial position £m	Related amounts not set off in the statement of financial position £m	Net £m
At 30 March 2024					
Trade and other receivables	33.1	(31.2)	1.9	-	1.9
Derivative financial assets	7.7	-	7.7	(6.9)	0.8
	40.8	(31.2)	9.6	(6.9)	2.7

Trade and other payables	(357.8)	31.2	(326.6)	-	(326.6)
Derivative financial liabilities	(46.3)	-	(46.3)	6.9	(39.4)
	(404.1)	31.2	(372.9)	6.9	(366.0)

Amounts which do not meet the criteria for offsetting on the balance sheet, but could be settled net in certain circumstances, principally relate to derivative transactions under International Swaps and Derivatives Association agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

- Level 2: not traded in an active market but the fair values are based on quoted market prices or alternative pricing sources with reasonable levels of price transparency. The Company's level 2 financial instruments include interest rate and foreign exchange derivatives. Fair value is calculated using discounted cash flow methodology, future cash flows are estimated based on forward exchange rates and interest rates (from observable market curves) and contract rates, discounted at a rate that reflects the credit risk of the various counterparties for those with a long maturity.
- Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At the end of the reporting period, the Company held the following financial instruments at fair value:

	2024				2023			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value								
Financial assets at fair value through profit or loss (FVTPL)								
– other investments	84.4	-	3.3	87.7	0.3	-	-	0.3
– derivatives held at FVTPL	-	0.2	-	0.2	-	-	-	-
Derivatives used for hedging	-	7.5	-	7.5	-	25.9	-	25.9
Short-term investments	-	4.6	-	4.6	-	6.3	-	6.3
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss (FVTPL)								
– derivatives held at FVTPL	-	(1.8)	-	(1.8)	-	(2.1)	-	(2.1)
Derivatives used for hedging	-	(44.5)	-	(44.5)	-	(63.5)	-	(63.5)

There were no transfers between the levels of the fair value hierarchy during the period. There were also no changes made to any of the valuation techniques during the period.

The Marks & Spencer UK Pension Scheme holds a number of financial instruments which make up the pension asset of £6,439.7m (last year: £7,066.4m). Level 1 and Level 2 financial assets measured at fair value through other comprehensive income amounted to £2,405.1m (last year: £3,039.2m). Additionally, the scheme assets include £4,034.6m (last year: £4,027.2m) of Level 3 financial assets. See note C4 for information on the Company's retirement benefits.

The following table represents the changes in Level 3 instruments held by the Pension Schemes:

	2024 £m	2023 £m
Opening balance	4,027.2	5,144.9
Fair value gain/(loss) recognised in other comprehensive income	362.5	(401.8)
Cash withdrawals	(355.1)	(715.9)
Closing balance	4,034.6	4,027.2

Fair value of financial instruments

With the exception of the Company's fixed rate bond debt, there were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values as at the balance sheet date.

The carrying value of the Company's fixed rate bond debt (level 1 equivalent) was £921.7m (last year: £1,346.4m); the fair value of this debt was £919.8m (last year: £1,264.3m) which has been calculated using quoted market prices and includes accrued interest.

Capital policy

The Company's objectives when managing capital are to fund investment in the transformation and deliver financial performance at an investment grade level, to safeguard its ability to continue as a going concern in order to provide optimal returns for shareholders and to maintain an efficient capital structure to reduce the cost of capital.

In doing so, the Company's strategy is to sustain a capital structure that supports an investment grade credit rating and to retain appropriate levels of liquidity headroom to ensure financial stability and flexibility. To achieve this strategy, the Company regularly monitors key credit metrics such as the gearing ratio, cash flow to net debt and fixed charge cover to maintain this position. In addition, the Company ensures a combination of appropriate committed short-term liquidity headroom with a diverse and balanced long-term debt maturity profile which avoids creating a significant re-financing risk in any one financial period. As at the balance sheet date, the Company's average debt maturity profile was five years (last year: five years). During the year, the Company maintained its credit rating with Moody's of Ba1 but with an improved positive outlook and was upgraded to BBB-(stable) with Standard & Poor's.

In order to maintain or realign the capital structure, the Company will consider the appropriate level of dividends paid to shareholders and options to return capital to shareholders, issue new shares or sell assets to reduce debt.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C16 PROVISIONS

	Property £m	Restructuring £m	Other £m	Total £m
At 3 April 2022	89.6	34.9	3.9	128.4
Provided in the year – charged to profit or loss	25.3	9.9	8.0	43.2
Released in the year	(44.2)	(0.4)	(0.1)	(44.7)
Utilised during the year	(2.0)	(28.5)	(1.4)	(31.9)
Discount rate unwind	5.1	-	-	5.1
At 1 April 2023	73.8	15.9	10.4	100.1
Analysed as:				
Current				29.9
Non-current				70.2

	Property £m	Restructuring £m	Other £m	Total £m
At 2 April 2023	73.8	15.9	10.4	100.1
Provided in the year – charged to profit or loss	53.9	20.1	1.7	75.7
Provided in the year - charged to property, plant and equipment	5.3	-	-	5.3
Released in the year	(24.0)	(8.4)	(0.6)	(33.0)
Utilised during the year	(11.2)	(1.9)	(6.7)	(19.8)
Discount rate unwind	6.3	-	-	6.3
At 30 March 2024	104.1	25.7	4.8	134.6
Analysed as:				
Current				46.2
Non-current				88.4

Property provisions relate primarily to obligations such as dilapidations arising as a result of the closure of stores as part of the store estate strategic programme. These provisions are expected to be utilised over the period to the end of each specific lease (up to 10 years).

Restructuring provisions relate primarily to the strategic programme to transition to a single-tier UK distribution network, expected to be utilised over the period of closure of sites and new costs in the year associated with the furniture simplification strategic programme.

Other provisions include amounts in respect of probable liabilities for employee-related matters.

Provisions related to adjusting items were £122.3m at 30 March 2024 (last year: £92.2m), with a net charge in the year of £39.2m (last year: £3.2m).

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C17 DEFERRED TAX

Deferred tax is provided under the balance sheet liability method using the tax rate at which the balances are expected to unwind of 25% (last year: 19% and 25% as applicable) for UK differences. Details of the changes to the UK corporation tax rate and the impact on the Group are described in note 7.

The movements in deferred tax assets and liabilities (after the offsetting of balances within the same jurisdiction as permitted by IAS 12 Income Taxes) during the year are shown below.

Deferred tax (liabilities)/assets

	Land and buildings temporary differences £m	Capital allowances in excess of depreciation £m	Pension temporary differences £m	Other short-term temporary differences £m	Total UK deferred tax £m
At 3 April 2022 (restated)	(59.3)	23.0	(340.6)	130.1	(246.8)
Credited/(charged) to the income statement (restated)	(25.2)	(42.5)	(11.8)	(1.4)	(80.9)
Credited/(charged) to equity	-	-	141.8	17.7	159.5
At 1 April 2023 (restated)	(84.5)	(19.5)	(210.6)	146.4	(168.2)
At 2 April 2023 (restated)	(84.5)	(19.5)	(210.6)	146.4	(168.2)
Credited/(charged) to the income statement	(25.0)	(61.6)	(10.9)	(6.7)	(104.2)
Credited/(charged) to equity	-	-	98.9	(1.7)	97.2
At 30 March 2024	(109.5)	(81.1)	(122.6)	138.0	(175.2)

Deferred tax has been restated in the comparative information. See note 1 for further details.

Other short-term differences relate mainly to employee share options, financial instruments and IFRS 16.

The deferred tax liability on land and buildings temporary differences is reduced by the benefit of capital losses with a gross value of £50.5m (last year: £54.3m (restated)) and a tax value of £12.6m (last year: £13.6m (restated)). The gross carried forward capital losses are £376.9m (last year: £341.6m) with a tax value of £94.2m (last year: £85.4m) and are inclusive of the gross £50.5m of losses used to reduce the deferred tax liability on land and buildings.

C18 ORDINARY SHARE CAPITAL

	2024		2023	
	Shares	£m	Shares	£m
Issued and fully paid ordinary shares of 25p each	2,850,039,477	712.5	2,850,039,477	712.5

C19 CONTINGENCIES AND COMMITMENTS

A. Capital commitments

	2024 £m	2023 £m
Commitments in respect of properties in the course of construction	171.6	96.0
Software capital commitments	6.5	6.1
	178.1	102.1

B. Other material contracts

See note C5 for details on the partnership arrangement with the Marks & Spencer UK Pension Scheme.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C20 ANALYSIS OF CASH FLOWS GIVEN IN THE STATEMENT OF CASH FLOWS

Cash flows from operating activities

	2024 £m	2023 £m
Profit on ordinary activities after taxation	200.2	136.6
Income tax expense	178.6	112.1
Finance costs	237.3	237.3
Finance income	(44.2)	(62.0)
Operating profit	571.9	424.0
(Increase) in inventories	(36.4)	(11.1)
(Increase) in receivables	(18.0)	(23.4)
Increase in payables	115.9	171.4
Depreciation, amortisation and asset impairments	499.9	457.6
Shares in Group undertakings impairment (reversal)	(5.4)	(3.2)
Non-cash pensions expense	5.0	4.6
Non-cash share-based payment charges	47.7	37.8
Defined benefit pension funding	(0.4)	(36.8)
Adjusting items net cash outflows ^{1,2}	(36.5)	(53.0)
Adjusting items M&S Bank ³	(2.0)	(2.0)
Adjusting operating profit items	(18.8)	(25.2)
Cash generated from operations	1,122.9	940.7

1 Excludes £24.1m (last year: £11.5m) of surrender payments included within repayment of lease liabilities in the company statement of cash flows relating to leases within the store estate programme.

2 Adjusting items net cash outflows relate to strategic programme costs associated with the Store estate, UK logistics, Structural simplification programme and M&S financial services transformation.

3 Adjusting items M&S Bank relates to M&S Bank income recognised in operating profit offset by charges incurred in relation to the insurance mis-selling provision, which is a non-cash item.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C21 ANALYSIS OF NET DEBT

A. Reconciliation of movement in net debt

	At 3 April 2022 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash Movements ¹ £m	At 1 April 2023 £m
Net debt						
Cash and cash equivalents (see note C12)	1,113.7	(127.2)	-	-	-	986.5
Net cash per statement of cash flows	1,113.7	(127.2)	-	-	-	986.5
Current other financial assets (see note C10)	8.8	(2.5)	-	-	-	6.3
Liabilities from financing activities						
Medium Term Notes (see note C14)	(1,529.5)	262.3	-	-	(79.2)	(1,346.4)
Lease liabilities (see note C14)	(3,061.7)	427.3	-	(196.9)	(128.0)	(2,959.3)
Derivatives held to hedge Medium Term Notes	18.5	(57.4)	33.7	-	-	(5.2)
Liabilities from financing activities	(4,572.7)	632.2	33.7	(196.9)	(207.2)	(4,310.9)
Less: Cash flows related to interest and derivative instruments	63.3	(213.6)	(33.7)	-	221.0	37.0
Net debt	(3,386.9)	288.9	-	(196.9)	13.8	(3,281.1)

	At 2 April 2023 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash Movements ¹ £m	At 30 March 2024 £m
Net debt						
Cash and cash equivalents (see note C12)	986.5	(148.5)	-	-	-	838.0
Net cash per statement of cash flows	986.5	(148.5)	-	-	-	838.0
Current other financial assets (see note C10)	6.3	(1.7)	-	-	-	4.6
Liabilities from financing activities						
Medium Term Notes (see note C14)	(1,346.4)	461.3	-	-	(36.6)	(921.7)
Lease liabilities (see note C14)	(2,959.3)	419.0	-	(153.3)	(153.6)	(2,847.2)
Derivatives held to hedge Medium Term Notes	(5.2)	-	(16.4)	-	-	(21.6)
Liabilities from financing activities	(4,310.9)	880.3	(16.4)	(153.3)	(190.2)	(3,790.5)
Less: Cash flows related to interest and derivative instruments	37.0	(226.0)	16.4	-	208.8	36.2
Net debt	(3,281.1)	504.1	-	(153.3)	18.6	(2,911.7)

¹Exchange and other non-cash movements includes interest charge on Medium Term Notes of £42.2m (last year: £65.4m) and interest charge on lease liabilities of £160.5m (last year: £163.8m).

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B. Reconciliation of net debt to statement of financial position

	2024 £m	2023 £m
Statement of financial position and related notes		
Cash and cash equivalents (see note C12)	838.0	986.5
Current other financial assets (see note C10)	4.6	6.3
Bank loans and overdrafts (see note C14)	-	-
Medium Term Notes – net of foreign exchange revaluation (see note C14)	(927.0)	(1,356.6)
Lease liabilities (see note C14)	(2,847.2)	(2,959.3)
	(2,931.6)	(3,323.1)
Interest payable included within related borrowing	20.0	42.0
Total net debt	(2,911.6)	(3,281.1)

C22 RELATED PARTY TRANSACTIONS

A. Marks and Spencer Group plc

During the year, the Company paid dividends to its parent company, Marks and Spencer Group plc of £20.0m (last year: £nil) and has decreased its loan to its parent company by £57.4m (last year: decrease of £0.2m). The outstanding balance was £2,483.6m (last year: £2,541.0m) and was non-interest bearing.

The following transactions were carried out with Ocado Retail Limited, an associate of the ultimate parent company, Marks and Spencer Group plc:

	2024 £m	2023 £m
Sales of goods and services	44.9	35.7
Purchase of goods and services	0.1	0.1

The following transactions were carried out with fellow subsidiaries of the ultimate parent company, Marks and Spencer Group plc:

	2024 £m	2023 £m
Purchase of goods and services	441.1	208.9
Interest received	18.1	5.4
Interest paid	3.5	0.5

Transactions between the Company and its subsidiaries, which are related parties, are summarised below:

	2024 Transactions £m	2023 Transactions £m
Trading sales	(442.8)	(434.4)
Depreciation of property, plant and equipment – right-of-use assets	73.1	72.5
Interest payable on lease liabilities	58.5	60.9
Loan interest	31.4	4.2

B. Marks & Spencer Pension Scheme

Details of other transactions and balances held with the Marks & Spencer UK Pension Scheme are set out in notes C4 and C5.

C. Key management compensation

Payments and benefits relating to key management are set out in note 27 of the Group financial statements.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C23 CONTINGENT ASSETS

As at 30 March 2024, the Company was seeking damages from an independent third party following their involvement in anti-competitive behaviour that adversely impacted the Company. The Company expected to receive an amount from the claim (either in settlement or from the legal proceedings), a position that was reinforced by recent court judgements in similar claims. In July 2024, £22.0m was received in settlement of the damages action.

C24 ULTIMATE PARENT COMPANY

The immediate and ultimate parent undertaking and controlling party is Marks and Spencer Group plc.

Marks and Spencer Group plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 March 2024. The consolidated financial statements of Marks and Spencer Group plc are available from Waterside House, 35 North Wharf Road, London, W2 1NW.

C25 SUBSEQUENT EVENTS

On 10 April 2024 M&S and HSBC UK announced a new seven-year deal focused on enhancing M&S' credit and payments offering through M&S Bank. See note 5 for further details.

In June 2024, following a tender offer, the Group repurchased £190.3m of its Medium-Term Notes.

Marks and Spencer plc

Glossary

The Group tracks a number of alternative performance measures in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group believes that these alternative performance measures, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These alternative performance measures are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these alternative performance measures are also used for the purpose of setting remuneration targets.

These alternative performance measures should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial information relating to the Group, which are prepared in accordance with IFRS. The Group believes that these alternative performance measures are useful indicators of its performance. However, they may not be comparable with similarly-titled measures reported by other companies due to differences in the way they are calculated.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose																																																
Income statement measures																																																			
Sales	Revenue	Consignment sales	Sales includes the gross value of consignment sales (excluding VAT). Where third-party branded goods are sold on a consignment basis, only the commission receivable is included in statutory revenue. The measure has been introduced given the Group's focus on launching and growing third-party brands and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.																																																
Clothing & Home store / Clothing & Home online sales	None	Not applicable	<p>The growth in sales on a year-on-year basis is a good indicator of the performance of the stores and online channels.</p> <table> <tr> <th></th><th>2023/24</th><th>2022/23</th><th></th></tr> <tr> <th></th><th>£m</th><th>£m</th><th>%</th></tr> <tr> <td>UK Clothing & Home</td><td></td><td></td><td></td></tr> <tr> <td>Store sales¹</td><td>2,642.3</td><td>2,538.6</td><td>4.1</td></tr> <tr> <td>Consignment sales</td><td>(18.6)</td><td>(21.4)</td><td></td></tr> <tr> <td>Store revenue</td><td>2,623.7</td><td>2,517.2</td><td>4.2</td></tr> <tr> <td> Online sales¹</td><td>1,268.4</td><td>1,176.4</td><td>7.8</td></tr> <tr> <td>Consignment sales</td><td>(50.6)</td><td>(35.3)</td><td></td></tr> <tr> <td>Online revenue</td><td>1,217.8</td><td>1,141.4</td><td>6.7</td></tr> <tr> <td> UK Clothing & Home sales</td><td>3,910.7</td><td>3,715.0</td><td>5.3</td></tr> <tr> <td>Consignment sales</td><td>(69.2)</td><td>(56.7)</td><td></td></tr> <tr> <td>Total UK Clothing & Home revenue</td><td>3,841.5</td><td>3,658.3</td><td>5.0</td></tr> </table> <p>¹ UK Clothing & Home store sales excludes revenue from "shop your way" and click & collect, which are included in UK Clothing & Home online sales.</p> <p>There is no material difference between sales and revenue for UK Food and International.</p>		2023/24	2022/23			£m	£m	%	UK Clothing & Home				Store sales ¹	2,642.3	2,538.6	4.1	Consignment sales	(18.6)	(21.4)		Store revenue	2,623.7	2,517.2	4.2	 Online sales ¹	1,268.4	1,176.4	7.8	Consignment sales	(50.6)	(35.3)		Online revenue	1,217.8	1,141.4	6.7	 UK Clothing & Home sales	3,910.7	3,715.0	5.3	Consignment sales	(69.2)	(56.7)		Total UK Clothing & Home revenue	3,841.5	3,658.3	5.0
	2023/24	2022/23																																																	
	£m	£m	%																																																
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Store revenue	2,623.7	2,517.2	4.2																																																
 Online sales ¹	1,268.4	1,176.4	7.8																																																
Consignment sales	(50.6)	(35.3)																																																	
Online revenue	1,217.8	1,141.4	6.7																																																
 UK Clothing & Home sales	3,910.7	3,715.0	5.3																																																
Consignment sales	(69.2)	(56.7)																																																	
Total UK Clothing & Home revenue	3,841.5	3,658.3	5.0																																																

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APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose																																				
Like-for-like sales growth	Movement in revenue per the income statement	Revenue from non like-for-like stores Consignment sales	<p>The period-on-period change in revenue (excluding VAT) from stores which have been trading and where there has been no significant change (greater than 10%) in footage for at least 52 weeks and online sales. The measure is used widely in the retail industry as an indicator of sales performance. It excludes the impact of new stores, closed stores or stores with significant footage change.</p> <table> <tr> <th></th><th>2023/24 £m</th><th>2022/23 £m</th><th>%</th></tr> <tr> <td colspan="4"><i>UK Food</i></td></tr> <tr> <td>Like-for-like</td><td>7,780.6</td><td>6,992.9</td><td>11.3</td></tr> <tr> <td>Net new space</td><td>234.9</td><td>140.9</td><td></td></tr> <tr> <td>Total UK Food sales</td><td>8,015.5</td><td>7,133.8</td><td>12.4</td></tr> <tr> <td colspan="4"><i>UK Clothing & Home</i></td></tr> <tr> <td>Like-for-like</td><td>3,814.8</td><td>3,626.9</td><td>5.2</td></tr> <tr> <td>Net new space</td><td>95.9</td><td>88.1</td><td></td></tr> <tr> <td>Total UK Clothing & Home sales</td><td>3,910.7</td><td>3,715.0</td><td>5.2</td></tr> </table>		2023/24 £m	2022/23 £m	%	<i>UK Food</i>				Like-for-like	7,780.6	6,992.9	11.3	Net new space	234.9	140.9		Total UK Food sales	8,015.5	7,133.8	12.4	<i>UK Clothing & Home</i>				Like-for-like	3,814.8	3,626.9	5.2	Net new space	95.9	88.1		Total UK Clothing & Home sales	3,910.7	3,715.0	5.2
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M&S.com sales / Online sales	None	Not applicable	<p>Total sales through the Group's online platforms. These sales are reported within the relevant UK Clothing & Home, UK Food and International segment results. The growth in sales on a year-on-year basis is a good indicator of the performance of the online channel and is a measure used within the Group's incentive plans. Refer to the Remuneration Report of the Marks and Spencer Group plc Annual Report 2024 for an explanation of why this measure is used within incentive plans.</p>																																				
International online	None	Not applicable	<p>International sales through International online platforms. These sales are reported within the International segment results. The growth in sales on a year-on-year basis is a good indicator of the performance of the online channel. This measure has been introduced given the Group's focus on online sales.</p> <table> <tr> <th></th><th>2023/24 £m</th><th>2022/23 £m</th><th>%</th></tr> <tr> <td colspan="4">International revenue</td></tr> <tr> <td>Stores</td><td>875.6</td><td>874.5</td><td>0.0</td></tr> <tr> <td>Online</td><td>164.2</td><td>180.5</td><td>(9.0)</td></tr> <tr> <td>At reported currency</td><td>1,039.8</td><td>1,055.0</td><td>(1.4)</td></tr> </table>		2023/24 £m	2022/23 £m	%	International revenue				Stores	875.6	874.5	0.0	Online	164.2	180.5	(9.0)	At reported currency	1,039.8	1,055.0	(1.4)																
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APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose																				
Sales growth at constant currency	None	Not applicable	<p>The period-on-period change in sales retranslating the previous year sales at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.</p> <table> <tr> <th></th><th>2023/24 £m</th><th>2022/23 £m</th><th>%</th></tr> <tr> <td>International revenue</td><td></td><td></td><td></td></tr> <tr> <td>At constant currency</td><td>1,039.8</td><td>1,039.9</td><td>0.0</td></tr> <tr> <td>Impact of FX retranslation</td><td>-</td><td>15.1</td><td></td></tr> <tr> <td>At reported currency</td><td>1,039.8</td><td>1,055.0</td><td>(1.4)</td></tr> </table>		2023/24 £m	2022/23 £m	%	International revenue				At constant currency	1,039.8	1,039.9	0.0	Impact of FX retranslation	-	15.1		At reported currency	1,039.8	1,055.0	(1.4)
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At reported currency	1,039.8	1,055.0	(1.4)																				
Adjusting items	None	Not applicable	Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Executive Committee.																				
Adjusted operating profit	Operating profit	Adjusting items (See note 5)	Operating profit before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.																				
Operating profit before adjusting items																							
Adjusted operating margin	None	Not applicable	Adjusted operating profit as a percentage of sales.																				
Operating margin before adjusting items																							
Finance income before adjusting items	Finance income	Adjusting items (See note 5)	Finance income before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.																				
Finance costs before adjusting items	Finance costs	Adjusting items (See note 5)	Finance costs before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.																				
Net interest payable on leases	Finance income/costs	Finance income/costs (See note 6)	The net of interest income on subleases and interest payable on lease liabilities. This measure has been introduced as it allows the Board and Executive Committee to assess the impact of IFRS 16 Leases.																				

Marks and Spencer plc

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Net financial interest	Finance income/costs	Finance income/costs (See note 6)	Calculated as net finance costs, excluding interest on leases and adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
EBIT before adjusting items	EBIT ¹	Adjusting items (See note 5)	Calculated as profit before the impact of adjusting items, net finance costs and tax as disclosed on the face of the consolidated income statement. This measure is used in calculating the return on capital employed for the Group.
Profit before tax and adjusting items	Profit before tax	Adjusting items (See note 5)	Profit before the impact of adjusting items and tax. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee. This is a measure used within the Group's incentive plans. Refer to the Remuneration Report of the Marks and Spencer Group plc Annual Report 2024 for an explanation of why this measure is used within incentive plans.
Effective tax rate before adjusting items	Effective tax rate	Adjusting items and their tax impact (See note 5)	Total income tax charge for the Group excluding the tax impact of adjusting items divided by the profit before tax and adjusting items. This measure is an indicator of the ongoing tax rate for the Group.
Bought-in margin	None	Not applicable	Difference between landed cost of stock and selling value, expressed as a percentage of total exc VAT sales.
Balance sheet measures			
Net debt	None	Reconciliation of net debt (see note 26)	Net debt comprises total borrowings (bank and bonds net of accrued interest and lease liabilities), the spot foreign exchange component of net derivative financial instruments that hedge the debt and the Scottish Limited Partnership liability to the Marks and Spencer UK Pension Scheme less cash, cash equivalents and unlisted and short-term investments. Net debt does not include contingent consideration as it is conditional upon future events which are not yet certain at the balance sheet date. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.
Net debt excluding lease liabilities	None	Reconciliation of net debt (see note 26) Lease liabilities (see note 19)	Calculated as net debt less lease liabilities. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.
Cash flow measures			

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APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Free cash flow from operations	Operating profit	See Financial Review	Calculated as operating profit less adjusting items within operating profit, depreciation and amortisation before adjusting items, cash lease payments, working capital, defined benefit scheme pension funding, capex and disposals, financial interest, taxation, employee-related share transactions, share of (profit)/loss from associate, adjusting items in cashflow and loans to associates.
Free cash flow	Operating profit	See Financial Review	Calculated as free cash flow from operations less acquisitions, investments and divestments. This measure shows the cash generated by the Group during the year that is available for returning to shareholders and is used within the Group's incentive plans.
Free cash flow after shareholder returns	Operating profit	See Financial Review	Calculated as free cash flow less dividends paid. This measure shows the cash retained by the Group in the year.
Other measures			
Capital expenditure	None	Not applicable	Calculated as the purchase of property, plant and equipment, investment property and intangible assets during the year, less proceeds from asset disposals excluding any assets acquired or disposed of as part of a business combination or through an investment in an associate.

¹ EBIT is not defined within IFRS but is a widely accepted profit measure before earnings before interest and tax.