

Wm Morrison Supermarkets Limited
Annual Report and Financial Statements
for the
52 weeks ended 27 October 2024

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Company information

Company registration number

00358949

Directors

Rami Baitiéh

Joanna Goff

Company Secretary

Jonathan Burke

Registered office

Wm Morrison Supermarkets Limited

Hilmore House

Gain Lane

Bradford

BD3 7DL

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Central Square

29 Wellington Street

Leeds

LS1 4DL

Strategic report

Our principal activities and business model

Principal activities

The principal activities of Wm Morrison Supermarkets Limited and its subsidiaries (together referred to as 'Morrisons' or 'the Group') are the retailing of groceries, clothing and general merchandise products throughout the United Kingdom.

Morrisons is a retailer, distributor, wholesaler and food manufacturer. We focus on ensuring that we offer the right price for our customers; have friendly colleagues in store and provide a great choice of fresh, sustainably sourced, high quality produce, with strong links to local British growers and farmers.

The wider Group includes Market Bidco Limited and other subsidiaries of the ultimate parent entity, Market Topco Limited.

Business model

Our core purpose and business model remain unchanged. Our purpose is 'making good food affordable for everyone and to give customers more reasons to shop at Morrisons'. This purpose remains relevant and appropriate. We have a differentiated business model with customers right at its heart.

We are retailers with 495 supermarkets at the end of the period, 966 convenience stores and a strong online business. We supply a further 658 stores via our franchise model and continue to grow our wholesale business with over 100 customers, giving our customers across Britain multiple ways to shop with us.

We are food makers with bakers, fishmongers and butchers in our stores. Our Myton Food Group business has well-invested food production and packing facilities across the UK. We are closer to British food and farming than any other retailer, and have a direct partnership with around 3,000 British farmers.

At 27 October 2024, we had over 97,000 colleagues and 150 experienced leaders working together to grow our business in a sustainable manner.

We continue to leverage our brand to achieve meaningful and sustainable capital-light growth, supported by a strong balance sheet, including a nationwide freehold estate and well-funded pension schemes.

Our strategy is centred on five objectives; to magnify brand image, to invest in the capability of our colleagues, to maintain and grow market share, to grow EBITDA and cash flow and to maintain and invest in a strong real estate portfolio.

We deliver these objectives through our three strategic pillars designed to support fixing the fundamentals and setting the business up for long term success.

The first pillar, commercial excellence, is about having the right range, competitive prices and the best promotions for our customers across all channels. This is supported by re-energised partnerships with thousands of our suppliers who we work collaboratively with to carefully source, improve and innovate the products that we do not make ourselves.

Loyalty remains a focus and an opportunity for us. This year we launched a rolling programme of over 2,500 'More Card Prices', and at the end of the period we introduced More Card points in our Convenience and Amazon channels for the first time. Our price match against the discounters has increased to over 500 products, and we are increasingly demonstrating value and improving our offer through our range of WIGIGs ('When It's Gone, It's Gone'), alongside our diamond products programme, which provides a forum for both customers and colleagues to suggest great products to add to our range.

The second pillar, operations optimisation, focuses on operating in the most effective and productive way possible and improving the shopping experience for our customers.

Better availability right through the day is a big factor in improving our sales. We have placed unobtrusive, static cameras on our fixtures which, powered by AI, automatically monitor the availability of the products on the shelves of the opposite fixture. This alerts colleagues, via their handheld device, to check for additional stock and if possible replenish within an hour.

Cost avoidance, cost reduction and productivity, alongside cash optimisation, are key programmes within operations optimisation. Our multi-year cost savings programme has delivered £612m since we started in 2023, with £312m delivered in the period, and our medium term working capital programme launched at the same time has delivered £150m in the period, £450m in total.

The third and final pillar is new value creation, where we are realising growth opportunities.

We continue to accelerate our plans in the growing convenience market. We are now at the end of our McColl's conversion programme, with all stores now trading as Morrisons Daily, and continue to see strong one and two year sales trends post conversion through this Company Owned, Company Operated model.

Strategic report (continued)

Our principal activities and business model (continued)

Business model (continued)

In the period we have added to our franchise network through our strategic partnership with Motor Fuel Group ("MFG"), as well as 104 further stores opened with other partners. Our Franchise Owned, Franchise Operated model complements our Company Owned, Company Operated model and presents an opportunity for us to leverage our brand strength and integrated supply chain to achieve incremental, profitable and sustainable growth with limited capital expenditure requirements. We completed the purchase of 36 stores from SandpiperCI in the Channel Islands in November 2024.

Customer promises, colleague promises and environmental promises

We recognise the importance of looking after our customers and our colleagues to provide more reasons to shop and work for Morrisons, as reflected in our promises.

The customer promises were created to reflect what matters most to customers in their shopping trip; good quality fresh food at great value, ensuring products are available and easy to shop and friendly and helpful colleagues.

For our colleagues, the commitments reflect what is needed to create a fulfilling and rewarding working environment, where everyone is welcome, celebrated, treated with respect and has a manager who supports them. Colleagues also need competitive pay, the right tools to do the job and opportunities to succeed. As a result, our colleagues know what to expect from working for Morrisons and our leaders have the guidance they need in how best to support their teams.

Morrisons is a responsible business and has five commitments created to reflect the important role we play in the communities and environment we work in: to reduce our energy use and impact on the climate; to cut waste; to continue to review the sustainability of our sourcing practices; to support healthy and sustainable diet for our customers and continue to build an inclusive culture for all our stakeholders.

Strategic report (continued)

Financial results and financial key performance indicators

Basis of preparation

The Annual Report and consolidated Financial Statements of the Group represents the 52 week period to 27 October 2024 and the comparative period the 52 week period to 29 October 2023.

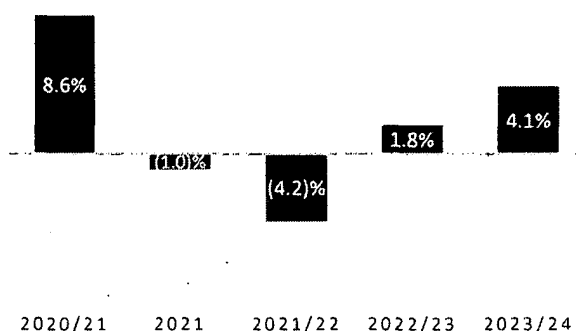
During the year the Group disposed of its 337 site petrol forecourt business to MFG for a total consideration of £2.5bn. This strategic disposal was part of the Group's decision to focus on what we do best; food making and retailing. Given the materiality of the fuel revenues and also profit, key measures have been shown excluding this discontinued operation where relevant, in addition to total Group measures.

Revenue

Group revenue from continuing operations in the period of £15,276m was up £565m year-on-year, with like-for-like (LFL) sales up 4.1%. Total Group sales of £17,018m were down £1,340m year-on-year reflecting the disposal of the petrol forecourts business. As inflation eased, volumes have strengthened, and we continued to be competitive for customers through our discounter price match programme, the launch of exclusive More Card prices and the strengthening of our More loyalty programme. All of our channels grew revenue; of particular note were our Company owned Convenience stores (formerly McColl's) which grew LFL by 8.9%, and our franchise and wholesale business with LFL of 29.8%. Our market share remained stable at 8.6% (2023: 8.6%) (Source: Kantar 12 weeks ending 3 November 2024).

	2023/24 £m	2022/23 £m
Sale of goods in-store and online	14,723	14,361
Other sales	659	524
Total sales excluding fuel	15,382	14,885
Fuel	1,636	3,473
Total revenue	17,018	18,358

GROUP LIKE-FOR-LIKE (LFL) SALES² (EX-FUEL)



¹ 39 weeks ended 31 October 2021, as reported

² Alternative performance measures are defined in the glossary

Profit

	2023/24 £m	2022/23 £m
Operating profit/(loss) from continuing operations	74	(86)
Operating profit before exceptionals from continuing operations	206	130
Underlying EBITDA from continuing operations¹	835	751

¹ Alternative performance measures are defined in the glossary.

Strategic report (continued)

Financial results and financial key performance indicators (continued)

Profit (continued)

Statutory profit before tax for the period was £2,728m, including the exceptional profit on disposal of the petrol forecourts business. Profit before tax and exceptional items was £209m (2022/23: £236m) with the prior year including a full year of profits from the fuel business. Continuing operations profit before tax and exceptionals was £138m (2022/23: £64m), an increase year-on-year with profit growth across all areas of the business.

Underlying EBITDA from continuing operations was £835m (2022/23: £751m), an 11.2% year-on-year increase. Profit growth has been driven by volume as we have improved our retail offering with sharper prices, increased availability and an improved range. Additionally, our cost savings programme has enabled us to offset inflationary cost headwinds and investment in colleague pay. Underlying EBITDA margins for continuing operations were 5.5%, up 36bps year-on-year.

Net exceptional credit of £2,519m (2022/23: charge of £185m) principally relates to the disposal of the fuel business (profit of £2,624m) with a full analysis provided in note 1.4.

Cash flow and borrowings

Net cash inflow from operating activities from continuing operations was £817m (2022/23: £902m), or on a total basis (including the divested fuel business) £838m (2022/23: £908m). The total working capital inflow in the period was £97m. Inventory levels increased for the set-up of our expanded convenience distribution network to support the growth in this area of the business, and we expect these levels to normalise as we integrate the supply chains. The increase of receivables of £77m includes the impact of wholesale and commercial income growth.

Within working capital, the Group's working capital improvement programme has delivered £150m in the period.

	Note	2023/24 £m	2022/23 £m
(Increase)/decrease in inventories	5.7	(86)	72
Increase in trade and other receivables	5.7	(77)	(12)
Increase in trade and other payables	5.7	273	44
(Decrease)/increase in provisions	5.7	(13)	20
Movement in working capital		97	124

The wider Group is funded by external debt held in the immediate parent entity, Market Bidco Limited, and other wider Group entities. Full details of these borrowings can be found in the Annual Reports and consolidated Financial Statements of the immediate and ultimate parent entities. The covenants attached to the debt are linked to the consolidated financial performance of the wider Group. The Company, along with its subsidiaries Safeway Limited, Safeway Stores Limited and Optimisation Investments Limited, are guarantors to certain facilities held in other wider Group entities.

There was no external debt remaining in the Group at 27 October 2024 (2023: £84m of bonds). The balance of the intercompany loan was an asset of £1,205m (2023: liability of £882m), following the payment of proceeds to the Group's parent, Market Bidco Limited, from the sale of the petrol forecourt business. Market Bidco Limited used the proceeds to conduct a debt reduction exercise, see note 6.4.

The Group had £849m cash and cash equivalents at the end of the period (2023: £279m).

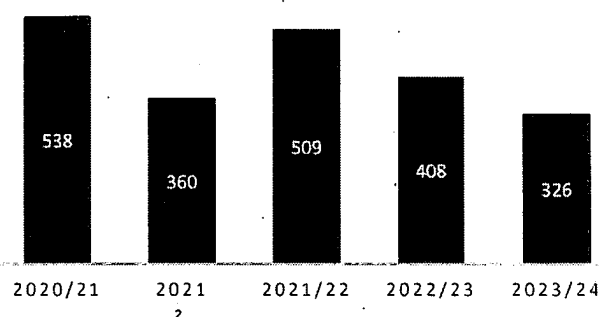
Interest and lease payments in the period were £106m and £113m, respectively (2022/23: £76m and £97m). The loan to the parent company is unsecured and interest free. See note 6.4 for further details.

	Borrowings		Total £m	Cash £m	Borrowings net of cash £m
	Current £m	Non-current £m			
At 29 October 2023	(882)	(84)	(966)	279	(687)
At 27 October 2024	-	-	-	849	-

Strategic report (continued)

Financial results and financial key performance indicators (continued)

CAPITAL EXPENDITURE¹ (£)



¹ Excludes acquisition of businesses and investments in joint ventures

² 39 weeks ended 31 October 2021, as reported

During the period, the Group invested £326m in tangible and intangible assets (2022/23: £408m). Capital investments made in the period primarily relate to maintaining and updating our stores and sites, including productivity and cost saving initiatives, investments in technology and capital expenditure for the conversion of McColl's convenience stores to 'Morrisons Daily'.

Financial risk management

The Group takes actions to mitigate risks arising from credit, foreign exchange and commodity price fluctuations. Details of the Group's policies and approach to managing these risks can be found in note 7 to the Group financial statements.

To manage liquidity, the Group manages its underlying operating performance; capital expenditure and working capital, with ongoing support from its parent and in full consideration of the wider Group's debt position. The Group has a centralised treasury function which manages funding, liquidity and other financial risks on behalf of the wider Group, in line with policies set and monitored by the Board.

Sale of petrol forecourt business

On 30 April 2024, the Group completed the sale of the petrol forecourt business to MFG. Consideration received was a combination of cash and a c.21% equity share in MFG. The transaction forms a new strategic partnership between MFG and the Group, which will see EV charging infrastructure rolled out across the Morrisons estate. The forecourts will continue to be branded Morrisons, and food and groceries will be supplied by the Group under a wholesale arrangement. The transaction resulted in an exceptional profit on disposal in the period of £2,624m:

Profit on disposal (petrol forecourt business)	£m
Consideration – cash received	2,031
Consideration – non-cash (note 4.2)	550
Total consideration received	2,581
Deferred consideration (note 5.5)	(189)
Total disposal consideration	2,392
Net book value of net liabilities sold	311
Transaction costs	(79)
Profit on disposal	2,624

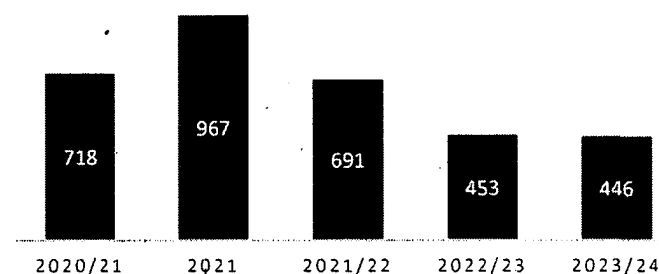
A proportion of the consideration has been attributed to an agreement for the ongoing licence of the Group's brand to MFG, resulting in deferred consideration of £189m. This deferred consideration will be released to the income statement on a straight-line basis over 25 years.

Strategic report (continued)

Financial results and financial key performance indicators (continued)

Pensions

NET RETIREMENT BENEFIT SURPLUS (£)



¹ 39 weeks ended 31 October 2021, as reported

The Group operates¹ a number of defined benefit schemes which remain well-funded. The Morrisons and Safeway Schemes (the 'CARE' Schemes) are not open to new members and were closed to future accrual in July 2015. The Retirement Saver Plan ('RSP') was closed to future accrual and new members in September 2018. The McColl's Schemes are not open to new members and were closed to future accrual in July 2008.

During prior periods, the Safeway Scheme and the Morrisons Scheme both entered into new buy-in investment policies that provide insurance for all the remaining members of the schemes in order to reduce the risk of investment, longevity, interest rate changes and inflation for the members covered by the policy. The Trustees agreed to defer part of the insurance premiums owed to the insurance companies and the outstanding amount is expected to be paid over the next two years. The deferred premium payments have been deducted from the total asset value for the current period.

On 30 September 2024, the trustees of the Safeway scheme and the McColl's schemes finalised a merger, which results in the assets and liabilities of the McColl's schemes forming part of the Safeway scheme on an ongoing basis.

The net pension accounting surplus at the period end was £446m (2023: £453m).

The latest agreed full actuarial valuations were carried out in April 2022 for the Safeway Scheme and the Morrisons Scheme. These valuations indicated that, on the agreed funding basis, the Safeway, Morrisons and RSP Schemes had surpluses of £528m, £214m and £38m, respectively. The latest agreed full actuarial valuation was carried out in March 2022 for the McColl's Schemes. The valuation indicated that, on the agreed funding basis, there was a surplus of £5m for the TM Group Pension Scheme and a deficit of £6m for the TM Pension Plan.

	2023/24 £m	2022/23 £m
CARE Schemes	418	421
RSP	28	31
McColl's Schemes	-	1
Net retirement benefit surplus	446	453

In addition the Group operates three defined contribution retirement benefit schemes, which means that the Group is not subject to the same investment, interest rate, inflation or longevity risks as it is for the defined benefit schemes. The benefits that the colleagues receive are dependent on the contributions paid, investment returns, and the form of benefit chosen at retirement.

Strategic report (continued)

Financial results and financial key performance indicators (continued)

Tax

We understand the importance of the tax contribution we make and we take our responsibility towards the communities in which we operate and towards our colleagues, customers, investors and suppliers seriously. We have a tax management framework which ensures the needs of all of our stakeholders are considered. The Group is committed to paying all of its taxes in full and on time. The Group consistently ranks as one of the largest contributors across a range of UK taxes. In 2023/24, Morrisons made net payments of £1,118m to the UK government, of which £483m was borne by Morrisons, with the remaining £635m collected on behalf of our colleagues, customers and suppliers.

The Group has recognised a tax credit of £31m for the period based on a profit before tax of £2,728m. Adjusting for exceptional items, the current period tax for continuing operations becomes a charge of £40m on a profit before exceptionals of £138m.

Strategic report (continued)

Customers

Why we engage

Customers are at the centre of our decision making processes. By listening to customers, we can improve the customer experience and create More Reasons to shop at Morrisons. We know that delivering on quality, service and price will earn the trust of our customers.

How we engage

Over the course of the last year, we have step changed the way in which we listen and respond to our customers, ensuring they are truly at the heart of the business. We have introduced a number of new customer listening channels to ensure we are collecting as much meaningful customer feedback as possible. Since the beginning of the year, we have listened to over 730,000 pieces of customer feedback, including:

- Conducted 8,200 customer roundtables, listening to 64,000 customers;
- Analysed 600,000 customer survey responses; and
- Reviewed 65,000 customer comments, shared with us directly by our checkout colleagues.

On a weekly basis, customer feedback from these channels is reviewed by the Morrisons Executive team. The first meeting of the week is the Customer Committee, where the previous week's performance across our key customer metrics is reviewed and action is taken to improve the shopping trip for our customers and remove any areas of frustration.

Customer proposition

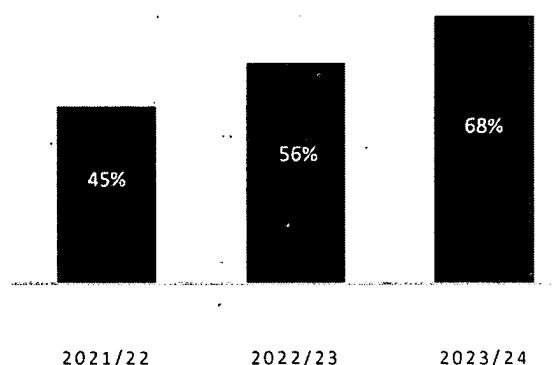
Through our extensive customer listening programme, we have been able to prioritise and improve the areas that matter most to our customers. We have measured progress by focusing on improving our Customer NPS ('Net Promoter Score') as well as driving down the number of customer complaints that we receive on a weekly basis.

Item availability, followed by value for money, continue to be the biggest drivers of customer satisfaction. We have placed significant focus on availability and seen continuous year-on-year improvements in our end of day availability metrics and reduction in the number of gaps on shelves.

We have made continued improvements in value for money. We know that customers judge value in three ways: the overall cost of the basket, the price of everyday essentials and the value and relevance of offers and promotions. Our relative price index has improved throughout 2024 as we had particular focus on improving the price of everyday essentials. An improvement in the strength and relevance of our promotions has also resulted in our value metrics improving throughout the year. We will continue to provide customers with good value for money in 2025, including through price match against the discounters and 'Low Everyday Prices'.

We know that loyalty schemes are an important factor when customers are choosing where to shop. We have responded in 2024 with significant improvements to our More Card, including the scaling of More Card prices to more than 2,500 products. It is clear that customers are enjoying these changes; satisfaction with the scheme continues to improve and linked sales increased by 12% in the period. This has improved further after the end of the financial period to its highest level ever, with 76% of our supermarket sales now through the More Card.

LOYALTY LINKED SALES



Strategic report (continued)

Customers (continued)

As part of our commitment to providing great customer service, all of our store colleagues undertook customer service training, with a focus on putting our customers first. As part of this, our store managers took part in offsite training focused on the principles of delivering great customer service. This has resulted in a reduction in customer service complaints and an improvement in satisfaction with the friendliness and helpfulness of our store colleagues.

In 2024, Morrisons turned 125 years old and we celebrated this by showcasing all the things that we know customers love about Morrisons, specifically Market Street, our connection with British food and our friendly colleagues.

Customer behaviour

Through the year, we have seen an improvement in consumer confidence, as wages have grown ahead of inflation. However, as disclosed by the Office for Budget Responsibility, we are mindful that real household disposable income is not forecast to recover until 2025/26 and as such we understand how important it is to ensure we are offering good value for money to our customers.

As the cost of living crisis hit throughout 2022 and 2023, customers said they prioritised saving money ahead of quality. This year, we started to see signs that some customers, particularly those who are more financially comfortable, were willing to prioritise quality alongside saving money. As we head into next year, we therefore have an opportunity to delight more customers with our own brand premium tier 'The Best', as customers are more able to trade up.

Using our extensive customer listening programme, as well as our More Card data, we have a good understanding of the behaviours and preferences of different groups of customers. This will enable us to fulfil our customers' individual needs and further improve the shopping trip.

Engagement outcomes

The Directors considered customers when making the following decisions:

- Updating our strategy to include customer priorities, focussing on assistance, experience and families;
- Investing in all of our store colleagues undertaking customer service training throughout the year, with a focus on putting Customers First;
- Lowering prices across the customer basket, particularly through our everyday low prices and Price Match mechanics;
- Improving our More Card loyalty scheme through introduction of the More Card prices on more than 2,500 products;
- Converting a further 262 McColl's stores to Morrisons Daily in the period to expand the access to the brand into more local areas;
- Increased focus on availability, including investment in AI cameras in store; and
- In our strategic partnership with MFG, which included delivering value for customers at the fuel pumps and expanded access to EV charging.

Strategic report (continued)

Colleagues

Why we engage

During the last year, our colleagues have played a critical role in delivering improvements across all areas of the business. Our customers are looked after and served by our frontline colleagues. They are the face of Morrisons and best placed to help us identify and drive the changes to achieve our business priorities.

We are very proud to have a diverse group of colleagues and want to make sure we continue celebrating everyone for who they are. The moments that matter to them, matter to us too. During the year, we have continued the work on creating an even more inclusive culture and environment where colleagues can listen, collaborate and grow through training, communications and engagement.

How we engage

Listening and responding

Listening to our colleagues has always been a priority at Morrisons and over the last year this has enabled us to identify where we could improve and make changes. We reviewed our current listening channels and have continued with those that were effective, but importantly we have launched a number of new channels to capture additional insight.

Colleagues can now write directly to our CEO to share ideas and suggestions through 'Recommend to Ram!'. To date, there have been over 4,000 ideas from colleagues. This has led to us launching new ways of working, a number of trials in our stores and sites, and improvements in the way we communicate with customers. For any new product suggestions, colleagues are also encouraged to submit these through our 'Diamonds' programme.

During the year, we introduced a weekly internal NPS survey. All store managers regularly give feedback on various head office and site teams and the service they have received, with the scores tracked and verbatim comments helping us form action plans to improve. A full colleague NPS survey has also been launched to give all colleagues an anonymous way to share how they are feeling, what the business is doing well and where it can improve.

Our already established 'Your Say' meetings have evolved into 'Roundtable listening forums', held frequently at every store and site. A new monthly roundtable meeting is also held with the Executive team and colleagues based on business priorities.

Communication

We continue to provide regular updates to our colleagues through a number of communication channels. A key channel is 'TeamTalk', which is now a video broadcast to all colleagues each week. This is proving to be a great way of updating on business performance, our strategy and key projects, along with recognition of colleagues that have gone above and beyond for our customers.

We host a quarterly meeting for members of the Leadership Group, providing them with key business updates and review of strategic priorities. We also have regular functional meetings, such as bringing all store managers together prior to Christmas trading to highlight the key trading opportunities.

Colleague development

We are proud of our Market Street heritage and remain the UK's largest provider of craft apprenticeships in butchery, bakery and fishmongery. In September 2024 we welcomed 150 apprentices onto these programmes, demonstrating our commitment to developing specialist craft skills. Our dedication to excellence in apprenticeship training is reflected in the numerous awards we hold, such as three awards from the Industry of Meat for our butchery apprenticeships and engineering apprentice of the year through our training provider.

We place strong emphasis on supporting young talent from a diverse range of backgrounds. We offer graduates, degree apprentices, engineering apprentices, finance apprentices, and industrial placement students opportunities to grow and contribute to the future of Morrisons. During the reporting period, we hired 134 colleagues in these areas. For the third consecutive year, during the summer we ran an eight week internship programme for undergraduates from ethnic minorities across our retail stores, logistics sites and head office in Bradford, including undergraduates recruited through the nationally recognised 10,000 Black Interns Programme.

We continue to share our apprenticeship levy funds with other employers, such as supporting NHS Ambulance apprenticeships and the very first cohort of Fisher Apprentices. We have also committed to funding 86 new apprentices in 23 different local businesses within the West Yorkshire area.

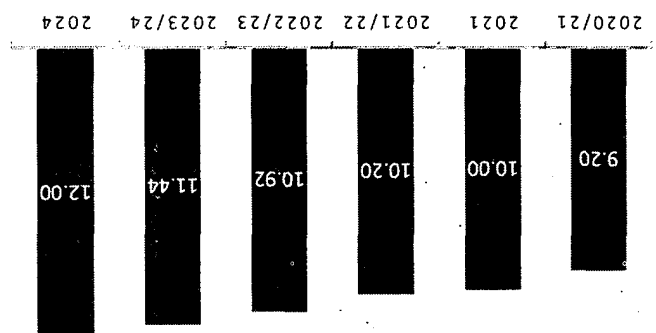
In June 2024, as part of Morrisons 125th anniversary celebrations, we launched the Sir Ken Morrison Leadership School. Unlike traditional programmes where candidates are nominated, this initiative empowers colleagues to self-nominate to develop and progress their own careers. Participants engage in a comprehensive curriculum, signed off through accreditation with Bradford University, covering leadership and technical theory, practical application and business related projects. Participants are usually ready for promotion within six months.

Strategic report (continued)

Colleagues (continued)

A market competitive pay deal
Against the backdrop of a very challenging market, we have continued to deliver on our promise of a competitive pay deal for our colleagues.
In April 2024, we made an annualised investment in pay of c.£73m in Retail and Myton Food Group, so all colleagues, irrespective of age, moved to a minimum of £11.44 per hour and ensured differentials for all hourly roles were fully maintained.
We made a further annualised investment of c.£78m in pay from October 2024, meaning the majority of our frontline colleagues received a further 56p per hour increase to £12.00 per hour, again with differentials maintained.

INVESTMENT IN COLLEAGUE PAY (£)



Supporting our colleagues

Like everyone, our colleagues continued to feel cost of living pressures throughout 2024. To help their money go further, we continued with our competitive 15% colleague discount when they shop with us. As a thank you for their hard work, we also ran a number of increased 20% events during the periods when colleagues told us they needed it the most.
Through our 'My Perks' partner platform, colleagues have collectively saved over £250,000 on a wide range of products and services, including fashion, insurance, travel and technology.
We also continue to partner with Salary Finance, providing colleagues access to financial education and loans at highly competitive rates compared to high street lenders.
Everyone is welcome at Morrisons
Building an inclusive culture where everyone feels welcome and celebrated remains a key priority. Through our Listening and Responding channels, including diversity workstream groups, colleagues have helped shape our initiatives. We continue to recognise and celebrate events that are important to our colleagues and customers. This included:

- Attending various Pride events;
- Celebrating Iflars within local communities;
- Launching a neurodiversity toolkit for colleagues and store managers; and
- Providing adapted uniforms for colleagues.

We are proud to be recognised as a Disability Confident Employer. In the year we have celebrated Disability Pride, strengthened our partnerships with external organisations to offer supported placements to individuals, and ensured greater accessibility for all colleagues to e-learning.
We have enhanced our family-friendly policies, improving paid time off for maternity and adoption leave, offering greater flexibility for paternity leave, increasing support for colleagues undergoing fertility treatment, and providing additional time for those whose children require neonatal care.

For International Women's Day, we hosted 16 cross functional events, enabling more colleagues across all divisions to participate. In September 2024 we became an official partner of LEAD Network Europe, who break down barriers for women in the workplace.

Strategic report (continued)

Colleagues (continued)

Gender diversity information

Number of employees split by gender

2023/24 - Wm Morrison Supermarkets Limited and subsidiaries ("the Group")				
	Men	Women	Prefer not to say	Total
Employees	44,619	54,598	8	99,225
Managers	1,142	699	-	1,841
Directors and Senior Managers	43	29	-	72
Total	45,804	55,326	8	101,138¹

2022/23 - Wm Morrison Supermarkets Limited and subsidiaries ("the Group")				
	Men	Women	Prefer not to say	Total
Employees	45,369	57,599	16	102,984
Managers	1,067	685	-	1,752
Directors and Senior Managers	47	30	-	77
Total	46,483	58,314	16	104,813¹

¹ Based on the average number of colleagues during the period. See note 1.6 of the financial statements.

Engagement outcomes

The Directors considered colleagues when making the following decisions:

- Introduction of the Sir Ken Morrison Leadership School, giving colleagues an opportunity to self nominate for development and progression within the Company;
- Enhancing our family-friendly policies, including improvements to pay and support, as well as offering more flexibility for paternity leave;
- Offering temporary increases to the colleague discount rate around paydays as a reward for hard work and commitment, as well as in the run up to the Christmas period, to support our colleagues through an expensive time of the year. Exclusive colleague discount was also introduced on our Nutmeg Back to School clothing range to support families when they need it most; and
- Increasing the minimum hourly pay for our Retail and Myton Food Group colleagues twice during the period.

Strategic report (continued)

Suppliers

Why we engage

Suppliers are fundamental to the success of the Group, as they provide us with the variety and quality of goods and services required to fulfil customers' needs.

How we engage

Supplier improvement plan

We recognise listening is pivotal to creating strong longer term supplier relationships, built on mutual trust and respect. Our Commercial teams regularly conduct roundtables with both our suppliers and customers to understand how Morrisons can improve. We gain feedback from our suppliers from a number of different third party sources, such as through the GCA ('Groceries Code Adjudicator') annual survey and the Advantage Group survey. In the year, we began to share a monthly NPS survey with our suppliers, which provides invaluable feedback on what is most important to them and how we can work better together to achieve our mutual objectives.

We have identified three areas which we continue to improve how we work with our suppliers:

- Increased communication and engagement;
- Supply Chain improvement programme; and
- Developing the Morrisons Media Group ('MMG').

Communication plan and engagement

Historically, we have shared formal communication with all of our suppliers on a quarterly basis. We recognise the importance of regularly sharing information and we made the decision this year to share updates on a monthly basis. This includes a new newsletter that provides updates on performance against business priorities and strategic goals.

We have increased the number of interactions through the year where we update our suppliers, both in person and virtually. In the first half of the year, we held a supplier conference for our strategic suppliers, alongside our first 'Morrisons Big Night Out' in April 2024, where together with our suppliers we raised over £734,000 for GroceryAid and our charity partner at the time, Together for Short Lives.

For the second consecutive year, we held our annual Trade Briefing in June for all of our supplier partners in conjunction with the IGD ('Institute of Grocery Distribution'). During the day, various members of the Morrisons leadership team presented to 1,300 of our suppliers, outlining exciting growth opportunities and how we continue to build a broader, stronger, and more accessible organisation.

We also conducted a number of smaller working group sessions with some of our longer term partner suppliers throughout the year to engage on how we can improve our ways of working on areas of the business such as sustain, our own brand strategy and how we collaborate better together.

Suppliers are also actively encouraged to take part in independent annual surveys, such as the 'Advantage Group' survey, to enable the Group to gain valuable insight into how they feel about Morrisons, and how we benchmark against other retailers.

Supply Chain Improvement Programme

Our main focus is making sure we have the best possible availability for our customers, recognising that forecast accuracy and collaborative planning are essential for our suppliers to achieve this. We continue to work hard on improving and investing in our supply chain systems, introducing optic camera technology to review store stock levels, as well as continuing the work on our single integrated supply chain platform, the 'Morrisons Data Hub'. We see the role of data, and building a data led strategy with our suppliers, imperative for the future of the business.

Since the end of the period, we have also introduced Good Faith Receiving for our fresh product suppliers. This process removes the requirement to count goods in each delivery from the supplier when it arrives in our depots, helping to speed up the delivery process.

Morrisons Media Group ('MMG')

MMG continues to develop and grow, and in the second year of the partnership we have been focusing on improving media capabilities physically in-store and digitally; introducing a new and improved events calendar for our suppliers; and making sure we have the best possible in store media compliance. To this end, we have started working with a third party agency, Deeset, who will focus on the end-to-end implementation of supplier-funded point of sale.

The Groceries Supply Code of Practice ('GSCOP' or 'the Groceries Code')

GSCOP applies to designated grocery retailers in the UK, adding specific regulations into the trading relationships between retailers and their suppliers. We take our responsibilities to suppliers seriously and have established ways of working which enable us to build strong collaborative relationships. For more details, see www.morrisons-corporate.com/suppliers/supplier-information. We continue to listen and respond to all of our stakeholders and successful collaboration with suppliers has helped us to improve availability, value and quality for our customers.

Strategic report (continued)

Suppliers (continued)

The Groceries Supply Code of Practice ('GSCOP' or 'the Groceries Code') (continued)

During the year, we continued to make significant investments into our commercial and supply chain data, systems and processes, including our forecasting, ordering and receiving systems, improving the ways in which we communicate with our suppliers.

We actively engage with the relevant regulatory bodies, the Groceries Code Adjudicator ('GCA') and the Competition and Markets Authority ('CMA'), to build best practice. We meet with the GCA regularly and provide updates on our activity and details on specific areas of interest to the Adjudicator.

Effective compliance risk management is critical to delivering on our commitments to all of our stakeholders. We have well-established governance structures to support GSCOP compliance. This includes a group consisting of senior leadership team members from all relevant functions. Routine updates were provided to the Group Executive Directors and to the Risk Committee, including developments about the operation of the Groceries Code. We formally report details of activity and specific concerns raised with our Code Compliance Officer ('CCO') to the GCA and to the CMA at the year end.

Our Legal, Compliance and Audit teams work closely together to provide colleagues across the business with the support and guidance needed to comply with the Code. We provide training, guidance and support to all colleagues in our trading teams, together with bespoke training for relevant colleagues in our Supply Chain and Finance teams through a range of formats. We review and update all of our training activities and materials to take account of any new learnings, build in current real-life examples and to reflect additional guidance from the GCA.

In the 2024 GSCOP supplier survey conducted by YouGov on behalf of the GCA, more Morrisons suppliers completed the survey than those of any other retailer and 90% of suppliers rated Morrisons as complying with the Groceries Code 'mostly' or 'consistently well'.

GSCOP related enquiries are dealt with in accordance with the regulations. Any matter not resolved directly with a buyer is escalated to the relevant Category Director and, if requested, to our CCO. During the year, we were contacted by suppliers to review concerns, including in the following areas:

- Requesting review of the timings and implementation of supplier de-listing decisions; and
- Questions relating to payment processes and timings.

At all stages, we try to resolve the concern by talking to the supplier openly and honestly and this approach is generally successful in reaching a swift resolution. At the end of the year, there was one direct Groceries Code-related complaint which was yet to be resolved. Contact details and further up-to-date information can be found at www.morrisons-corporate.com/suppliers/meet-our-buyers.

Working with suppliers to fulfil our responsibility to protect the environment

Backing British farmers

We pride ourselves on being British food makers. As British farming's biggest direct supermarket customer, we value the efforts of farmers who work hard all year round. Our Market Street counters carry predominantly British fresh meat, and our milk and eggs are also predominantly British. We have continued to support our farmers through our 'For Farmers' range partnership with Arla, Lactalis and Ornuu which has now directed over £23m to farmers since 2017.

In recognition of the climate impact challenge, we set an ambition to support our direct UK agriculture supply chain to reach net zero for emissions by 2030. This specifically covers products from around 3,000 UK farmers and growers, sourced directly for our own brand products, and relates to the whole lifecycle of farm produce, from germination to leaving the farm gate for a Morrisons store. Farmers are being encouraged to reduce emissions through a range of methods, including breed and variety choice, increasing the use of renewable energy, and removing or reducing high carbon feedstuffs like soya. Residual carbon emissions will be offset through a range of measures including planting trees and seeding hedgerows within the farm footprint.

To support this aim, we continue to engage in the following activities:

- After becoming founding partners of the 'School of Sustainable Food and Farming' at Harper Adams University in 2023, we are working closely with over 125 project farms now enrolled into our 'Sustainable Farm Network' across beef, lamb, pork, eggs and produce supply chains to set a baseline carbon footprint and develop roadmaps to improve emissions and sequestration on farms;
- Our 'Better for the Planet Eggs' continue to give customers the chance to buy eggs with a three times lower footprint than standard egg farms; and
- Sponsoring the agricultural industry's biggest online event, Farm 24.

Strategic report (continued)

Suppliers (continued)

Promoting the British fishing industry

We continue to offer the broadest range of fresh British fish of any major retailer, providing customers with a wide range of responsibly, locally caught seafood that helps reduce pressure on key international stocks. We opened a £12.8m state-of-the-art fish freezing centre in Cornwall with Myton Food Group, Morrisons wholly owned food manufacturing operation, in August 2024. This is the largest facility of its type in the UK, and can individually blast freeze up to 180 tonnes of sardines and other varieties of fish per day.

We continue to work with the wider industry in supporting 'Fishery Improvement' programmes through 'Project UK', improving environmental standards for key fisheries like South West (crab, lobster and scallops), North Sea (crab, lemon sole and plaice), Channel monkfish, and British nephrops.

Engagement outcomes

The Directors considered suppliers when making the following decisions:

- Continuing to develop and strengthen commercial policies and processes based on feedback from the Groceries Code Adjudicator;
- Enhanced communication programme, through both written and face to face activities;
- Increased focus on consistent and accurate point of sale implementation in store using MMG media; and
- Continuing improvements to our supply chain system, including trialling process efficiencies at depots and adoption of new technology to improve forecasting accuracy.
- Offering enhanced payment terms, as well as launching the store discount card specifically for farmers in December 2024.

Strategic report (continued)

Community

Why we engage

We contribute to the communities we are part of and support local jobs, products, services and facilities. Communities are our customers and our neighbours; therefore the Group needs to have respect and generate a positive impact on them. It is important that Morrisons is a responsible retailer to minimise our impact on the wider environment.

How we engage

As a nationwide retailer, we are at the heart of communities we serve. We provide jobs, access to affordable fresh food, and support for local causes. Our Community Champions lead the way in building relationships with local charities and groups. They are a key link between our stores and the community, working to help good causes with fundraising, donations and practical support. Each year they support over 25,000 local organisations with product donations and facilitate over 12,000 fundraising opportunities in our stores for local charities.

Tackling food poverty

Cost of living pressures have started to ease but many people in our communities still find life tough. Food poverty persists and as a major supermarket we are in a position to make a difference. We work with a range of food redistribution charities including The Bread and Butter Thing and Fairshare to ensure surplus food in our Myton Food Group, Online and Store network is donated rather than discarded.

Our 'Pick Up Pack' scheme continues to resonate with customers in store, allowing them to contribute by adding a pre-packed donation bag to their shopping. Working closely with local food banks and community groups, our Community Champions tailor these packs to meet specific needs. This initiative generated food donations equivalent to three million meals during the year and was supported by in store 'food drives' to boost donations. In addition, online customer donations generated £200,000 for the Trussell Trust's network of foodbanks. This includes money raised through the Morrisons Foundation Christmas Appeal which doubled online customer donations during the festive period.

We know the school holidays can be a particular strain for families with children on free school meals. To help, we have continued to support activity programmes arranged by local schools, community groups and the UK Government's Holiday Activities and Food Programme, by donating nutritious food and essential items to local holiday clubs across the country. Working with our suppliers we have also offered free meals in our cafes for families during the holidays through our 'Ask for Henry' and 'Ask for Ellen' initiatives.

Morrisons Foundation

The Morrisons Foundation has now donated more than £42m to over 3,500 charities since its launch in February 2015. In the year, the Morrisons Foundation donated over £3.6m in grants to local charities. This included the creation of a new fund to celebrate the 125th anniversary of Morrisons, which saw 125 charities share in £1m. Charities were selected by colleagues from across the Company and the grants focused on improving community spaces and local facilities.

Over the year the Morrisons Foundation also donated over £500,000 in colleague match funding to registered charities across England, Scotland and Wales. This provided a significant boost to a wide range of charities that are close to our colleagues' hearts.

In addition to their incredible fundraising exploits, our colleagues also give generously through payroll giving. Around 4,900 colleagues contribute a collective £28,000 each month, supporting over 230 charities and earning Morrisons the Payroll Giving Platinum Award in 2024.

Supporting charities

In the year we concluded our three year partnership with the children's hospice charity Together for Short Lives. Over £4m was raised in the final year, bringing the total to over £10.7m. The money raised is helping children's hospices across the UK provide care to families looking after a seriously ill child. Through our 'Building a Legacy Together' grants, 29 hospices received funding to make improvements to their buildings and facilities. This included new counselling rooms, play areas, sensory rooms, specialised equipment and kitchens. Our new charity partner, Marie Curie, was announced in July 2024 and the three year partnership began in November 2024 with the aim of raising £15m by October 2027.

Strategic report (continued)

Community

Supporting Charities (continued)

In addition to our main charity partner, we are proud to support a number of other important causes and national charity campaigns:

- As a key partner of the British Legion Poppy appeal, we welcomed volunteers into our Supermarket and Convenience stores. In total, £2.3m was raised during the 2023 Remembrance period, with a similar amount raised again in 2024. On Armed Forces Day in June 2024 our stores held bucket collections for Walking with the Wounded;
- £600,000 was raised for Marie Curie's Great Daffodil Appeal in March 2024;
- 1,300 guests attended our first Morrisons 'Big Night Out' event in April 2024 and raised over £734,000 for GroceryAid and Together for Short Lives. As a leading supporter of GroceryAid we also supported a number of their events throughout the year;
- We supported the Alzheimer's Society 'Forget Me Not Appeal' in May 2024, raising over £130,000; and
- As an Emergency Response Partner for the Disasters Emergency Committee, we supported the DEC Middle East Humanitarian Appeal which was launched in October 2024 to help millions of people across Gaza, Lebanon and the wider region. With support from the Morrisons Foundation this included a £250,000 donation as well as giving customers the opportunity to donate in stores and online.

As well as raising much-needed funds, we are also committed to using our platform with customers to raise awareness. Last year we supported NHS England with their 'Be Body Aware' campaign by displaying breast and testicular cancer awareness messaging in our Nutmeg bras and boxer shorts. We remain a key partner of Bowel Cancer UK's Get On A Roll campaign, displaying bowel cancer symptoms on our own brand toilet paper packaging, which this year rolled out to our entire toilet paper range.

Engagement outcomes

The Directors considered communities and/or the environment when making the following decisions:

- Providing over 350,000 hours for dedicated Community Champions and a donation budget for stores totalling over £500,000;
- Actively tackling food poverty in our communities by donating £100,000 to local community organisations tackling holiday hunger over the summer and raising over £150,000 for The Trussell Trust's Emergency Appeal;
- Donating over £3m to registered charities through the Morrisons Foundation, including a £1m dedicated fund to improve 125 community spaces as part of Morrisons 125th anniversary celebration;
- Raising over £4m for our national charity partner, Together for Short Lives; and
- Maintaining our commitment to 'Bradford UK City of Culture 2025' by becoming a major partner.

Strategic report (continued)

Environment

'Sustain' programme

During 2024 we performed a strategic review of our approach to sustainability, revising and simplifying our purpose statement and updating the structure of the programme going forwards. Suppliers, customers, regulators and NGOs were considered in the process and the amended structure was approved by the Board in Q4 2024.

The revised purpose of Sustain is "Creating value for our stakeholders while earning the trust of our customers".

Sustain is now structured around five thematic chapters, each with five goals;

- Chapter 1: Reducing our energy use and impact on the climate
- Chapter 2: Cutting Waste
- Chapter 3: Sourcing Sustainability
- Chapter 4: Supporting healthy and sustainable diets
- Chapter 5: Building an inclusive culture

Sustain is governed by a Steering Group, which meets monthly and is chaired by our CEO. We remain committed to involvement in several industry forums, including WRAP Courtauld 2030, the UK Plastic Pact and IGD Strategic Change Forum.

Sustainable sourcing

Key targets for sustainable sourcing include a commitment to zero deforestation by 2025, and 100% of the cotton used in Nutmeg to be Better Cotton Initiative ('BCI') certified by 2025. Fish sourcing standards, sustainable palm oil and responsible soy are also areas of focus, and good progress has been made against all these target areas. Significant preparation has been made for the EU Deforestation Regulations, which impact on both the import and export of products. Proposed delays to the regulations implementation allow more time for preparation and align to the Group's 2025 targets.

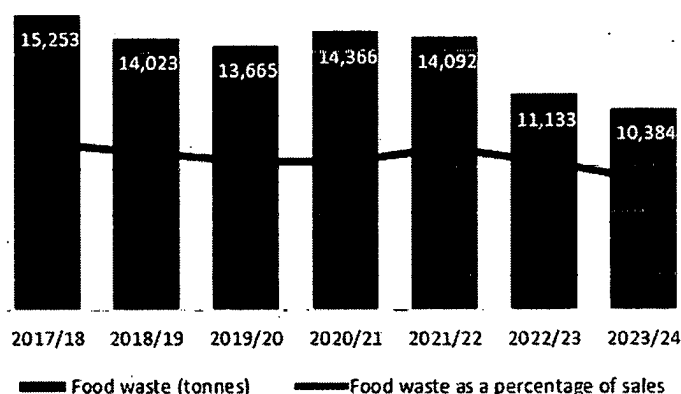
As signatories to the WRAP Courtauld 2030 commitment, we are committed to the goal of 50% of UK fresh food being sourced from areas with sustainable water management. We also remain committed to multi-year funding to support three projects in the UK working towards sustainable catchment management in key sourcing regions.

Reducing plastics

We continue to work with our suppliers to reduce primary plastic packaging, as well as increase the recyclability and recycled content of packaging. During the period we amended our plastic reduction target to be an absolute measure, aligning with the rest of the grocery retail sector to an industry leading target of a 50% reduction in own brand primary plastic packaging versus 2017. At the end of this year, reductions stood at 39% and over 10,000 tonnes.

Food Waste

FOOD WASTE



¹ Food waste is calculated as a percentage of tonnes of waste versus tonnes of food products sold during the period

We take all available steps to minimise food waste in our stores, and so far have reduced our operational food waste in stores by 5,000 tonnes. By 2030 we aim to have cut it by 50% against a 2016 baseline.

Strategic report (continued)

Environment (continued)

Engagement outcomes

The Directors considered communities and/or the environment when making the following decisions:

- Becoming the first UK retailer to take action with the Move to -15°C Coalition, starting by turning freezers up by three degrees in ten stores from 1 August 2024;
- Partnering with Sea Forest to introduce SeaFeed, a methane-reducing livestock feed, into our beef supply chain. This initiative aims to produce lower carbon beef products for sale by 2026, supporting our goal of achieving net zero agriculture emissions from directly supplied farms by 2030; and
- Continuing to drive and review the Group's Sustain programme to ensure continued progress towards achieving Environmental, Social and Governance (ESG) targets, and approving additional activities to reduce water use in our own-brand supply chains in areas of water scarcity, and enhance biodiversity.

Strategic report (continued)

Environment (continued)

Climate change

The food system is a significant contributor to climate change and we recognise the urgent need to develop innovative approaches to reduce greenhouse gas ('GHG') emissions and transform food production and consumption. As a large retailer, we know we must play our part, which is why we have been taking action in our own operations and our wider value chain to reduce our carbon footprint.

We are committed to targets and in our own operations (referred to as Scope 1 & 2) we plan to reach net zero GHG emissions by 2035 and to reduce our value chain emissions for own brand products by 30% by 2030 (referred to as Scope 3). We are also a signatory to the British Retail Consortium's Climate Change Roadmap. During the period, we have developed a plan to deliver the 30% scope 3 reduction, including category-by-category reduction requirements and new ways to engage and work with our suppliers. Our targets are approved by the Science Based Targets Initiative (SBTi). On Scope 1 and 2 emissions, We are aligned with the highest ambition of the Paris Agreement to limit temperature rises to 1.5°C above pre-industrial levels.

We are always reviewing ways in which we can migrate climate change into our strategic planning, including also reporting under the UK Climate related Financial Disclosures framework (UKCFD) (see pages 25 to 27).

Own operations (Scopes 1 & 2)

To enable growth, whilst considering our impact on the environment, we have continued to invest in energy efficient technology and generate our own power. A summary of our energy initiatives are outlined below:

- We continue to track against a detailed roadmap to achieve our emissions targets, focusing on reducing baseline consumption through colleague behaviour and remote control of assets, installing energy efficient technology and generating our own power through on site generation where possible;
- We have challenged all operational usage through numerous actions, such as encouraging energy saving behaviours from our colleagues in stores and sites, reducing the number of spotlights, turning off excessive refrigeration and heated areas and putting some units onto timers;
- Continued with capital investment in a number of energy initiatives, such as upgrading additional sites to LED with improved control and dimming capability, rolling out new HVAC control to a further 10% of the estate to improve remote heating and ventilation controls, and retrofitting doors on refrigeration;
- We have ensured our existing solar estate is well maintained and we continue to invest in retrofit installations on our sites and stores - a total of 110 sites with solar panels generating just over 16.7GWh during the reporting period;
- Our replacement of refrigeration systems has continued, moving away from HFC-based refrigerants towards CO2 alternatives wherever possible;
- We have five heat pumps live within our Supermarkets, removing the reliance of gas at these sites, and continue to work through an expansion of this including in all new stores;
- Across our Myton Food Group sites we have invested in further resources to drive operational usage reduction. This has been achieved through incentive schemes and minor engineering upgrades to improve control on key energy using assets;
- Successfully trialled electric online delivery vans, with plans to expand our electric fleet significantly in our next financial year;
- Undertaken a number of activities designed to reduce the distance travelled and fuel consumed while delivering to our stores including careful scheduling to minimise mileage, longer semi-trailers, and using vehicle telematics systems to encourage drivers to reduce harsh braking, acceleration and engine idling time; and
- Streamlined our Convenience operations, identifying a programme of works to reduce energy consumption via behavioural and capital programmes.

Strategic report (continued)

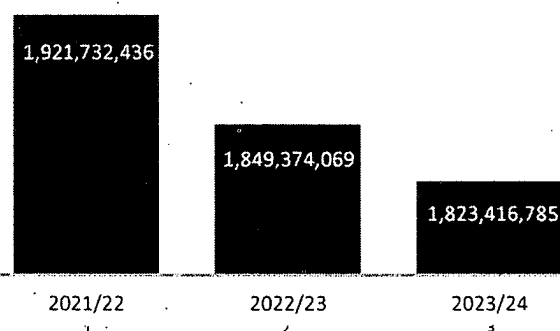
Environment (continued)

Group GHG emissions for period ending 31 October 2024 (tCO₂e)

We have reported for the period from 1 November 2023 to 31 October 2024. Our reporting covers a 366 day period, which is two days longer than the financial period. We have used the Government's Environmental Reporting Guidelines (2019) to prepare the report, and the emissions factors from the UK Government GHG Conversion Factors for Company Reporting.

In line with Streamlined Energy and Carbon Reporting ('SECR') requirements we have also reported on the underlying energy use used to calculate Group GHG emissions. The reporting boundary has been determined by operational control, which includes emissions from the operation of the Group's Supermarkets and Convenience stores, Myton Food Group, logistics sites and operation of its fleet, where not controlled by a third party.

TOTAL ENERGY USE (kWh)



Period covered for the purpose of measuring the energy use is different from the financial period:

¹ Period between 1 November 2021 and 31 October 2022

² Period between 1 November 2022 and 31 October 2023

³ Period between 1 November 2023 and 31 October 2024

Emission source	Baseline 1 November 2018	1 November 2022 – 31 October 2023	1 November 2023 – 31 October 2024
	31 October 2019		
Total – Scope 1¹	238,223	195,846	209,940
Total – Scope 2 – Electricity – Location Based²	345,321	223,116	217,484
Total – Scope 1 and 2	583,543	418,962	427,424
Grey Fleet Travel (Scope 3)³	1,361	829	1,220
Intensity Ratio: Tonnes of CO ₂ e per £m turnover	33	23	25
Underlying Energy Use (kWh)	2,114,050,531	1,849,374,070	1,823,416,785
Electricity	1,328,703,193	1,108,158,593	1,068,239,068
Stationary combustion	759,134,884	665,040,172	678,499,601
Mobile combustion (haulage & company vehicles)	26,212,454	76,175,305	76,678,116

¹ Scope 1 includes: Stationary combustion; emissions from the combustion of natural gas, fuel oil, diesel, LPG and gas oil; Refrigerant Gases, Other Gases and Mobile Combustion within our operational control.

² Data taken from most recent invoice data which includes subsequent adjustments for rebilling; re-baselining of site inclusions/exclusions; and adjustments to the way data is apportioned across the year to ensure ongoing consistency.

³ Only partial data available for baseline year. As such the grey fleet consumption and associated emissions have been estimated on a pro-rata basis and unknown fuel types are assumed to be electric vehicles. Additionally, fuel for rental vehicles has been excluded as immaterial consumption.

We transitioned our Haulage emissions from Scope 1 to Scope 3 within the financial year and we have also moved McColl's portfolio into our overall footprint therefore triggering a rebaseline as qualification for a significant change.

Gibraltar supermarket's emissions are included in the table above. We have excluded our Hong Kong office and Dutch Bos Brothers site, which together represent less than 0.1% of the total Group footprint and are therefore deemed immaterial.

Group GHG emissions

Morrisons Scope 1 & Scope 2 GHG emissions and intensity ratio for the period 1 November 2023 to 31 October 2024 are subject to independent assurance by Challenge Sustainability in accordance with the ISAE 3000 standard. The full assurance statement with Challenge Sustainability's scope of work, basis of conclusion and the Group's basis of calculation will be published online on the sustainability section of our website in 2025.

Water

Separate to the table above, we internally report on our water usage weekly across all operations, using our automated meter read ('AMR') data. We also use this data to identify high consumptions to alert our Myton Food Group sites to early identification of leaks. We have also reviewed all these sites for water-saving opportunities. In the period we used 4,616,978m³ litres of water across the Group portfolio, a 4% reduction versus the previous financial year.

Strategic report (continued)

Environment (continued)

Scope 3 (Value chain emissions)

In the period we worked with the Carbon Trust to produce a Scope 3 footprint for the financial year ending October 2023 which included revising the 2019 baselines. This was required to account for the sale of our petrol filling stations, the acquisition of Convenience stores and separation of Forest, Land and Agriculture (FLAG) emissions, as required by the Science Based Targets Initiative. As the petrol filling stations were within the business operations within the 2023 carbon reporting year, figures both including and excluding this business were created. However, as future years will not include this business and it will move to category 15, investments, it was decided that the baseline excluding the petrol filling stations should serve as the formal baseline of the business in future. This significantly increased the total emissions included in the business baseline.

We continue to engage 400 of our own brand suppliers in our environmental improvement and emission reduction programme. In partnership with 'Manufacture 2030', this measures the carbon footprint of our suppliers' manufacturing operations, and collects data on water use and waste. Also supporting our overall Scope 3 reduction target, as British farming's biggest customer, we have an ambition to work towards net zero agriculture by 2030, specifically covering the products sourced from our 2,700 UK farmers and growers.

Our scope 3 footprint disclosed in this report relates to our 2023 reporting year (1 November 2022-31 October 2023). The footprint work included:

1. An updated scope 3 baseline year to 2019;
2. An expanded scope 3 boundary to include all categories except category 10;
3. Separation of FLAG emissions in baseline year (2019) and reporting year (2023); and
4. Creation of footprints both including and excluding petrol filling stations.

The revised 2019 baseline figure, with petrol filling stations moved to category 15 and using location based calculations, is 24,616,298 tonnes CO₂e. The 2023 reported emissions were 19,609,096 tonnes CO₂e, which represents a 20.3% reduction in scope emissions from the baseline.

Our scope 3 target, approved by the SBTi, is to reduce emissions by 30% by 2030. This aligns to the Paris Agreement less than two degree pathway.

Our scope 3 footprint was prepared using as much direct primary data as possible. In 2023 this included on-farm measurement covering farms that directly supply us, data from third party manufacturing facilities (via Manufacture 2030), information from specific category suppliers, such as dairy, and packaging emission data. This was combined with life-cycle assessments, industry emission factors provided by The Carbon Trust, and environmentally extended input and output data.

Non-financial and Sustainability Information Statement

Climate-related Financial Disclosures ('CFD')

Governance

The Board has overall responsibility for both risk management and sustainability matters. This includes risks and opportunities related to climate change. The Board discharges the responsibility of the Group sustainability strategy and governance to the Sustain Steering Group, including the management of climate related issues. The Sustain Steering Group, chaired by our CEO, meets monthly to monitor progress, ensure that strategy and governance are appropriate and that measures and targets are in place and reported on. The meeting also oversees progress against such targets on a quarterly basis. Responsibilities related to risk management are discharged to the Risk Committee. For further information on our Risk Committee see page 41.

Assessing Risk

The process for identifying climate change risks for our business is the same as other risks and uses our established risk management framework. The framework incorporates both an approach to identify the Group's principal risks and to identify operational risks. Our environmental and sustainability risks are mapped across our functional risk registers, which detail the mitigating actions, as well as the relevant responsible individuals monitoring the risk. These risks are discussed as part of our regular functional risk register reviews. The risk registers are formally reviewed annually by the Board, which provides the assurance that risks are appropriately monitored and managed through the risk management framework.

Specific climate-related risks are included in several functional risk registers and are referenced under existing Group principal risks, as appropriate. Ownership and management of these risks is assigned according to where the risk arises together with the responsibility for the implementation of the risk improvement or mitigation plans.

Strategic report (continued)

Environment (continued)

Climate-related Financial Disclosures ('CFD') (continued)

Risks and impacts

Our principal risks and opportunities related to climate change are detailed below. We have used the following definitions of time periods:

- Short term - 0 to 3 years. This is aligned to our business planning processes.
- Medium term - 3 to 10 years. Linked to our current sustain targets and captures both transition risks and opportunities.
- Long term - > 10 years. Linked to our long term net zero targets and captures the physical risks and opportunities.

Risks

1. Changing customer behaviour

Long term- transition risk

Climate change may result in changes to consumer behaviour and demands, leading to the potential of decreased revenues.

2. Heatwaves / Acute physical risks related to heat

Medium term- physical risk

Temperature rises increasing refrigeration breakdowns across operational sites. Potential disruption to supply chain due to heatwaves.

3. Carbon pricing

Short term- transition risk

Cost of climate change levy and increasing energy wholesale prices.

4. Flooding

Medium term- physical risk

Increased flooding events impacting operations of all sites. Potential disruption to our supply chain due to flooding and crop failures.

Opportunities

1. Resource efficiency

Short term

Introducing new technologies to increase energy efficiency of buildings and services, resulting in reduced direct costs. This includes the rollout of EcoBlade shelf-edge technology, HVAC upgrades, heat pump trials and solar power installation.

2. Development of new products and services

Short term

Potential for increased revenues and access to new markets as customer demand for products changes. Our 'Naturally Wonky' range continues to reduce on-farm waste, unlocking surplus where there is customer demand to do so.

3. Local products and services

Short term

Implementation of local products and solutions, adapting to customer awareness of sustainability in sourcing, seasonality and supporting local food systems.

Strategic report (continued)

Environment (continued)

Climate-related Financial Disclosures ('CFD') (continued)

Scenario analysis

The actual and potential impacts of our climate-related risks on the business have been reviewed jointly by our Sustainability, Finance and Risk teams. This acts as a useful test for our current business and supply chain operations and wider business strategy. As part of this review, mitigation actions including programmes already underway were considered as part of the overall potential impacts on our strategic and financial position under different scenarios. Qualitative analysis was undertaken using two emissions scenarios; a high emissions 4°C scenario and a 1.5°C limiting global warming scenario. This allowed for us to fully understand the transitional related risks in a 1.5°C transition, accounting for a rapid shift away from fossil fuels and greater policy changes towards a low carbon economy. A high emission 4°C scenario allowed for us to fully understand the acute physical risks related to rapid global temperature rises and weather related extremes. The results were used to inform how we will manage identified risks and opportunities in the future.

In our next period we plan to complete further qualitative scenario analysis against a number of our product categories for both physical and transitional risks.

Qualitative analysis of our own operations

Under a high emissions scenario, potential flooding impacts were considered on our Supermarkets, Myton Food Group facilities and Logistics sites, with several identified as potential high risk. Additionally, the impacts of heatwaves on equipment and operational capacity of our sites were reviewed. As an area of significant potential impact, mitigation actions are already underway to increase the resilience of our infrastructure, implementing new refrigeration technology across our operations.

Under a low emission scenario considering transitional risks, increased operating costs within our own operations were reviewed, particularly the impact of potential environmental compliance requirements such as a carbon tax. Increased capital expenditure to address emissions activities within our own operations was also reviewed. A programme is in place to address several areas of high emissions through the rollout of lower carbon technologies. For more information see page 23 to 24.

Qualitative analysis of our own supply chain

Assessing impacts of potential acute physical impacts under a high emissions scenario, we reviewed potential financial impacts of diminished or lost crop yields within our supply chain. Assuming additional costs are passed to the consumer, demand may decrease and therefore reduce overall revenue.

Alternatively when considering transitional risks associated with a low emission scenario, the potential financial impact of new technology requirements within our agricultural supply chain was assessed. Our ongoing work with directly supplying British farms as part of our 'Net Zero Agriculture' programme mitigates a number of the potential impacts.

Targets

To manage our climate related risks, we have a comprehensive carbon reduction programme and strategy in place. Our carbon reduction strategy includes a goal for net zero emissions in our own operations (scope 1 & 2) by 2035, and to reduce the emissions in our up and downstream supply chains (scope 3) by 30% by 2030. These reduction targets have been approved by the SBTi. In our current period our scope 1 and 2 emissions were reduced by 28% compared to the 2019.

We provide an annual update on our progress on climate-related goals, including energy consumption and scope 1 & 2 GHG emissions in line with our SECR requirements (see page 24 to 25).

Our scope 3 emissions are the largest GHG impact from our business. This is predominantly emissions related to agriculture and produce suppliers, with a significant proportion attributed to our investment in MFG and the indirect emissions from their fuel sales.

We provide additional comprehensive annual carbon information through our CDP disclosures. We additionally measure and report progress annually against our food waste and plastic reduction targets, and sustainable sourcing certification coverage for deforestation and sustainable fishing.

Strategic report (continued)

Debt holders

Why we engage

It is important to engage regularly with debt holders, including bond holders, term loan counterparties, and other financial institutions, to ensure that they remain comfortable with their exposure to the Group and to build and maintain long term relationships. The majority of the wider Group's debt is held within the holding companies beneath the Group's ultimate parent, Market Topco Limited. Other similar stakeholders to debt holders include ratings agencies and trade credit insurers, and while they do not have a direct investment in the Group, their understanding and commitment to the Group and its strategy is important to our business.

How we engage

In order to effectively engage with debt holders, the Directors present the financial results and an update on strategy and host a Q&A session every quarter, with additional meetings held throughout the year. In addition to this, all debt holders and similar stakeholders have access to a secure part of the corporate website which contains financial presentations and accounts. Separately, holders of the preference shares issued by Market Holdco 2 Limited (one of the Group's parent holding companies) are invited to attend Board meetings, with regular dialogue maintained with them throughout the period.

Engagement outcomes

- The Directors consider debt holders and similar stakeholders when assessing the financial position of the Group, its use of capital and its strategic direction.

Strategic report (continued)

Section 172(1)

The following section serves as our Section 172(1) statement. Section 172(1) requires that directors act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole. In doing so, the Directors should have regard (amongst other matters) to: the likely consequences of any decision in the long term; the interests of employees; the need to foster relationships with suppliers, customers and others; the impact of the Group's operations on the community and the environment; the maintaining of a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

Morrisons has identified five main stakeholder groups: customers, colleagues, suppliers, communities and the environment, and debt holders. The Directors also regularly consider the needs of other stakeholders such as Government, regulatory bodies, charities and non-governmental organisations when making decisions.

Stakeholder	Page number
Customers	Pages 11-12
Colleagues	Pages 13-15
Suppliers	Pages 16-18
Community and Environment	Pages 19-27
Debt holders	Page 28

Our business model and operations are focused on delivering long term benefits for all of our stakeholders while maintaining a high standard of business conduct. The Directors recognise the need for genuine, well-informed and dynamic engagement with our stakeholders and believe that the Group has the right representatives formally and informally engaging with a wide and diverse selection of stakeholders. The Group spends a lot of time listening to and understanding the views of our stakeholders which form an integral part of any decision making.

Strategic report (continued)

Managing our risks

Successful delivery of our priorities depends on our ability to make sound, risk-informed decisions. Managing risk and uncertainty is an integral part of the Board's strategic thinking.

Risk management approach

We respond to changes in our industry and the wider external climate by maintaining a business-wide understanding of our key risks and how to manage them. This helps us deliver our ambitions for all of our stakeholders and means that we are in a better position to achieve our priorities, respond to emerging risks and to create and take advantage of new opportunities.

The risk management process

Our risk management framework is designed to identify, evaluate, mitigate and monitor those risks which threaten our ability to deliver our priorities. This includes both a top-down approach to identify the Group's principal risks and a bottom-up approach to identify operational risks.

Risk registers for each business function sit at the heart of this process. Our functional risk registers detail the main risks in each business area and are used to assess the inherent level of risk, the extent of any mitigating controls, and the resultant residual risk. They also detail any further plans to mitigate or reduce our risks in line with agreed targets, based on a risk appetite framework established and agreed with the Board. The impact assessment of a risk includes considering its potential strategic, reputational, financial and operational effects.

The risk registers are owned and managed by the director of each function responsible for reviewing and updating their risk register and ensuring that action plans are in place where required.

The Risk Committee, and in-turn the Board, review and approve the principal risks annually. The Group's principal risks are then monitored every month by the Risk Committee using key risk indicator reporting supplemented with a rolling agenda of deep dive reviews on key or emerging risk areas.

The Risk Sub-Committee reviews coverage across the Group's principal risks, the key controls already in place and any risk mitigation plans. Their review considers the completeness of risks captured in the detailed functional risk registers, strategic risks, external factors and any emerging risks.

The Risk and Internal Audit team facilitates the preparation of both the functional risk registers and the Group risks. It also supports the Board in reviewing the effectiveness of the Group's risk management and systems of internal control. Where potential weaknesses are identified, the Risk and Internal Audit team work with the business to agree any necessary mitigating actions.

Principal & emerging risks

The Directors have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, the achievement of our priorities, solvency or liquidity.

Changes to principal risks

The Board has undertaken a thorough review of the Group's principal risks and following this review, the following changes have been made.

Safety & security

Health and safety continues to be of utmost importance across our stores, sites and offices. Following the integration and expansion of our Convenience business, we now manage a much larger and more diverse property estate. The 'Health and Safety' risk has therefore been broadened to 'Safety and Security' to encompass the health and safety and security of all people and assets. The Board has increased this net risk rating reflecting these changes.

Financial & Treasury

We completed the sale of our petrol forecourt business to MFG in April 2024. As part of this transaction Morrisons became a shareholder in MFG, as well as becoming a supplier to them. The proceeds from the sale have allowed us to strengthen our capital structure, repay debt and invest in the business. The completion of the debt reduction tender in June 2024 reduced debt by 35% within the wider Group, with further repayments in November 2024 taking this to nearly 40%. We have also seen a reduction in working capital volatility previously associated with fuel. Following this the Board has elected to decrease the net risk rating of the Financial and Treasury risk.

Changes to principal risk descriptions

Three Group Principal Risks descriptions have also been updated. 'Colleague Engagement, Retention & Capability' has replaced the previously titled 'People' risk to clearly describe the key areas of focus. 'Information and Cyber Security' has replaced the previously titled 'Information Security' risk to demonstrate the importance of the controls in place to protect our data and technology infrastructure. The previous 'Business Interruption' risk has been expanded to 'Business Continuity and Operational Resilience' as geopolitical events, domestic and international political uncertainty and isolated infrastructure or cyber related incidents continue to pose a risk of supply chain disruption.

Strategic report (continued)

Managing our risks (continued)

All other risk ratings will remain under review but the Board believes that these remain appropriate at this time and no further changes are required.

Emerging risks

Our risk management process incorporates the formal identification and management of emerging risks and these are reported to the Risk Committee and the Board alongside our known principal risks.

We employ the following strategies to ensure that our business is adequately prepared for the potential threats or the opportunities these present, and we have a clear reporting route to the Board when necessary:

- Strategic and operational horizon scanning across the business;
- Working with our key strategic partners to share emerging consumer trends; and
- Using third party experts to assist with the consideration of emerging risks and legislation.

Alongside this we continue to review and assess the potential impacts of evolving risks including those associated with interest rates and cost of living pressures, climate change and extreme weather events, labour market changes, innovations in technology and new regulation.

Strategic report (continued)

The Risk Management Framework

Board of Directors

Maintains sound risk management and control systems, assesses principal risks, receives annual internal controls certification from management

Risk Committee

Assesses principal, operational and emerging risks and undertakes regular monitoring of risk

Governance Forums

Oversight of divisional risks and mitigating actions relevant to the forums area

Functional Leadership Teams & Operational Management

Reviews operational risks, operates controls and implements risk mitigation plans

Principal Risks

The following keys have been used in the principal risks table on pages 33 to 36.

Key	
↑	Increase in net risk
↔	No change in net risk
↓	Decrease in net risk

Strategic report (continued)

Managing our risks (continued)

Principal Risks

Risk	Description	Mitigation
Business Continuity and Operational Resilience ↔	<p>If we do not respond effectively to a major incident, external events, geopolitical uncertainty or environmental factors it could cause significant disruption to our supply chain or business operations.</p>	<ul style="list-style-type: none"> Disaster recovery and business continuity plans cover all physical locations, the online operation and key IT infrastructure; A Crisis Management Group is in place to manage the response to any major incident; We work alongside our strategic third party partners to ensure both parties' continuity plans are robust and aligned; There has been continued investment in cloud technologies to provide further resilience to our Technology; and We undertake structured supplier engagement to anticipate and respond to potential supply chain disruption including as a result of geopolitical events.
Business Strategy and Change ↔	<p>A failure to effectively deliver the business' strategic change activities could negatively impact our performance, customers or existing operations.</p>	<ul style="list-style-type: none"> Strategic change programmes have dedicated steering groups in place to support delivery with oversight from relevant members of the Senior Leadership team; Governance arrangements are in place to ensure proper oversight of strategic change programmes with regular reporting to the Board; All major projects are subject to formal business case reviews which include expected financial returns and are approved by the Capital Approvals Sub-Committee; and Established processes are in place to communicate with colleagues and customers.
Colleague Engagement, Retention and Capability ↔	<p>Attracting and retaining talented colleagues with relevant skills and experience is critical to the success of the business. If we do not continue to invest in colleagues and instil our values it could impact the ability to deliver our strategic plans.</p>	<ul style="list-style-type: none"> We have fair employment policies and competitive remuneration and benefits packages; The Sir Ken Morrison Leadership School was launched in 2024 to prepare and support high potential colleagues taking the next step in their career. The programme includes leadership and technical training and gives colleagues the opportunity to participate in business relevant projects; We have worked to give colleagues increased visibility and flexibility of their hours and rotas through our people system and modernised working patterns; Colleague roundtables and listening sessions are used to understand and respond to our colleagues; and We take pride in creating an inclusive work environment where everyone feels welcome and we celebrate our differences.
Competitiveness ↔	<p>The grocery sector continues to be highly competitive. If we do not engage with our suppliers to effectively manage prices, trade and promotional plans, there is a risk this will adversely impact sales.</p>	<ul style="list-style-type: none"> We have a clear business strategy in place set by our Board. We regularly review our price position, trade plan and promotions to ensure we remain competitive; We continuously focus on our key trade levers to improve our offering, drive sales and grow market share; We continue to grow and invest in our Convenience, Wholesale and Online channels; We utilise insight and data including third party market research, roundtables, colleague and supplier feedback to ensure we are constantly evolving to meet customer expectations; Commercial agreements are established with suppliers, ensuring a competitive customer offer and to help maintain security of supply;

Competitiveness (continued)		<ul style="list-style-type: none"> • Our loyalty scheme now offers member pricing and hyper-personalised offers to drive trade; • We continue to actively engage our key suppliers, working closely with British growers and farmers; and • Our vertically integrated supply chain and direct relationships with British farmers and growers enables us to offer great quality, service and value.
Customer ↔	There is a risk that we do not meet the needs and expectations of our customers in respect of availability, service, range, quality, value and loyalty.	<ul style="list-style-type: none"> • Our customer promises underpin our strategy and inform all decision making; • We have an extensive programme in place to monitor customer satisfaction across all channels including customer round tables and colleague feedback; • We monitor and respond to customer complaints to improve the shopping trip and the quality of products we sell; • We have continued to invest in our loyalty scheme, improving our targeted offers and the customer experience across all platforms; • We remain focused on availability, range, value and service to deliver what's most important to our customers; and • We continue to make our products accessible to more customers through our multi-channel offering.
Environment & Sustainability ↔	Our reputation, future trading performance and business costs including financing, could be adversely affected if we are not able to mitigate the impacts of our operations or satisfy our environmental commitments to our customers, colleagues and wider stakeholders.	<ul style="list-style-type: none"> • There is oversight and monitoring for the key areas which deliver sustainable growth with a lower environmental impact; • We have a clear roadmap in place to achieve net zero operational emissions by 2035 (Scope 1 and 2); • We aim to be supplied by net-zero carbon British farms by 2030. Net Zero products will be sourced directly from our British farmers into our food-making sites for own-brand products; • We aim to be the first supermarket supplied directly by net-zero carbon British farms by 2030. Net Zero products will be sourced directly from our British farmers into our Myton Food Group sites for own brand products; • We are working with Manufacture 2030 to measure the emissions of our wider supply chain. As part of this our own brand suppliers, including our own Myton Food Group sites, are encouraged to reduce the greenhouse emissions associated with the sourcing, manufacture and transportation of their products; • We measure and report on our Scope 3 footprint every two years and are working with our suppliers to reduce the value chain emissions of our own brand products by 30% by 2030; and • We are working towards an ambition, for all key risk commodities, to be assured zero deforestation or conversion of high conservation value land by 2025.
Financial & Treasury ↓	The key financial risk relates to the availability and cost of financing and having sufficient liquidity. This may be impacted by macroeconomic conditions including interest rates, inflation, energy and commodity costs. We continue to offer supply chain finance to some suppliers and the withdrawal of these facilities would lead to terms being reviewed.	<ul style="list-style-type: none"> • The Group's Treasury function is responsible for the forward planning and management of funding, interest rates, foreign currency, exchange rates, energy costs and certain commodity price risks including hedging risks; • The Treasury Committee monitor cash flow and liquidity and ensure adequate funds and borrowing facilities are in place to meet upcoming obligations; • Cash and debt are reported and discussed at every Board meeting; • We perform long term assessments of our debt levels and monitor compliance with financial covenants as well as credit rating metrics;

Financial & Treasury (continued)		<ul style="list-style-type: none"> • We have a working capital plan with governance forums and processes in place to oversee its delivery to maximise working capital; • We consult with external experts on funding strategies and to support key decision making; • We have no material financial debt maturing before 2027 and recent repayments have substantially decreased our debt for refinancing in 2027; and • A long term funding framework and pension strategy are in place with ongoing communication and engagement with the Pension Trustees.
Food Safety, Product Integrity & Ethical Sourcing ↔	<p>There is a risk that without the right controls in place the products we sell could be unsafe, or not of the integrity or ethical standards that our customers expect. It is also important to us to support sustainable, ethical and resilient supply.</p>	<ul style="list-style-type: none"> • We have established governance arrangements and assurance programmes in place to ensure the safety and integrity of the products we sell. This includes an audit plan covering food safety in stores, sites and across our suppliers; • We regularly engage with expert bodies and regulators to understand and plan for upcoming changes in safety standards; • We perform regular assessments of our suppliers and specific provisions exist within third party contracts; • We employ qualified, technical experts across internal functions and have thorough training programmes in place; • Our Ethical Trading Policy and Code establishes key requirements for all suppliers. We actively monitor compliance through an extensive third party audit programme and provide support for suppliers if issues are identified; • Our measures to tackle Modern Slavery are reported annually in our Modern Slavery Act Statement; and • Our vertical integration model gives us control over the integrity of a significant proportion of our fresh food.
Information & Cyber Security ↔	<p>Any failure to maintain the security of our systems or data, whether as a result of a cyber attack or internal control failure, could disrupt our business and result in reputational damage, additional costs, litigation or significant fines.</p>	<ul style="list-style-type: none"> • Information Security policies, procedures, training and controls are in place, including encryption, network security, systems access and data protection; • The Information Security Steering Group oversee a rolling programme of work to review and enhance our information security controls, ensuring these remain commensurate with our level of risk and the evolving cyber landscape; • We have a dedicated assurance programme in place including targeted testing performed by specialist third parties; • We have a dedicated information security function and a security operations centre to detect, report and respond to security incidents; and • We have a working group in place with responsibility for overseeing data management practices, policies, regulatory awareness and training associated with customer and colleague data. This includes change management activities and a review of third parties managing data on our behalf.
Regulation ↔	<p>The Group operates in an increasingly regulated environment.</p> <p>Failure to comply with any regulation could lead to reputational damage, financial penalties and litigation including class actions e.g. the ongoing equal pay claim.</p>	<ul style="list-style-type: none"> • We have robust policies, procedures and training in place to comply with relevant legal and regulatory standards; • We have compliance and assurance programmes led by specialist, qualified colleagues to monitor compliance with key legislation; • We have an established in-house legal team with dedicated subject areas and regulatory expertise; • We have an independent whistleblowing service to ensure colleagues and other stakeholders can report concerns to the Group confidentially;

Regulation (continued)		<ul style="list-style-type: none"> • We actively engage with government and regulatory bodies on policy changes which could impact our customers, colleagues and operations; and • We have a GSCOP compliance framework in place to monitor compliance with key regulations so that action can be taken as necessary.
Safety & Security ↑	There is a risk to the safety and security of our customers, colleagues and property if we do not have the right policies, procedures and controls to keep people safe and our assets secure.	<ul style="list-style-type: none"> • Established governance arrangements are in place and management monitor health and safety performance; • Policies, procedures, training and assurance programmes are in place to ensure customers, contractors and colleagues have a safe and secure place to work and shop; • Monthly governance meetings take place to monitor and oversee the safety of our property estate including any emerging risks or regulatory changes; and • Dedicated Health and Safety and Security teams are in place across the Group. We work closely with local authorities and regulatory bodies to ensure all government guidelines are followed.

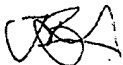
Walker Guidelines

In preparing the Annual Report, the Directors have complied with the requirements of the Walker Guidelines for Disclosure and Transparency in Private Equity.

Approval of the Strategic report

Pages 4 to 36 of the report form the Strategic report.

The Strategic report was approved by the Board and signed on its behalf by:



Jonathan Burke, Company Secretary
28 January 2025

Governance report

This Corporate Governance report applies to the Group from the ultimate parent company Market Topco Limited to Wm Morrison Supermarkets Limited and its subsidiaries. All references to 'Group' within this section are in relation to Market Topco Limited and its subsidiaries and all references to 'Company' relate to Wm Morrison Supermarkets Limited.

Corporate governance update

The Group's current corporate governance framework is summarised within this Governance report. We expect to continue to develop and adapt our corporate governance framework in accordance with the changing demands of our business and stakeholders.

Adoption of the 'Wates Principles' by Wm Morrison Supermarkets Limited

The Companies (Miscellaneous Reporting) Regulations 2018 require all companies of a significant size to disclose their corporate governance arrangements. For 2023/24 and to the date of the signing of this Annual Report and Financial Statements, the Company has applied the Wates Corporate Governance Principles for Large Private Companies ('Wates Principles'). The principles were published by the Financial Reporting Council (FRC) in December 2018 and comprise six key principles: Purpose & Leadership; Board Composition; Director Responsibilities; Opportunity & Risk; Remuneration; and Stakeholder Relationships & Engagement. The following section summarises how the Company has applied the principles.

The Directors consider that the corporate governance policies and procedures are appropriate for the Group.

Principle 1 - purpose and leadership

As the shareholder in the Company, CD&R plays an active role in its strategic development. CD&R has regular interaction with the Directors and other senior managers within the Company and its subsidiaries. CD&R and the Directors meet formally on a monthly basis to discuss the operations and performance of the business. CD&R provides an important contribution through the expertise, knowledge and experience of its team.

As is consistent with previous years, the Directors continue to balance the interests of our various stakeholder groups in a way that promotes the long term success of the Company.

Our purpose is: "Making good food affordable for everyone" and giving customers "More reasons to shop at Morrisons". For further information on purpose, see our Strategic report on pages 4 to 5.

The Directors assess and monitor the culture of the Company in line with the Company's purpose, ways of working and the needs of its various stakeholder groups. More information on this can be found on pages 4 to 5 and 11 to 36.

The Directors have a good understanding of the views of Company colleagues and culture, facilitated by colleague roundtables, internal NPS surveys, formal and informal discussions with the senior managers of the Company and its subsidiaries, and day-to-day interactions with our colleagues in store. From these various sources, the Directors are able to confirm that the culture of our business is aligned to the purpose, values and strategy that the Directors have set.

The Company's approach to investing in and rewarding our colleagues is set out on page 13 to 15.

The Company is committed to ensuring that all colleagues have the ability to raise genuine concerns in good faith, without fear of victimisation, subsequent discrimination or disadvantage, even if they turn out to be mistaken. More information on our whistleblowing policy can be found on our website www.morrisons-corporate.com/about-us/whistleblowing-policy.

The Directors assess the basis on which the Company generates and preserves value over the long term, and the opportunities for the Company going forward, through a formal strategy and long term planning process. More information on this can be found on pages 4 to 5 and 11 to 36.

Governance report (continued)

Principle 2 - Board composition

The Company is an indirect subsidiary of Market Topco Limited, which was the ultimate parent company of the Group throughout the period.

Market Topco Limited

The statutory Directors of Market Topco Limited are:

- Sir Terry Leahy
- Rami Baitiéh
- Manvinder Banga
- Joanna Goff
- Marco Herbst
- Gregory Lai
- David Novak

The role of Chair in Market Topco Limited is fulfilled by Sir Terry Leahy. As Chair, Sir Terry ensures that appropriate information is provided and that sufficient time is available for each of the discussion points during the Market Topco Limited Board meetings.

Wm Morrison Supermarkets Limited

As at the date of approval of the Annual Report and Financial Statements, the two directors of the Company were:

- Rami Baitiéh
- Joanna Goff

David Potts resigned as Director and Chief Executive Officer of the Company and Director of Market Topco Limited on 1 November 2023.

Rami Baitiéh

Appointment

Rami joined the Group as Chief Executive Officer ('CEO') in October 2023, and was appointed a Director of the Company on 30 October 2023.

Experience

Rami was the CEO of Carrefour France between July 2020 and September 2023, Spain from May 2019 to July 2020, Argentina from January 2018 to May 2019 and Taiwan from February 2015 to January 2018.

External roles

GroceryAid President (appointed January 2025)

Joanna Goff

Appointment

Joanna joined the Group in 2011 and has held a number of positions including Group Finance Director, and most recently Operations Development Director, with responsibilities that included Productivity, Procurement, Group Strategy, Loss Prevention and Fuel. Joanna joined the Board on 4 April 2022 as Chief Financial Officer ('CFO').

Experience

Prior to joining Morrisons, Joanna was at PricewaterhouseCoopers LLP ('PwC') for 11 years and is a member of the Institute of Chartered Accountants in England and Wales.

External roles

None

Governance report (continued)

Principle 2 - Board composition (continued)

Certain key business matters relevant to the Company are formally reserved for approval by CD&R. These include, for example, the approval of the overall commercial and operating strategy; and annual financial plans and budgets.

The Directors regard the current structure of the Board as appropriate for the Company. The structure of the Board will continue to be reviewed in the context of the Company's ownership by CD&R going forward.

Board diversity, skills and experience

The Board's diversity is monitored and driven by the CEO and the Group People Director. The Directors understand the importance of having diversity with regard to skills, length of service, experience, ethnicity, gender and knowledge among the Directors and senior management team.

The Directors of the Group, together with the wider management team, are considered to have an appropriate combination of background, skills and experience to make considered and effective decisions. The performance, experience, balance of skills, independence and knowledge of the Directors and wider management team is monitored by the CEO and CD&R.

Principle 3 - Director responsibilities

Wm Morrison Supermarkets Limited

As referred to on page 37, CD&R plays an active role in the Company's strategic development. Operating Review meetings are held with CD&R on a monthly basis. These meetings are attended by the Directors, the Company Secretary, and senior members of the CD&R team. The meetings are chaired by Sir Terry Leahy. The key responsibilities of the Operating Review meeting include, for example, determining the strategy and financial plans for the Company; setting the operational and capital budgets; reviewing ongoing financial performance against the budget; assessing the Company's risk profile and risk appetite; and considering the governance arrangements of the Company.

In advance of each Operating Review meeting, papers are circulated to the attendees, allowing them sufficient time for meeting preparation. The papers include, for example, updates on financial and operating performance (including a review against key performance indicators), customer insight information; updates on strategic projects; and updates on governance matters.

Activities of the Operating Review meeting have included monitoring, considering, reviewing and approving the following matters:

- Financial performance of the Company for each accounting period;
- Current trading and market environment;
- Detailed review of key business functions, including, Online, Wholesale, Convenience, Myton Food Group and Logistics;
- Property strategy, including new store developments;
- Performance of the Company's 'More Card' loyalty programme;
- Environmental, Social and Governance matters, including sustainability targets;
- Company principal and emerging risks and agreement of risk appetite;
- Energy management and hedging strategy within the business;
- Current strategy with regard to the Group's pension schemes; and
- Audited Annual Report and Financial Statements for the Company, including assessing whether the report is fair, balanced and understandable, and that a going concern basis of accounting is appropriate.

Audit Committee

Members of the Committee are as follows:

- Marco Herbst
- Gregory Lai

Other Board members and senior managers attend as required.

The Audit Committee's role is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- The integrity of audited financial information provided to investors;
- The Group's system of internal controls and risk management;
- The internal and external audit process and auditors;
- The Group's internal audit plan; and
- How risk is reported internally and externally.

During the year, the Committee has met twice; once to discuss the External and Internal Audit plan for the period, including a risk update, and once to review and recommend that the Board approve and sign the Annual Report and Financial Statements of the Company.

Governance report (continued)

Principle 3 - Director responsibilities (continued)

Remuneration Committee

Members of the Committee are as follows:

- Sir Terry Leahy
- Marco Herbst
- Gregory Lai
- Rami Baitieh

The role of the Remuneration Committee includes:

- Determining and agreeing with the Board the framework and policy for the remuneration of directors and other members of the executive management;
- Reviewing the ongoing appropriateness and relevance of the remuneration framework and policy;
- Approving the design of, and determining the targets for, any performance-related pay schemes operated by the Group and approving the total annual payments made under such schemes;
- Reviewing the design of all share incentive plans; and
- Overseeing the management of The Market Topco Employee Benefit Trust.

During the year, the Committee has met on three occasions.

Other Committees

At below Board level, formal committees/meetings were in place during the period for the following areas of the business:

- Executive Committee
- Capital Approvals
- Customer
- GSCOP
- Myton Food Group
- Online, Wholesale and Convenience sales channels
- Risk
- Sustainability
- Talent
- Treasury

Each of the above, with the exception of GSCOP, is attended by at least one of the Directors (the GSCOP Committee formally reports into the Risk Committee). In addition to the Directors, membership also comprises the relevant subject matter experts and senior managers within the business.

Responsibilities and activities of the various committees named above include:

- Developing plans to implement the Group's strategy;
- Driving trading performance in the Group's various retail channels;
- Reviewing financial performance throughout the period;
- Periodically reviewing performance against strategic objectives;
- Reducing the cost base of the organisation through productivity and procurement improvement;
- Discussing progress updates of key projects and growth opportunities;
- Approving requests for capital expenditure;
- Monitoring and improving key elements of the customer shopping trip, including value for money, item availability and queue times;
- Monitoring the Company's risk management and internal control systems;
- Reviewing compliance matters including but not limited to; health & safety, carbon reduction measures, corporate responsibility, cyber & technology security, ethical trading and GSCOP; and
- Reviewing the talent, capabilities and capacity within the Company.

Governance report (continued)

Principle 3 - Director responsibilities (continued)

Market Topco Limited

The activities of Market Topco Limited Board, include monitoring, considering, and reviewing the following:

- Operating and capital expenditure budgets;
- Current trading performance;
- Market updates;
- Overview of current commercial initiatives, for example the Group's loyalty scheme;
- Sustainability targets;
- Property strategy;
- Financing arrangements and debt strategy;
- Tax strategy;
- Pensions; and
- Audited Annual Report and Financial Statements for the Group, including assessing whether the report is fair, balanced and understandable, and that a going concern basis of accounting is appropriate.

The Directors of the Group have access to the services and advice of the Company Secretary, who is responsible, in conjunction with the Chair, for ensuring that Board procedures are followed and applicable rules and regulations are complied with. The Directors of the Group also have access to independent professional advice, at the expense of the Company, if required.

Any conflicts or potential conflicts of interest are recorded and carefully managed, within the ordinary activities of the Board and Committees, in the way that they consider would be most likely to promote the success of the Company.

The structure and activities as set out above enable the Directors of both the Group and the Company to sufficiently discharge their statutory directors' duties and responsibilities as appropriate.

Principle 4 - opportunity and risk

Opportunities for the Group to create and preserve value are considered in the ordinary course of business, within each of the committee meetings described above. The Directors also consider recommendations for future opportunities during the relevant committees and decide whether they align to the overall strategy and intentions of the Group.

Managing risk and uncertainty is an integral part of strategic thinking for the Directors of the Group.

There are 11 principal risks that have been identified within the Company and its subsidiaries:

- Business Continuity and Operational Resilience;
- Business strategy and change;
- Colleague engagement, retention and capability;
- Competitiveness;
- Customer;
- Environment and sustainability;
- Financial and treasury;
- Food safety, product integrity and ethical sourcing;
- Information and cyber security;
- Regulation; and
- Safety and Security

More detailed information on the principal risks, approach to risk and the risk management process is found on pages 30 to 36.

The Risk Committee is responsible for risk management and internal control systems within the Group. The Committee meets every month and its remit includes, for example, the following matters:

- Principal risks of the Company and its subsidiaries;
 - Risk appetite
 - Risk management systems
 - Whistleblowing and fraud
- Property governance;
- Colleague listening;
- Corporate compliance policies (such as GSCOP, Loss Prevention, Modern Slavery and Data & Information Security);

Governance report (continued)

Principle 4 - opportunity and risk (continued)

- Health and safety, food safety and technical compliance; and
- GDPR compliance

Principle 5 - Remuneration

There are three main remuneration mechanisms across the Company: base pay, annual bonus, and the Morrisons Incentive Plan. Base pay is set taking into account the Company's pay frameworks, bands and the need to remain competitive in an aggressive labour market, and this is the same at all levels within the Group. The Annual Bonus Plan is available for all front line managers up to Director level. The performance conditions and targets are the same across all levels, creating alignment across the business to deliver the shareholder's long term priorities. Finally, the Morrisons Incentive Plan is offered to all colleagues at store manager level and above. This creates alignment between all our leaders to the strategic direction and priorities of the Company.

Directors are not remunerated for directorships of subsidiaries.

Principle 6 - Stakeholder Relationships and Engagement

The principal stakeholders of the Group have been identified as the following:

- Customers
- Colleagues
- Suppliers
- Communities and the environment
- Debt holders

More information on how stakeholders are considered by the business, including the types of dialogue the Company has with these stakeholders, can be found in the Section 172(1) statement on page 29.

Dialogue with stakeholders helps the Group to understand, and cater for their needs, and supports towards achieving its purpose. The following activities have been covered during the year:

- Ensuring that the strategy is aligned to long term success for all stakeholders;
- Considering feedback received from customers, colleagues, suppliers, our shareholder and other stakeholders; and
- Overseeing the Group's commitment to Corporate Social Responsibility, in particular the targets around carbon and plastic reduction, as well as its support for the Group's charity partner Together for Short Lives; and for the charitable Morrisons Foundation.

Directors' report

Statutory disclosures

The following disclosures have been included elsewhere within the Annual Report and Audited Consolidated Financial Statements and are incorporated into the Directors' report by reference.

Disclosure

Future developments	pages 4 to 36
Shareholder	pages 6 to 10
Customers	page 11 to 12
Colleagues	page 13 to 15
Suppliers	pages 16 to 18
Community	pages 19 to 20
Environment	pages 21 to 27
Greenhouse gas emissions	page 24 to 25
Statement of engagement with suppliers, customers and others	page 29
Governance report	pages 37 to 42
Directors of the Group	page 38
Dividends	page 62
Financial instruments	page 86
Financial risk management	pages 86 to 88
Post-balance sheet events	pages 97 and 118

Political donations

No political donations were made in the financial period, in line with the Group's policy (29 October 2023: £nil).

Going concern

The Directors' assessment of the Group and the Company's ability to continue as a going concern is based on cash flow forecasts and the committed borrowing and debt facilities of the wider Group. These forecasts include consideration of future trading performance, working capital requirements, changes to financing arrangements, retail market conditions and the wider economy.

The Group has negotiated and has available to it committed and uncommitted facilities that will meet the Group's needs in the short and medium term. In addition, Market Topco Limited (the ultimate parent of Market Bidco Limited) has provided a letter stating its intentions to support the Group for at least the period of the going concern assessment.

Having assessed the principal and emerging risks as set out on pages 30 to 36, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further information can be found on page 54.

Forward-looking statements

The Strategic report and the Directors' report are prepared for the members of the Group and should not be relied upon by any other party or for any other purpose. Where the Strategic report and Directors' report include forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of the Annual Report and Financial Statements.

Consequently, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking statements and information.

Directors' indemnities and Directors' and Officers' liability insurance

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial period ended 27 October 2024, and up to the date of signing the financial statements, for the benefit of the Directors of the Company and Directors of the Company's subsidiaries in relation to certain losses and liabilities that they may incur or may have incurred in connection with their duties and powers of office.

The Group also maintains insurance cover for the protection of Directors and senior management from personal liabilities and costs which may arise in the course of fulfilling their duties.

Articles of Association

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

Directors' report (continued)

Share capital

The authorised and called-up share capital of the Company, together with details of shares allotted and cancelled during the financial period, are shown in note 6.7 of the financial statements.

During the period, there were no ordinary shares in the Company issued.

Equal opportunities for all

We have five people ambitions, which include being a business where everyone feels welcome and celebrated. This is promoted through a safe and supportive environment free from racism, discrimination, harassment, bullying and victimisation. We strive towards an environment where full and fair consideration is given to all applicants and where all colleagues regardless of race, colour, nationality, ethnic origin, age, sex, sexual orientation, marital or civil partnership status, disability, religion or belief, sexual orientation, gender reassignment or trade union membership have access to training and the opportunity to develop and progress. We also encourage employment from anyone who wants to make a positive impact, with every application given full and fair consideration.

Dignity and respect underpins our behaviour towards all customers, colleagues and candidates. To ensure individual needs are considered, including colleagues becoming disabled, we will make reasonable adjustments, where required, to the selection process, work environment or practices to support those who need it.

We are more mindful than ever of mental health and wellbeing, and through our practices we should ensure the same respect and support is provided to every candidate and colleague, and to treat them equally in respect of recruitment, promotion, training, pay and other employment policies and conditions. Decisions are made based on relevant merits and abilities, and are made free from bias.

Like most businesses, we know we are on a journey around diversity, inclusion, belonging and wellbeing; however we are committed to improving and remaining responsive to customers, colleagues and the wider community we serve, and truly being a business where everyone is welcome and celebrated.

Human rights policy

As both a major retailer and manufacturer, we recognise the responsibility that we share with our suppliers to buy, produce and sell our products in an ethical manner. We are committed to ensuring that everyone who helps to make our products is treated with dignity and respect, in safe and fair workplaces.

We strongly believe that when ethical standards are consistently upheld, this can improve worker wellbeing, productivity, and quality, which benefits our suppliers, their workers and our customers. Only suppliers that share our standards will be considered appropriate to trade with Morrisons, and we seek to develop long term trading relationships based on the principles of fairness and transparency. Our approach is informed by the United Nations Guiding Principles on Business and Human Rights (UNGPs) and underpinned by the principles of the Universal Declaration of Human Rights and core International Labour Organisation standards. We are members of the Ethical Trading Initiative (ETI) and use their internationally recognised Base Code to address risk in areas including, but not limited to, child labour, discrimination, safe working conditions, wages, freedom of association and forced labour.

We continue to utilise the Supplier Ethical Data Exchange to map, understand and assess key areas of risk in our own brand supply chain, and monitor compliance with our requirements through an extensive third-party audit programme. Collaboration is a key enabler of our approach, and we continue to work with multi-stakeholder initiatives including the ETI, Food Network for Ethical Trade, Modern Slavery Intelligence Network and Seafood Ethics Action Alliance to understand where impacts could occur and identify opportunities for improvement. This approach enables us to join forces with other businesses, trade unions, and civil society organisations to support wider advocacy and drive positive change in our supply chains.

Anti-bribery and anti-corruption policy

The Risk Committee has considered the Company's anti-bribery and anti-corruption framework, which is based on our zero-tolerance approach to bribery and corruption and the conduct expected of everyone who works for or with the Company. The Company's gifts and hospitality policy, which defines the process which must be followed before any gifts or hospitality are offered or accepted, has also been considered. Regular training is provided to all colleagues to maintain awareness of these policies and processes.

Health & Safety - One Objective - Everyone Home Safe

It is the Group's intention, so far as it is reasonably practicable, to ensure the health, safety and welfare of all its employees, customers and visitors to its premises inline with our Health & Safety Objective - Everyone Home Safe - at the end of their working shift or shopping trip.

Directors' report (continued)

Health & Safety - One Objective - Everyone Home Safe (continued)

We have two cultural habits to support the business in achieving our Safety objective:

- Safety First
- Don't Walk By

The safety of our colleagues and customers comes first, and we have a comprehensive Health & Safety Management which contains the policies and procedures for complying with the Health and Safety at Work Act 1974, and includes risk assessments, safe systems of work and comprehensive Safety training.

We train our colleagues in our safe operational processes, and we train them to understand that we all have a role to play in delivering a strong health & safety culture with a duty to look out for our own safety and that of others. Store and site managers have a duty of care for their own sites.

We work on a risk based approach, tackling the highest and most common risks and hazards on a priority basis.

To drive continuous improvement in performance and practices, each division is monitored through health & safety KPIs, has a schedule of checks and audits completed by our Health & Safety and Compliance team, as well as continuous improvement plans for each division, which are site and store-specific.

Auditors' reappointment

The auditors have expressed their willingness to continue in office, and a resolution that they be reappointed will be proposed and put forward to the board.

Non-financial information statement

In order to comply with the requirements of the Companies Act 2006, sections 414CA and 414CB, we have set out the following information in the places referenced below:

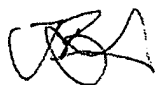
- Information on social matters is shown in the Strategic report on pages 19 to 20;
- Information on environmental matters is shown in the Strategic report on pages 17 to 18 and 21 to 25;
- Information on our colleagues is shown in the Strategic report on pages 13 to 15;
- Our respect for human rights is set out in the Directors' report on page 44;
- Our approach to anti-corruption and anti-bribery matters is set out in the Directors' report on page 44;
- Our business model is described on pages 4 to 5;
- Our principal and emerging risks, and how we manage them, are described on pages 30 to 36; and
- Other non-financial key performance indicators are shown on pages 11, 21 and 24.

Auditors

In the case of each Director in office at the date the Directors' report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- They have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

By order of the Board



Jonathan Burke, Company Secretary

28 January 2025

Statement of Directors' responsibilities in respect of the Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

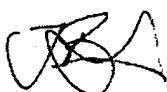
The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed in the Governance Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Annual report and financial statements includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board



Jonathan Burke, Company Secretary
28 January 2025

Independent auditors' report to the members of Wm Morrison Supermarkets Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Wm Morrison Supermarkets Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 27 October 2024 and of the Group's profit and the Group's cash flows for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position and the Company statement of financial position as at 27 October 2024; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the Company statement of changes in equity for the period then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 1.5, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Conclusions relating to going concern

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

- Obtaining from management their latest board approved assessments that support the Directors' conclusion with respect to the going concern basis of preparation of the financial statements;
- Evaluating management's base case forecast and severe but plausible downside scenarios, confirming the mathematical accuracy, and challenging the adequacy and appropriateness of the underlying assumptions, including a decrease in like-for-like sales;
- Evaluating the Company's access to debt facilities through this period, including the intercompany funding provided by the Company's ultimate parent company, Market Topco Limited;
- In conjunction with the above, reviewing management's analysis of both liquidity and covenant compliance to satisfy ourselves that no breaches are anticipated over the period of assessment; and
- Obtaining and evaluating Market Topco Limited's letter of support to satisfy ourselves of its intention and ability to continue to support the Group and the Company for at least 12 months from the date of signing this audit opinion.

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

Independent auditors' report to the members of Wm Morrison Supermarkets Limited

Report on the audit of the financial statements (continued)

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 27 October 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Report and Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Independent auditors' report to the members of Wm Morrison Supermarkets Limited

Report on the audit of the financial statements (continued)

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

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation including income, payroll and sales tax and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulating results through posting of inappropriate journal entries and bias in significant accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Holding discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing board meeting minutes and inquiring with management over any non-compliance with laws and regulations, including discussions with the internal audit function and the in-house legal team;
- Making enquiries of management and reviewing internal audit reports in so far as they relate to the financial statements;
- Challenging assumptions and judgements made by management in areas involving significant accounting estimates to address the risk of management bias in making such estimates; and
- Identifying and testing journal entries on a sample basis, in particular, journal entries posted with unusual account combinations. Specifically, we tested journal entries which we deemed unusual with credits to revenue, or which manipulate EBITDA.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
28 January 2025

Consolidated income statement

52 weeks ended 27 October 2024

	Note	52 weeks ended 27 October 2024					52 weeks ended 29 October 2023				
		Continuing operations before exceptional	Continuing operations exceptional (note 1.4)	Continuing operations total	Discontinued operations total	Total	Continuing operations before exceptional	Continuing operations exceptional (note 1.4)	Continuing operations total	Discontinued operations total	Total
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	1.2	15,276	-	15,276	1,742	17,018	14,711	-	14,711	3,647	18,358
Cost of sales		(14,860)	(2)	(14,862)	(1,675)	(16,537)	(14,373)	(26)	(14,399)	(3,484)	(17,883)
Gross profit/(loss)		416	(2)	414	67	481	338	(26)	312	163	475
Other operating income		105	-	105	6	111	100	-	100	14	114
(Loss)/profit on disposal and closure		-	(5)	(5)	-	(5)	-	3	3	(2)	1
Profit on disposal of petrol forecourts	4.3	-	-	-	2,624	2,624	-	-	-	-	-
Administrative expenses		(315)	(125)	(440)	-	(440)	(308)	(193)	(501)	-	(501)
Operating profit/(loss)	1.5	206	(132)	74	2,697	2,771	130	(216)	(86)	175	89
Finance costs	6.2	(98)	-	(98)	(2)	(100)	(72)	-	(72)	(5)	(77)
Finance income	6.2	51	27	78	-	78	7	33	40	-	40
Share of loss of joint venture and associates	4.2	(21)	-	(21)	-	(21)	(1)	-	(1)	-	(1)
Profit/(loss) before taxation		138	(105)	33	2,695	2,728	64	(183)	(119)	170	51
Taxation	2.2	(40)	43	3	28	31	(9)	35	26	(25)	1
Profit/(loss) for the period		98	(62)	36	2,723	2,759	55	(148)	(93)	145	52

Consolidated statement of comprehensive income

52 weeks ended 27 October 2024

	Note	52 weeks ended 27 October 2024 £m	52 weeks ended 29 October 2023 £m
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit schemes	8.2	(27)	(272)
Tax on defined benefit schemes	2.3	7	68
		(20)	(204)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging movement		(66)	(454)
Exchange differences on translation of foreign operations		(2)	2
Tax on items that may be reclassified subsequently to profit or loss	2.3	17	114
		(51)	(338)
Other comprehensive expense for the period, net of tax		(71)	(542)
Profit for the period		2,759	52
Total comprehensive income/(expense) for the period		2,688	(490)

The results shown above relate to continuing and discontinued operations.

Consolidated statement of financial position

As at 27 October 2024

	Note	27 October 2024 £m	29 October 2023 £m
Assets			
Non-current assets			
Goodwill and intangible assets	3.2	357	398
Property, plant and equipment	3.3	5,138	6,599
Right-of-use assets	3.4	1,999	1,207
Investment properties	3.5	39	38
Retirement benefit surplus	8.2	446	453
Investments in joint ventures and associates	4.2	570	14
Trade and other receivables	3.6	123	92
Derivative financial assets	7.3	1	-
		8,673	8,801
Current assets			
Inventories	5.2	957	918
Trade and other receivables	5.3	423	380
Derivative financial assets	7.3	6	31
Loan to parent undertaking	6.4	1,205	-
Cash and cash equivalents	6.6	849	279
		3,440	1,608
Total assets		12,113	10,409
Liabilities			
Current liabilities			
Trade and other payables	5.4	(2,804)	(3,441)
Loan from parent undertaking	6.4	-	(882)
Lease liabilities	6.5	(118)	(82)
Derivative financial liabilities	7.3	(21)	(13)
Current tax liabilities		(11)	(9)
		(2,954)	(4,427)
Non-current liabilities			
Borrowings	6.3	-	(84)
Deferred consideration	5.5	(177)	-
Other liabilities		(4)	-
Lease liabilities	6.5	(2,054)	(1,593)
Derivative financial liabilities	7.3	(3)	(2)
Deferred tax liabilities	2.3	(500)	(557)
Provisions	5.6	(50)	(63)
		(2,788)	(2,299)
Total liabilities		(5,742)	(6,726)
Net assets		6,371	3,683
Shareholders' equity			
Share capital	6.7	245	245
Share premium	6.7	253	253
Capital redemption reserve	6.8	39	39
Merger reserve	6.8	2,578	2,578
Hedging reserve	6.8	(16)	33
Retained earnings	6.8	3,272	535
Total equity attributable to the owners of the Company		6,371	3,683

The notes on pages 57 to 97 form part of these financial statements. The financial statements on pages 50 to 97 were approved by the Board of Directors on 28 January 2025 and were signed on its behalf by:



Joanna Goff, Chief Financial Officer

Company registration number: 00358949

Consolidated statement of cash flows

52 weeks ended 27 October 2024

	Note	52 weeks ended 27 October 2024 £m	52 weeks ended 29 October 2023 £m
Cash flows from operating activities			
Cash generated from operations	5.7	944	966
Interest paid		(106)	(76)
Taxation received		-	18
Net cash inflow from operating activities		838	908
<i>Cash flows from operating activities (discontinued operations)¹</i>		21	(6)
Cash flows from investing activities			
Interest received		14	4
Dividends received from joint ventures	4.2	5	8
Proceeds from the disposal of petrol forecourts		1,868	-
Proceeds from disposal of property, plant and equipment, investment property and assets held-for-sale		343	480
Purchase of property, plant and equipment and investment property		(256)	(335)
Purchase of intangible assets		(70)	(73)
Payments to parent undertaking		(1,103)	-
Net cash inflow from investing activities		801	84
<i>Cash flows from investing activities (discontinued operations)¹</i>		(5)	(16)
Cash flows from financing activities			
Proceeds from settlement of derivative contracts		-	58
Repayment of borrowings		(74)	-
Repayment to parent undertaking		(882)	(961)
Repayment of lease obligations		(113)	(97)
Net cash outflow from financing activities		(1,069)	(1,000)
<i>Cash flows from financing activities (discontinued operations)¹</i>		-	-
Net increase/(decrease) in cash and cash equivalents		570	(8)
Cash and cash equivalents at start of period		279	287
Cash and cash equivalents at end of period		849	279

¹Cash flows from discontinued operations have been presented separately in line with the requirements of IFRS 5. The total cash flows (including the divested fuel business) are shown in the appropriate sub totals, for example net cash inflow from operating activities.

Consolidated statement of changes in equity

52 weeks ended 27 October 2024

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Current period								
At 30 October 2023		245	253	39	2,578	33	535	3,683
Profit for the period		-	-	-	-	-	2,759	2,759
Other comprehensive income/(expense):								
Cash flow hedging movement		-	-	-	-	(66)	-	(66)
Exchange differences on translation of foreign operations		-	-	-	-	-	(2)	(2)
Remeasurement of defined benefit schemes	8.2	-	-	-	-	-	(27)	(27)
Tax in relation to components of other comprehensive income	2.3	-	-	-	-	17	7	24
Total comprehensive income/(expense) for the period		-	-	-	-	(49)	2,737	2,688
At 27 October 2024		245	253	39	2,578	(16)	3,272	6,371

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Prior period								
At 31 October 2022		245	253	39	2,578	373	685	4,173
Profit for the period		-	-	-	-	-	52	52
Other comprehensive (expense)/income:								
Cash flow hedging movement		-	-	-	-	(454)	-	(454)
Exchange differences on translation of foreign operations		-	-	-	-	-	2	2
Remeasurement of defined benefit schemes	8.2	-	-	-	-	-	(272)	(272)
Tax in relation to components of other comprehensive income	2.3	-	-	-	-	114	68	182
Total comprehensive expense for the period		-	-	-	-	(340)	(150)	(490)
At 29 October 2023		245	253	39	2,578	33	535	3,683

General information

Company information

Wm Morrison Supermarkets Limited is a private company incorporated in the United Kingdom and registered in England and Wales, limited by shares, under the Companies Act 2006 (Registration number 00358949). The Company is domiciled in the United Kingdom and its registered address is Hilmore House, Gain Lane, Bradford, BD3 7DL. See principal activity in the Strategic Report on page 4.

Basis of preparation

The consolidated financial statements have been prepared for the 52 week period ended 27 October 2024 and the 52 week period ended 29 October 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 consolidated financial statements are presented in pounds sterling, rounded to the nearest million. They are drawn up on the historical cost basis of accounting, except as disclosed in the accounting policies set out within these consolidated financial statements.

The Group's accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Accounting reference date

These consolidated financial statements of the Group represent the 52 week period to 27 October 2024. The accounting period of the Group ends on a Sunday not more than seven days before or after the accounting reference date of 31 October.

Going concern

The consolidated financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Group has adequate resources for a period of at least 12 months from the date of approval, having reassessed the principal risks facing the Group and determined that there are no material uncertainties to disclose. In making their assessment of the Group's ability to continue as a going concern, the Directors have considered the projected performance of the Group and its financial resources.

The Directors' assessment of the Group's ability to continue as a going concern includes consideration of cash flow forecasts and the committed borrowing facilities in place of the Group (including its parent and other group entities). These forecasts include consideration of future trading performance, working capital requirements, and the wider Group's current financing arrangements, along with wider economic conditions, and include the modelling of a number of downside scenarios. The scenarios considered take account of a number of severe, but plausible, downsides that the Group might experience by flexing the forecasts for a number of financial assumptions, such as reductions in like-for-like ('LFL') sales, profit sensitivities, and a reduction in the level of available supply chain finance facilities.

The Group continues to maintain a robust financial position providing it with sufficient access to liquidity, through a combination of cash, intercompany loans, committed facilities and supply chain finance facilities to meet its needs in the short and medium term. The Group has a centralised treasury function which manages funding, liquidity and other financial risk in accordance with the Board approved Treasury Policy, as detailed on page 86. Following the sale of the Group's petrol forecourt business during the period, the Group's parent, Market Bidco Limited, completed a material external debt repayment through a cross-instrument exercise across outstanding secured and unsecured debt instruments, as well as the repayment of a term loan. In addition, following the end of the period, Market Bidco Limited has completed a debt amendment and extension exercise, see note 10.3.

As at 27 October 2024, the Group (including its parent and other group entities) had total committed revolving credit facilities of £1,000m and a supply chain finance facility of £375m. In respect of financial covenants in relation to the wider Group's financing structure at 27 October 2024, the base and downside scenarios modelled, which include mitigating actions available, demonstrate sufficient financial covenant headroom being available.

As a result, the Directors are satisfied that the going concern basis remains appropriate for the preparation of the consolidated financial statements, with the wider Group remaining well-funded, profitable and cash generative for a period of at least 12 months from the date of approval of these consolidated financial statements.

New standards, interpretations and amendments adopted in the financial period ended 27 October 2024

There are no new standards, interpretations and amendments to standards which are mandatory for the Group for the first time for the 52 week period ended 27 October 2024 which have a material impact on the Group's consolidated financial statements.

New standards, interpretations and amendments to published standards that are not yet effective

There are a number of standards and interpretations which have not yet been endorsed and not yet effective, during or after this current reporting period. Of these new standards, amendments and interpretations, there are none that are expected to have a material impact on the Group's consolidated financial statements.

General information (continued)

Basis of consolidation

Subsidiaries (including partnerships) are all entities over which the Group has control. The Group has control when it has power over that entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases. The financial statements of subsidiaries used in the consolidation are prepared for the same reporting period as the Group and where necessary, adjustments are made to bring the accounting policies in line with those used by the Group. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated on consolidation, other than where they relate to balances associated with parent entities of Wm Morrison Supermarkets Limited.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange at the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currency are retranslated at the rates of exchange at the reporting date. Gains and losses arising on retranslation are included in the consolidated income statement for the period.

Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

Alternative Performance Measures

The Directors measure the performance of the Group based on a range of financial measures, including measures not recognised by IFRS. These Alternative Performance Measures may not be directly comparable with other companies' Alternative Performance Measures and the Directors do not intend these to be a substitute for, or superior to IFRS measures. For definitions of the Alternative Performance Measures used, see the Glossary on pages 123 to 124.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying its accounting policies, the Group is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. These judgements, estimates and assumptions affect the carrying amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented. Changes to these could have a material effect on the financial statements.

The judgements, estimates and assumptions are evaluated on an ongoing basis and are based on historical experience, consultation with experts and other factors that the Directors believe to be reasonable. Actual results may differ significantly from the estimates and assumptions made, the effect of which is recognised in the period in which the facts become known.

Critical accounting judgements

The critical judgements made in the process of applying the Group's accounting policies are detailed below:

Profit before exceptionals

Profit before exceptionals is defined as 'Profit before exceptional items and net retirement benefit credit'. For further details, see the Glossary on page 123. The Directors consider that this adjusted profit measure provides useful information for stakeholders on ongoing trends and performance.

The profit before exceptionals measure is not a recognised measure under IFRS and may not be directly comparable with adjusted measures used by other companies. The Group's definition of items excluded, together with details of adjustments made during the period, is provided in note 1.4. The classification of items excluded from profit before exceptionals requires judgement including consideration of the nature, circumstances, scale and impact of a transaction. Reversals of previous exceptional items are assessed based on the same criteria.

Given the significance of the Group's property portfolio and the quantum of impairment and property-related provisions recognised in the consolidated statement of financial position, movements in impairment and other property-related provisions would typically be included as exceptional items, as would significant impairments or impairment write backs of other non-current assets.

General information (continued)

Critical accounting judgements (continued)

Profit before exceptionals (continued)

Despite being a recurring item, the Group has chosen to also exclude net retirement benefit credit from profit before exceptionals as it is not part of the operating activities of the Group, and its exclusion is consistent with how the Directors assess the performance of the business.

Leases

In determining the value of lease liabilities and associated right-of-use assets, the Group must make an assessment of the lease term. This assessment requires judgement with regard to the likelihood that any extension or break options included in a lease will be exercised. The duration of the lease term can have a significant impact on the amounts recognised in the financial statements for the lease. To assess whether the Group is reasonably certain to extend a lease, or to not exercise a break, all relevant facts and circumstances that create an incentive to continue that lease are considered.

Currently, only the Group's leases of stores and distribution centres contain major extension and break options. For these, the main factors considered are the lease specific terms and the business forecasts for these stores. Typically this has led to periods after breaks, which are exercisable in the short-to-medium term, being included in the lease term. The periods covered by extension options, which are normally exercisable in the longer-term, are generally excluded from the lease term.

These judgements are reassessed annually as required by the Group's accounting policies for lease liabilities. Further detail is provided in notes 6.1 and 6.5.

Lease liabilities are initially measured at the present value of the lease payments due during the lease term but that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. This is a key source of estimation uncertainty. Further details are provided in note 6.1.

Retirement benefit schemes

Accounting for defined benefit retirement schemes requires the application of a number of assumptions which have an impact on the valuation of the schemes' assets and obligations. The significant assumptions include discount rate, inflation, the rate of salary increases and longevity. The Group uses an independent actuary to calculate defined benefit obligations. Details of these assumptions are provided in note 8.4.1.

Where a defined benefit scheme is in a surplus position, consideration is made as to whether the Group has the right to recognise that surplus or whether it is necessary to restrict the amount of surplus recognised.

This requires judgement as to the rights of the Group and Trustees under the terms of the Group's Schemes. Following legal advice received, the Directors have concluded that the Group does have the right to recognise a surplus. Further details are provided in note 8.5.

Sources of estimation uncertainty

The areas of estimation uncertainty that the Group believes could have the most significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial period, in addition to the estimation uncertainty in the retirement benefit schemes set out above, are detailed below:

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

Property, plant and equipment, right-of-use assets and intangible assets are reviewed at each period end for impairment or where changes in circumstances indicate a risk of impairment (or impairment write back). This requires the carrying value of assets to be compared to the recoverable amount, where the recoverable amount is based on the higher of value-in-use and fair value less costs of disposal. The assessment of value-in-use requires expected future cash flows discounted using an appropriate discount rate. Judgement is required in applying estimates to assess the level of provision needed, specifically in relation to discount rates and future growth rates. Further detail is provided in notes 3.1, 3.2, 3.3, 3.4 and 3.5.

Notes to the Group financial statements

1 Performance in the period

1.1 Accounting policies

Revenue recognition

Revenue is recognised when the Group has a contract with a customer and a performance obligation has been satisfied, at the transaction price allocated to that performance obligation.

The Group does not adjust any of the transaction prices for the time value of money due to the nature of the vast majority of the Group's transactions being completed shortly after the transaction is entered into with the customer.

Sale of goods in-store and online, and sale of fuel

For revenue from the sale of goods in-store, fuel and online, the transaction price is the value of the goods net of returns, colleague discounts, coupons, vouchers, 'More' points earned in-store and online, and the free element of multi-save transactions. It comprises sales proceeds from customers and excludes VAT. Sale of fuel is recognised net of VAT. Revenue is recognised when the customer obtains control of the goods, which is when the transaction is completed in-store or at the filling station, or in the case of online, when goods are accepted by the customer on delivery.

Other sales

Other sales include wholesale sales made direct to third party customers, and income from concessions and commissions, and is net of returns and net of promotional funding to customers. Wholesale revenue is recognised when the goods are delivered to the customer. Revenue collected on behalf of others is not recognised as revenue, other than the related commission which is based on the terms of the contract. Sales are recorded net of VAT and intra-group transactions.

Cost of sales

Cost of sales consists of all costs of the goods being sold to the point of sale, net of promotional funding and commercial income, and includes property, manufacturing, warehouse and transportation costs. Store depreciation, store overheads and store-based employee costs are also allocated to cost of sales.

Promotional funding

Promotional funding refers to investment in the customer offer by suppliers, by way of promotion. Funding is recognised as units are sold and invoiced in accordance with the specific supplier agreement. Funding is recorded effectively as a direct adjustment to the cost price of the product in the period. Funding is invoiced and collected through the period, shortly after the promotions have ended.

Commercial income

Commercial income is recognised as a deduction from cost of sales, based on the expected entitlement that has been earned up to the reporting date, for each relevant supplier contract. The Group only recognises commercial income where there is documented evidence of an agreement with an individual supplier and when associated performance conditions are met. The types of commercial income recognised by the Group and the recognition policies are:

Type of commercial income	Description	Recognition
Marketing and advertising funding	Examples include income in respect of in-store and online marketing and point of sale, as well as funding for advertising.	Income is recognised dependent on the terms of the specific supplier agreement in line with when performance obligations in the agreement are met. Income is invoiced once the performance conditions in the supplier agreement have been achieved.
Volume-based rebates	Income earned by achieving volume or spend targets set by the supplier for specific products over specific periods.	Income is recognised through the financial period based on forecasts for expected sales or purchase volumes, informed by current performance, trends and the terms of the supplier agreement. Income is invoiced throughout the financial period in accordance with the specific supplier terms.

Uncollected commercial income at the reporting date is classified within the financial statements as follows:

- Trade and other payables: A large proportion of the Group's trading terms state that income due from suppliers is netted against amounts owing to that supplier. Any outstanding invoiced commercial income relating to these suppliers at the reporting date is included within trade payables. Any amounts received in advance of income being recognised are included in accruals and deferred income.
- Trade and other receivables: Where the trading terms described above do not exist, the Group classifies outstanding commercial income within trade receivables. Where commercial income is earned and not invoiced to the supplier at the reporting date, this is classified within accrued commercial income.

Notes to the Group financial statements (continued)

1 Performance in the period (continued)

1.1 Accounting policies (continued)

Commercial income (continued)

- **Inventories:** The carrying value of inventories is adjusted to reflect unearned elements of commercial income when it relates to inventory which has not yet been sold. This income is subsequently recognised in cost of sales when the product is sold.

In order to provide users of the financial statements with greater understanding in this area, additional income statement and statement of financial position disclosure is provided in notes 1.5, 5.3 and 5.4 to the financial statements.

Other operating income

Other operating income primarily consists of income not directly related to in-store, online grocery retailing and wholesale supply. It mainly comprises rental income from investment properties, income generated from the recycling of packaging and certain commissions.

(Loss)/profit on disposal and closure

(Loss)/profit from disposal and closure includes gains and losses on the disposal of assets and other costs incurred by the Group following a decision to dispose, close or no longer purchase properties or businesses. Where the Group disposes of a property, this disposal transaction is accounted for upon unconditional exchange of contracts. Gains and losses are determined by comparing sale proceeds with the asset's carrying amount and are presented net of costs associated with disposal.

1.2 Revenue

	2023/24 £m	2022/23 £m
Sale of goods in-store and online	14,723	14,361
Other sales	659	524
Total sales excluding fuel	15,382	14,885
Fuel	1,636	3,473
Total revenue	17,018	18,358

All revenue is derived from contracts with customers and is generated in the UK.

1.3 Segmental reporting

The Group's principal activity is that of retailing, derived from the UK, both in-store and online. The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-maker ('CODM'). The CODM has been identified as the Board of Directors, as this makes the key operating decisions of the Group and is responsible for allocating resources and assessing performance.

Key internal reports received by the CODM, primarily the management accounts, focus on the performance of the Group as a whole. The operations of all elements of the business are driven by the retail sales environment and hence have fundamentally the same economic characteristics. All operational decisions made are focused on the performance and growth of the retail outlets and the ability of the business to meet the supply demands of the stores in servicing their customer base, both in-store and through the various online channels.

The Group has considered the overriding core principles of IFRS 8 'Operating segments' as well as its internal reporting framework, management and operating structure. In particular, the Group considered its retail outlets, the manufacturing entities, online operations, wholesale supply and convenience business. The Directors' conclusion is that the Group has one operating segment, that of retailing.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

Performance is measured by the CODM based on underlying EBITDA as reported in the management accounts. Management believes that this adjusted profit measure is the most relevant in evaluating the results of the Group. This information and the reconciliation to the statutory position can be found in the financial results section of the Strategic report on pages 6 to 10 and in the glossary on page 124. In addition, the management accounts present a Group statement of financial position containing assets and liabilities.

Notes to the Group financial statements (continued)

1 Performance in the period (continued)

1.4 Profit before exceptionals

Profit before exceptionals exclude the items listed in the table below, which are deemed significant in size and/or nature including any tax on those items.

	2023/24 £m	2022/23 £m
Profit after tax	2,759	52
Add back: tax credit for the period	(31)	(1)
Profit before tax	2,728	51
Adjustments for:		
Profit on the disposal of the petrol forecourt business (note 4.3)	(2,624)	-
Net impairment and provision for onerous contracts	101	218
Net retirement benefit credit (note 8.2) ¹	(19)	(28)
Other exceptional charge/(credit)	12	(54)
Restructuring and store closure costs	6	50
Loss/(profit) on disposal and closure	5	(1)
Profit before tax and exceptionals ²	209	236
Tax charge before exceptionals	(60)	(34)
Profit before exceptionals after tax	149	202

¹ Net retirement benefit credit in the period is made up of net retirement benefit interest income of £26m and £1m of past service credit, net of retirement benefit administrative costs of £8m

² This is defined in the Glossary, see page 123-124

Net impairment and provision for onerous contracts

A net charge of £101m (2022/23: net charge of £218m) has been recognised in respect of impairment and provision for onerous contracts.

The net charge of £101m includes a £84m impairment charge on tangible assets and investment property properties (comprising a £191m impairment charge offset by a £107m impairment write back), a net charge of £16m in respect of onerous contract provisions and £1m impairment charge on intangible assets.

Loss/(profit) arising on disposal and closure

A net charge arising on disposal and closure of £5m has been recognised in relation to property development costs and store closure costs.

Restructuring and store closure costs

Restructuring and store closure costs totalled £6m and includes £3m of restructuring costs related to the convenience business and £3m of costs related to other restructuring projects.

Other exceptional items

Other exceptional charge totals £12m (2022/23: a credit of £54m), and this principally relates to legal cases in respect of historical events and rent negotiation fees related to the convenience business as it transitioned from administration.

Taxation

The total tax credit for the 52 weeks ended 27 October 2024 of £31m (2022/23: £1m) includes an exceptional tax credit of £91m (2022/23: £35m). This largely relates to tax deductible exceptional costs and differences between the tax treatment of property disposals and accounting profits.

Notes to the Group financial statements (continued)

1 Performance in the period (continued)

1.5 Operating profit/(loss)

	2023/24 £m	2022/23 £m
The following items have been included in arriving at operating profit/(loss):		
Employee costs (note 1.6)	2,077	1,997
Depreciation and impairment:		
Property, plant and equipment (note 3.3)	425	463
Right-of-use assets (note 3.4)	103	73
Investment property (note 3.5)	2	3
Net impairment charge (notes 3.3, 3.4, 3.5 and 4.2)	84	171
Amortisation and impairment:		
Intangible assets (note 3.2)	100	96
Net impairment charge (note 3.2)	1	5
Other lease expenses:		
Short-term leases longer than one month	15	31
Leases of low-value assets, excluding short-term	1	2
Value of inventories expensed	12,581	13,949

Commercial income

The amounts recognised as a deduction from cost of sales for the two types of commercial income are detailed as follows:

	2023/24 £m	2022/23 £m
Marketing and advertising funding	204	204
Volume-based rebates	153	136
Total commercial income	357	340

Auditors remuneration

During the period, PricewaterhouseCoopers LLP, the Group's auditors, provided the following services:

	2023/24 £m	2022/23 £m
Audit services		
Fees payable to the Group's auditors for the audit of the Group and the Company financial statements ¹	1.3	1.2
Fees payable to the Group's auditors for the audit of the Group's subsidiaries pursuant to legislation	0.8	0.9
Non-audit services		
Other services ²	1.5	0.5
	3.6	2.6

¹In addition to the fees noted above for the prior year, a further £0.1m was charged in relation to costs incurred within the Group after the date of the financial statements.

²Included in Other Services is £1.0m related to the disposal of the petrol forecourt business, which was subsequently recharged to the purchaser.

The Board has a policy on the engagement of the external auditors to supply non-audit services and that policy has not been breached during the period.

Notes to the Group financial statements (continued)

1 Performance in the period (continued)

1.6 Employees and Directors

	2023/24 £m	2022/23 £m
Employee benefit expense for the Group during the period		
Wages and salaries	1,875	1,803
Social security costs	142	132
Share-based payments	8	6
Retirement benefit costs	52	56
	2,077	1,997

In addition to the amounts disclosed in the table above, there was a £6m exceptional charge relating to restructuring costs (2023: £20m exceptional charge for restructuring costs).

	2023/24	2022/23
Average monthly number of people, including Directors		
Stores	85,508	88,258
Manufacturing	7,612	7,865
Distribution	5,424	5,783
Centre	2,594	2,907
	101,138	104,813

Directors' remuneration

	2023/24 £m	2022/23 £m
Aggregate emoluments, excluding pension contributions	2.9	2.3
Contributions in lieu of pension schemes' supplements	0.2	0.3
Share-based payments ¹	1.4	1.3
Compensation for loss of office ²	1.2	-
	5.7	3.9

¹ In addition to the amounts disclosed above, a £2.2m accounting charge has been recognised in relation to the acceleration of share based payment charges upon loss of office.

² In addition to the amounts disclosed in the table above, there was £1.1m of compensation for loss of office (2022/23: none) included in exceptional costs.

No Directors are accruing retirement benefits under defined benefit contribution personal pension schemes (2022/23: none). Contributions in lieu of pension schemes' supplements have been received by three Directors over the period (2022/23: two).

Highest paid Director

The highest paid Director emoluments attributable to the same Director in both periods presented below were as follows:

	2023/24 £m	2022/23 £m
Total amount of emoluments and amounts receivable under long-term incentive schemes	0.8	1.5
Company contributions in lieu of pension schemes' supplements	0.1	0.2
Share-based payments ¹	0.7	1.0
Compensation for loss of office ²	1.2	-
	2.8	2.7

¹ In addition to the amounts disclosed above, a £2.2m accounting charge has been recognised in relation to the acceleration of share based payment charges upon loss of office.

² In addition to the amounts disclosed in the table above, there was £1.1m of compensation for loss of office (2022/23: none) included in exceptional costs.

Notes to the Group financial statements (continued)

1 Performance in the period (continued)

1.6 Employees and Directors (continued)

Senior management remuneration

The table below shows the remuneration of senior managers. It excludes employees already included in the Directors' remuneration set out above. Senior managers are considered to be key management personnel in accordance with the requirements of IAS 24 'Related party disclosures'.

	2023/24 £m	2022/23 £m
Senior managers		
Wages and salaries	21	17
Social security costs	3	2
Share-based payments	3	3
Retirement benefit costs	2	2
	29	24

In addition to the amounts disclosed in the table above, there was a £nil charge included in exceptional restructuring costs for the period (2022/23: £2m exceptional restructuring costs for the period).

1.7 Dividends

There have been no dividends paid or declared in this financial period (2022/23: nil).

Notes to the Group financial statements (continued)

2 Taxation

The Group takes a compliance-focused approach to its tax affairs, has a transparent relationship with the UK and overseas tax authorities and interacts with HMRC on a regular basis. The Group's tax policy provides a governance framework with all related risks and stakeholder interests taken into consideration. The tax policy is approved by the Board of Directors, who also review updates on tax compliance and governance matters.

The Group's approach to tax is to ensure compliance with the relevant laws of the territories in which the Group operates. The vast majority of the Group's business is in the UK so the vast majority of the Group's taxes are paid in the UK. The Group operates a very small number of branches and subsidiary companies outside of the UK in overseas territories.

2.1 Accounting policies

Current tax

The current income tax charge is calculated on the basis of the tax laws in effect during the period and any adjustments to tax payable in respect of previous periods. Taxable profit differs from the reported profit for the period as it is adjusted both for items that will never be taxable or deductible, and temporary differences. Current tax is charged to profit or loss for the period, except when it relates to items charged or credited directly in other comprehensive income or equity, in which case the current tax is reflected in other comprehensive income or equity as appropriate.

Deferred tax

Deferred tax is recognised using the balance sheet method. Provision is made for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognised for temporary differences that arise on the initial recognition of goodwill or the initial recognition of assets and liabilities that are not a business combination and that affect neither accounting nor taxable profits.

Deferred tax is calculated based on tax law that is enacted or substantively enacted at the reporting date and provided at rates expected to apply when the temporary differences reverse. Deferred tax is charged or credited to profit for the period except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is reflected in other comprehensive income or equity as appropriate.

Deferred tax assets are recognised to the extent that it is probable that the asset can be utilised. Deferred tax assets are reviewed at each reporting date as judgement is required to estimate the probability of recovery. Deferred tax assets and liabilities are offset where amounts will be settled on a net basis as there is a legally enforceable right to offset.

Uncertain Tax Positions

Uncertain tax positions are assessed in line with 'IFRIC 23 Accounting for Uncertainties in Income Taxes' which provides guidance on the determination of taxable profit and tax bases.

The Group uses in-house tax specialists, professional advisors and relevant previous experience to assess tax risks. The Group recognises a tax provision when it is considered probable that there will be a future outflow of funds to a tax authority. Provisions are measured based on the single most likely outcome for each item unless there is a range of possible outcomes for a particular item where a weighted average measurement is more appropriate. Provisions are included in current liabilities.

2.2 Taxation

2.2.1 Analysis of credit in the period

	2023/24 £m	2022/23 £m
Current tax		
UK corporation tax	1	-
Foreign tax	2	1
Adjustments in respect of prior periods	(1)	(1)
	2	-
Deferred tax		
Origination and reversal of timing differences	(57)	(1)
Adjustments in respect of prior periods	24	(1)
Impact of change in tax rate	-	1
	(33)	(1)
Tax credit for the period	(31)	(1)

Notes to the Group financial statements (continued)

2 Taxation (continued)

2.2.2 Tax on items charged in other comprehensive income and equity

	2023/24 £m	2022/23 £m
Remeasurements of defined benefit retirement schemes and impact of rate change	(7)	(68)
Cash flow hedges	(17)	(114)
Total tax on items included in other comprehensive income and equity (note 2.3)	(24)	(182)

2.2.3 Tax reconciliation

The reconciliation below shows how the tax credit of £31m (2022/23: credit of £1m) has arisen on the profit before tax of £2,728m (2022/23: profit before tax of £51m).

The tax for the period is lower (2022/23: lower) than the standard rate of corporation tax in the UK of 25.0% (2022/23: 22.5%). The differences are explained below:

	2023/24 £m	2022/23 £m
Profit before taxation	2,728	51
Profit before taxation at 25.0% (29 October 2023: 22.5%)	682	11
Effects of:		
Recurring items:		
Expenses not deductible for tax purposes	-	3
Preference share interest accrued from associates not taxable	(3)	-
Disallowed depreciation on UK properties	35	28
Group relief claimed	(39)	(38)
Deferred tax unwind related to assets on historic acquisition	(8)	(10)
Non-recurring items:		
Impact of property transactions and impairments	(8)	(13)
Exceptional (income)/costs	(705)	19
Deferred tax unwind related to disposal of assets	(8)	-
Adjustments in respect of prior periods	23	(2)
Effect of change in tax rate	-	1
Tax credit for the period	(31)	(1)

Factors affecting current and future tax charges

An increase in the standard rate of corporation tax from 19% to 25% from 1 April 2023 was announced at the Budget in 2021 and was substantively enacted on 24 May 2021. As a result, deferred tax balances for the period have been calculated at 25% in line with the Budget announced.

2.3 Deferred tax liabilities

	2024 £m	2023 £m
Deferred tax liability	(643)	(653)
Deferred tax asset	143	96
Net deferred tax liability	(500)	(557)

IAS 12 'Income taxes' requires the offsetting of balances within the same tax jurisdiction. All of the deferred tax assets are available for offset against deferred tax liabilities.

Notes to the Group financial statements (continued)

2 Taxation (continued)

2.3 Deferred tax liabilities (continued)

The movements in deferred tax assets/(liabilities) during the period are shown below:

	Property, plant and equipment £m	Retirement benefit obligation £m	Other short-term temporary differences £m	Total £m
Current period				
At 30 October 2023	(514)	(114)	71	(557)
Credited/(charged) to profit/(loss) for the period	(17)	(5)	55	33
Charged to other comprehensive income and equity	-	7	17	24
At 27 October 2024	(531)	(112)	143	(500)
Prior period				
At 31 October 2022	(519)	(173)	(48)	(740)
Credited/(charged) to profit/(loss) for the period	7	(9)	4	2
(Charged)/credited to profit/(loss) for the period – impact of rate change	(2)	-	1	(1)
Credited to other comprehensive income and equity	-	68	114	182
At 29 October 2023	(514)	(114)	71	(557)

The analysis of deferred tax liabilities are as follows:

	2023/24 £m	2022/23 £m
Deferred tax liability to be settled within 12 months	(4)	(17)
Deferred tax liability to be settled after more than 12 months	(496)	(540)
	(500)	(557)

On the 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation (known as "Pillar Two") implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. Whilst Pillar Two is substantively enacted in certain jurisdictions in which the Group operates, the first period in which Pillar Two applies to the Group is the 52 weeks ending 26 October 2025.

The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes for the 52 weeks ending 26 October 2025 and future periods. 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.

The vast majority of the Group's operations are based in the UK. Based on the assessment, to the extent the Pillar Two effective tax rate was below 15% in the UK, there would be no top-up tax due as a result of the Substance Based Income Exclusion. Pillar Two effective tax rates in most of the other jurisdictions in which the Group operates are expected to be above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief may not apply and the Pillar Two effective tax rate is close to 15%. There will not be a material exposure to Pillar Two income taxes in those jurisdictions. The Group has not recognised any deferred tax assets and liabilities related to top-up income taxes.

Notes to the Group financial statements (continued)

3 Operating assets

3.1 Accounting policies

Intangible assets

Goodwill

Goodwill arising on a business combination is not amortised, but is reviewed for impairment at each period end or more frequently if there are indicators that it may be impaired. Goodwill is allocated to cash generating units ('CGUs') that will benefit from the synergies of the business combination for the purpose of impairment testing.

Other intangible assets (software development costs, licences and reacquired right)

Costs that are directly attributable to the creation of identifiable software, which meet the development asset recognition criteria, as stated in IAS 38 'Intangible assets', are recognised as intangible assets.

Direct costs include consultancy costs, the employment costs of internal software developers, and borrowing costs. All other software development and maintenance costs are recognised as an expense as incurred. Software development assets are held at historical cost less accumulated amortisation and accumulated impairment, and are amortised over their estimated useful lives (three to ten years) on a straight line basis. Amortisation is charged in cost of sales.

Acquired pharmaceutical licences and software licences are recognised at historical cost less accumulated amortisation and accumulated impairment losses. Those acquired in a business combination are recognised at fair value at the acquisition date. Pharmaceutical licences and software licences are amortised over their useful lives (three to ten years) on a straight-line basis or over the life of the licence if different.

The reacquired right was established as part of the McColl's business combination and measured at fair value at the acquisition date. This is amortised over the remaining contractual period of the contract in which the right was granted.

Amortisation is primarily charged in cost of sales.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Costs include directly attributable costs such as borrowing costs and employment costs of those people directly working on the construction and installation of property, plant and equipment.

Depreciation is charged from when the asset is available to use. Depreciation rates are used to write off cost less residual value on a straight line basis:

Freehold land	0%
Freehold buildings	2.5%
Leasehold property improvements	2.5% or the lease term if shorter
Plant, equipment, fixtures and vehicles	10% to 33%
Assets under construction	0%

Depreciation expense is primarily charged in cost of sales.

Right-of-use assets

Right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include the initial amount of the lease liability, any initial direct costs incurred, and an estimate of any applicable dilapidation costs. Also included are the costs of lease payments made, less any lease incentives received, at or before the commencement date.

Depreciation is charged from the commencement date which is when the underlying asset is made available for use. Depreciation rates are used to write off cost on a straight line basis:

Leasehold land	The lease term
Leasehold buildings	2.5% or the lease term if shorter
Leased plant, equipment, fixtures and vehicles	10% to 33% or the lease term if shorter

Depreciation expense is primarily charged in cost of sales.

Subsequent to initial measurement, the right-of-use asset is also adjusted for certain remeasurements of the associated lease liability and provision for dilapidations.

Investment property

Property held to earn rental income is classified as investment property and is held at cost less accumulated depreciation and accumulated impairment losses. This includes leasehold properties which are held as right-of-use assets. The depreciation policy is consistent with that described for property above.

Notes to the Group financial statements (continued)

3 Operating assets (continued)

3.1 Accounting policies (continued)

Non-current assets classified as held-for-sale

Non-current assets are classified as held-for-sale under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', if their carrying amount is to be recovered principally through a sale transaction, rather than continuing use within the Group, and the sale is considered highly probable, the sale is expected to complete within one year from the date of classification and the assets are available for sale in their current condition. The classification of assets as non-current assets held-for-sale is reassessed at the end of each reporting period. Non-current assets held-for-sale are stated at the lower of carrying amount and fair value less costs of disposal and are not depreciated.

Impairment of non-financial assets

Intangible assets with indefinite lives, such as goodwill, and those in construction that are not yet being amortised, are tested for impairment annually. Group policy is to test other non-financial assets at each period end for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Testing is performed at the level of a CGU in order to compare the CGU's recoverable amount against its carrying value. An impaired CGU is written down to its recoverable amount, which is the higher of value-in-use or its fair value less costs to dispose. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment expense is charged primarily to administration expenses and regarded as an exceptional item.

The Group considers that each of its store locations is a CGU, which together form a grocery group of CGUs supported by corporate assets. Corporate assets include assets which typically service the store estate such as intangible assets, and those used by head office, centralised online operations and our wholly owned manufacturing operations. The cash flows for online store pick are considered as part of the store location CGU where a reliable store pick trading history has been established.

Impairment losses are reversed if there is evidence of an increase in the recoverable amount of a previously impaired asset, but only to the extent that the recoverable amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Impairment losses relating to goodwill are not reversed. Any write back of impairment losses is excluded from profit before exceptionals.

Trade and other receivables

Leases – Group is the lessor

Where the Group is a lessor, the Group classifies each lease at inception either as a finance lease or an operating lease. Leases in which substantially all the risks and rewards of ownership are retained by the Group are classified as operating leases; all other leases are classified as finance leases. Property leases are analysed into separate components for land and buildings and tested to establish whether the components are operating leases or finance leases. The risks and rewards of ownership considered for sub-leases are those granted by the underlying lessee agreement rather than the underlying assets.

Operating lease income is recognised within other operating income on a straight-line basis over the term of the lease.

At the commencement date of finance leases, the Group recognises a receivable equal to the discounted contractual lease payments receivable and any residual value of the asset. The discount rate uses the interest rate implicit in the lease or, if that rate cannot be readily determined for a sub-lease, a rate based on the head-lease discount rate. Each lease payment is allocated between the capital repayment of the receivable and the finance income element. Finance lease income is recognised within other operating income and the finance income is recognised over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period.

Other receivables

Other receivables that are financial assets are initially recognised at fair value and subsequently held at amortised cost. Provision for impairment of other receivables is based on expected credit losses at each reporting date. Other receivables that are non-financial assets, such as deferred non-cash sale consideration, are recognised at fair value.

Notes to the Group financial statements (continued)

3 Operating assets (continued)

3.2 Goodwill and intangible assets

Current period	Goodwill £m	Other intangibles £m	Total £m
Cost			
At 29 October 2023	105	591	696
Additions	-	62	62
Interest capitalised	-	1	1
Disposals	-	(11)	(11)
Fully written down assets	-	(80)	(80)
At 27 October 2024	105	563	668
Accumulated amortisation and accumulated impairment losses			
At 29 October 2023	-	299	299
Amortisation charge for the period	-	100	100
Impairment	-	1	1
Disposals	-	(9)	(9)
Fully written down assets	-	(80)	(80)
At 27 October 2024	-	311	311
Net book amount at 27 October 2024	105	252	357
<i>Assets under construction included above</i>	-	19	19

Goodwill

The goodwill brought forward of £105m arose on the acquisition of Flower World Limited (£3m), Farmers Boy (Deeside) Limited (£7m) and McColl's (£95m).

Impairment testing of goodwill

Goodwill has been tested for impairment via the value-in-use calculation described in note 3.3, and no impairment is considered necessary at 27 October 2024 (2023: none).

Other intangibles

Other intangibles include software development costs, licences and reacquired rights. The net book amount of licences at 27 October 2024 was £13m (2023: £15m). Included within the software development cost during the period is £15m of the cost of internal labour capitalised (2023: £18m).

The Group has performed an assessment of its amortisation policies and asset lives and deemed them to be appropriate. As in previous financial periods, fully amortised assets are retained in the Group's fixed asset register. In order to provide greater understanding of the Group's amortisation charge, assets which have become fully amortised in the financial period have been disclosed as fully written down.

Having applied the same impairment methodology and key assumptions as for property, plant and equipment disclosed in note 3.3, a net impairment charge of £1m (2023: £5m) has been recognised in relation to intangible assets. This has been excluded from profit before exceptionals (see note 1.4).

Notes to the Group financial statements (continued)

3 Operating assets (continued)

3.2 Goodwill and intangible assets (continued)

Prior period	Goodwill £m	Other intangibles £m	Total £m
Cost			
At 30 October 2022	105	601	706
Additions	-	81	81
Interest capitalised	-	2	2
Disposals	-	(4)	(4)
Fully written down assets	-	(88)	(88)
At 29 October 2023	105	592	697
Accumulated amortisation and accumulated impairment losses			
At 30 October 2022	-	290	290
Amortisation charge for the period	-	96	96
Impairment	-	5	5
Disposals	-	(4)	(4)
Fully written down assets	-	(88)	(88)
At 29 October 2023	-	299	299
Net book amount at 29 October 2023	105	293	398
Assets under construction included above	-	35	35

3.3 Property, plant and equipment

Current period	Freehold land £m	Freehold buildings £m	Leasehold property improvements £m	Plant, equipment, fixtures and vehicles £m	Total £m
Cost					
At 29 October 2023	3,572	3,873	588	2,117	10,150
Additions	1	8	7	203	219
Disposals	(762)	(852)	(62)	(95)	(1,771)
Fully written down assets	-	-	(3)	(422)	(425)
At 27 October 2024	2,811	3,029	530	1,803	8,173
Accumulated depreciation and accumulated impairment losses					
At 29 October 2023	379	1,946	385	845	3,555
Depreciation charge for the period	-	93	13	319	425
Impairment	60	18	5	53	136
Impairment write back	(42)	(13)	(6)	(12)	(73)
Disposals	(62)	(441)	(31)	(49)	(583)
Fully written down assets	-	-	(3)	(422)	(425)
At 27 October 2024	335	1,603	363	734	3,035
Net book amount at 27 October 2024	2,476	1,426	167	1,069	5,138
Assets under construction included above	13	-	-	2	15

The Group has performed its assessment of its depreciation policies and asset lives and deemed them to be appropriate.

As in previous periods, fully depreciated assets are retained in the Group's fixed asset register. In order to provide greater understanding of the Group's depreciation charge, assets which have been fully depreciated in the period have been disclosed as fully written down.

The cost of financing property developments prior to their opening date has been included in the cost of the asset.

Notes to the Group financial statements (continued)

3 Operating assets (continued)

3.3 Property, plant and equipment (continued)

Impairment

At each reporting date, in line with IAS 36 'Impairment of assets,' the Group reviews the carrying amount of its property, plant and equipment, right-of-use assets, investment property, goodwill and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss or write back. In addition, it is Group policy to consider specific indicators of impairment for certain assets on an ongoing basis.

The Group considers each store location as a separate CGU. The Group calculates each location's recoverable amount and compares this amount to its book value. The recoverable amount is determined as the higher of 'value-in-use' and 'market value'. If the recoverable amount is less than the net book value, an impairment charge is recognised based on the following methodology:

'Value-in-use' is calculated by projecting an individual location's pre-tax cash flows over the life of the store, based on forecasting assumptions. The methodology used for calculating future cash flows is to:

- use the actual cash flows for each location;
- allocate a proportion of the Group's central costs to each location on an appropriate basis;
- allocate appropriate online sales and costs for the period to individual store locations. This allocation comprises online operations fulfilled through our store pick model only (comprising 'click & collect customers' and home delivery customers);¹
- allocate an element of future capital cost, including energy efficiency spend required as part of environmental strategy;
- project cash flows over the preceding years by applying forecast sales and cost growth assumptions in line with the Group budget and forecasts;
- project cash flows beyond the board approved financial plan by applying a long-term growth rate of 0%;
- discount the cash flows using a pre-tax rate of 10.0% (2023: 11.5%). The Group takes into account a number of factors when assessing the discount rate, including the Group's WACC and other wider market factors; and
- consideration is given to any significant one-off factors impacting the locations and any strategic, climate-related or market factors which may impact future performance.

'Market value' is estimated by the Directors based on store level valuations prepared by independent valuers, aided by their knowledge of individual stores, the markets they serve and likely demand from grocers or other retailers. This assessment takes into account the continued low demand from major grocery retailers for supermarket space, when assessing rent and yield assumptions on a store by store basis.

The Group also considers its corporate assets for impairment at each reporting date. The Group calculates the recoverable amount of its corporate assets and compares this amount to its book value. The recoverable amount is based on the 'value-in-use' calculation undertaken for the store location CGU assessment, less the carrying value of the location CGUs. As at 27 October 2024, there was no indication of impairment of the corporate assets as part of this assessment. In addition to this assessment, the Group undertakes an obsolescence review to identify any specific corporate assets which require impairment on an ongoing basis.

Having applied the above methodology and assumptions, the Group has recognised a net impairment charge of £63m (£136m impairment charge offset by a £73m impairment write back) during the period in respect of property, plant and equipment (2023: net £135m impairment charge, being a £149m impairment charge offset by £14m impairment write back). This movement reflects fluctuations from store level trading performance and the valuation assessment of the properties.

At 27 October 2024, the assumptions to which the value-in-use calculation is most sensitive are the discount and cash flow growth rates. The Group has estimated that a reasonably possible change of +1% discount rate would result in a £19m net increase in impairment and -1% discount rate would result in a £23m net reduction in impairment. The Group has also estimated that a reasonably possible change of -1% growth rate would result in a £1m net increase in impairment and +1% growth rate would result in a £2m net reduction in impairment.

¹ The FRC's Corporate Reporting Review Team ("CRRT") sent a letter to the Group with respect to the 2023 Annual Reports and financial statements, asking for clarification on how online sales were allocated to store locations for impairment testing. The CRRT found no required amendments or restatements in the 2023 Annual Report and financial statements, and relevant disclosure enhancements have been made within the 2024 Annual Report and financial statements.

Notes to the Group financial statements (continued)

3 Operating assets (continued)

3.3 Property, plant and equipment (continued)

Prior period	Freehold land £m	Freehold buildings £m	Leasehold property improvements £m	Plant, equipment, fixtures and vehicles £m	Total £m
Cost					
At 30 October 2022	3,849	4,219	592	2,734	11,394
Additions	12	12	-	249	273
Disposals	(283)	(350)	-	(34)	(667)
Fully written down assets	-	(2)	(10)	(834)	(846)
At 29 October 2023	3,578	3,879	582	2,115	10,154
Accumulated depreciation and accumulated impairment losses					
At 30 October 2022	363	2,021	374	1,299	4,057
Depreciation charge for the period	-	104	14	345	463
Impairment	49	26	6	68	149
Impairment write back	(9)	(3)	-	(2)	(14)
Disposals	(24)	(200)	-	(30)	(254)
Fully written down assets	-	(2)	(10)	(834)	(846)
At 29 October 2023	379	1,946	384	846	3,555
Net book amount at 29 October 2023	3,199	1,933	198	1,269	6,599
Assets under construction included above	10	-	-	37	47

3.4 Right-of-use assets

Current period	Leasehold land and buildings £m	Leased plant, equipment, fixtures and vehicles £m	Total £m
Cost			
At 29 October 2023	2,186	81	2,267
Additions	903	94	997
Disposals	(118)	-	(118)
Fully written down assets	(25)	(26)	(51)
At 27 October 2024	2,946	149	3,095
Accumulated depreciation and accumulated impairment losses			
At 29 October 2023	1,017	46	1,063
Depreciation charge for the period	73	30	103
Impairment	49	-	49
Impairment write back	(32)	-	(32)
Disposals	(36)	-	(36)
Fully written down assets	(25)	(26)	(51)
At 27 October 2024	1,046	50	1,096
Net book amount at 27 October 2024	1,900	99	1,999

The Group has performed its assessment of its depreciation policies and asset lives and deemed them to be appropriate.

Fully depreciated assets are retained in the Group's fixed asset register. In order to provide greater understanding of the Group's depreciation charge, assets which have been fully depreciated in the period have been disclosed as fully written down.

Notes to the Group financial statements (continued)

3 Operating assets (continued)

3.4 Right-of-use assets (continued)

Impairment

Having applied the same methodology and key assumptions as for property, plant and equipment as set out in note 3.3, the Group has recognised a net impairment charge of £17m (£49m impairment charge offset by £32m impairment write back) during the period in respect of right-of-use assets (2023: net £14m impairment charge; £14m impairment charge offset by £nil impairment write back). This movement reflects fluctuations from store level trading performance and the valuation assessment of the properties.

At 27 October 2024, the assumptions to which the value-in-use calculation is most sensitive are the discount and cash flow growth rates. The Group has estimated that a reasonably possible change of +1% discount rate would result in a £7m net increase in impairment and -1% discount rate would result in a £8m net reduction in impairment. The Group has also estimated that a reasonably possible change of -1% growth rate would result in a £1m net increase in impairment and +1% growth rate would result in a £3m net reduction in impairment.

	Leasehold land and buildings £m	Leased plant, equipment, fixtures and vehicles £m	Total £m
Prior period			
Cost			
At 30 October 2022	1,853	97	1,950
Additions	401	4	405
Fully written down assets	(59)	(26)	(85)
At 29 October 2023	2,195	75	2,270
Accumulated depreciation and accumulated impairment losses			
At 30 October 2022	1,006	55	1,061
Depreciation charge for the period	56	17	73
Impairment	14	-	14
Fully written down assets	(59)	(26)	(85)
At 29 October 2023	1,017	46	1,063
Net book amount at 29 October 2023	1,178	29	1,207

Notes to the Group financial statements (continued)

3 Operating assets (continued)

3.5 Investment properties

Current period	Freehold £m	Leasehold £m	Total £m
Cost			
At 29 October 2023	41	120	161
Additions	-	6	6
Fully written down assets	-	(1)	(1)
At 27 October 2024	41	125	166
Accumulated depreciation and accumulated impairment losses			
At 29 October 2023	24	98	122
Depreciation charge for the period	-	2	2
Impairment charge	-	6	6
Impairment write back	-	(2)	(2)
Fully written down assets	-	(1)	(1)
At 27 October 2024	24	103	127
Net book amount at 27 October 2024	17	22	39

Included in other operating income is £11m (2022/23: £12m) of rental income generated from investment properties. At the end of the period the fair value of freehold investment properties was £27m (2023: £35m), with leasehold investment properties supported by their value-in-use. Freehold investment properties are valued by independent surveyors on a vacant possession basis using observable inputs (fair value hierarchy level 2).

Prior period	Freehold £m	Leasehold £m	Total £m
Cost			
At 30 October 2022	42	119	161
Additions	-	2	2
Disposals	(1)	-	(1)
Fully written down assets	-	(1)	(1)
At 29 October 2023	41	120	161
Accumulated depreciation and accumulated impairment losses			
At 30 October 2022	24	79	103
Depreciation charge for the period	1	2	3
Impairment charge	-	18	18
Fully written down assets	-	(1)	(1)
At 29 October 2023	25	98	123
Net book amount at 29 October 2023	16	22	38

3.6 Trade and other receivables – non-current

	2024 £m	2023 £m
Finance leases – Group is lessor	40	8
Other receivables	83	84
	123	92

The Group is the lessor on a number of property leases, many of which contain rent review terms that require rents to be reassessed on a periodic basis. The rent reassessments are normally based on changes in market rents or capped increases in measures of inflation.

Notes to the Group financial statements (continued)

3 Operating assets (continued)

3.6 Trade and other receivables – non-current (continued)

Finance leases

The table below summarises the maturity profile of undiscounted finance lease payments due to the Group.

	2023/24 £m	2022/23 £m
Less than one year	4	1
After one year but not more than five years	16	4
More than five years	45	5
Total undiscounted lease payments	65	10
Unearned finance income	(25)	(2)
Total finance leases	40	8

Finance lease income of £3m has been recognised in the period (2022/23: £nil).

Operating leases

The table below summarises the maturity profile of undiscounted minimum operating lease payments due to the Group.

	2023/24 £m	2022/23 £m
Less than one year	8	11
One to two years	7	8
Two to three years	6	5
Three to four years	4	5
Four to five years	3	3
More than five years	24	21
Total undiscounted lease payments receivable	52	53

Operating lease income of £11m has been recognised in the 52 weeks ended 27 October 2024 (2022/2023: £13m).

Other receivables

Other receivables of £83m (2023: £80m) comprise deferred consideration due after more than one year in relation to the disposal of two sites in previous periods. The amount includes £26m (2023: £26m) representing the fair value of future leases of newly constructed supermarkets. The deferred cash consideration on a discounted basis of £40m (2023: £38m) is now classed as current.

At 27 October 2024, none of these receivables were past due and they have not been impaired. The carrying value of the deferred cash consideration approximates to its fair value. The fair value of the future lease is based on the net present value of observable market rentals for similar developments in the surrounding locality (fair value hierarchy level 2).

3.7 Capital commitments

	2024 £m	2023 £m
Contracts placed for future capital expenditure not provided in the financial statements (property, plant and equipment, right-of-use assets and intangible assets)	81	108
Contracts placed for future leases not provided in the financial statements	2	12

Notes to the Group financial statements (continued)

4 Interests in other entities

4.1 Accounting policies

Joint ventures

The Group applies IFRS 11 'Joint Arrangements' to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for under the equity method and are initially recognised at cost.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investees, from the date that joint control commences until the date that joint control ceases.

Business combinations

The acquisition method is used to account for business combinations under IFRS 3 'Business Combinations'. Consideration is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, including the fair value of any contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed, are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Goodwill is the excess of consideration transferred, plus any non-controlling interest and the fair value of any previous equity interest in the acquiree, over the fair value of the identifiable net assets acquired. In the event that this excess is negative the difference is recognised directly in profit for the period.

Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.2 Investments in joint ventures and associates

	2024 £m	2023 £m
At start of period	14	27
Additions – shares in MFG	550	-
Interest from MFG preference shares	32	-
Group's share of loss after tax	(21)	(1)
Dividend received – MHE JVCo Limited	(5)	(8)
Impairment	-	(4)
At end of period	570	14

Total investment in joint ventures and associates as at 27 October 2024 was £570m, comprising MFG £561m (2023: £nil) and MHE JVCo Limited (Ocado) £9m (2023: £14m).

The Group and Ocado Operating Limited are sole investors in a company (MHE JVCo Limited), which owns the plant and equipment at the Dordon customer fulfilment centre. The Group has a c.51% interest in MHE JVCo Limited. Decisions regarding MHE JVCo Limited require the unanimous consent of both parties. The Directors have considered the requirements of IFRS 11 and determined that the Group continues to jointly control MHE JVCo Limited.

	MHE JVCo Limited 2024 £m	MHE JVCo Limited 2023 £m
Non-current assets	11	11
Current assets	10	21
Current liabilities	(1)	(5)
Net assets	20	27
Group's share of net assets	10	14
Profit/(loss) after tax	1	(2)
Group's share of profit/(loss) after tax	1	(1)

Notes to the Group financial statements (continued)

4 Interests in other entities (continued)

4.2 Investments in joint ventures and associates (continued)

As part of the completion of the sale of the petrol forecourt business, the Group received £550m of shares within the consideration paid by MFG, split between ordinary and preference shares. In line with IAS 28 the ordinary shares and preference shares represent a combined c.21% investment in MFG through the entity Mars Challenger Jersey Topco Limited. Consistent with equity accounting requirements, the Group's share of the statutory profit/loss after tax of the Mars Challenger Jersey Topco Limited group has been recognised against both instruments.

The preference shares accrue coupon at a fixed rate of 12% on a PIK basis, to be settled in cash at redemption. There is no fixed date of redemption.

	Ordinary shares £m	Preference shares £m	Total £m
Consideration received (note 4.3)	11	539	550
Interest from MFG preference shares	-	32	32
Group's share of loss after tax	(11)	(10)	(21)
Carrying value at end of period	-	561	561

4.3 Disposal of petrol forecourt business

On 30 April 2024, the Group announced the completion of the sale of its petrol forecourt business to MFG for £2.5bn. This consideration included a c.21% equity stake in MFG.

	30 April 2024 £m
Balance sheet on disposal (petrol forecourt business)	
Property, plant and equipment	515
Inventories	46
Trade and other receivables	52
Total assets	613
Trade and other payables	(872)
Lease liabilities	(43)
Tax liabilities	(9)
Total liabilities	(924)
Net book value of net liabilities sold	(311)

	£m
Profit on disposal (petrol forecourt business)	
Consideration – cash received	2,031
Consideration – non-cash (note 4.2)	550
Total consideration	2,581
Deferred consideration (note 5.5)	(189)
Total disposal consideration	2,392
Net book value of net liabilities sold	311
Transaction costs	(79)
Profit on disposal	2,624

Notes to the Group financial statements (continued)

5 Working capital and provisions

5.1 Accounting policies

Inventories

Inventories represent raw materials and goods for resale and are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Cost is calculated on a weighted average basis and comprises purchase price, and other directly attributable costs, including import duties and other non-recoverable taxes, reduced by promotional funding and commercial income and a provision for estimated inventory losses relating to shrinkage and obsolescence. Losses relating to shrinkage in stores are based on historical losses, verified by physical inventory counts conducted by an independent third party. Provision is made for obsolete and slow moving items.

Trade and other receivables

Trade and other receivables are initially recognised at fair value, which is generally equal to face value, and subsequently held at amortised cost. Provision for impairment of trade receivables is recognised based on lifetime expected credit losses at each reporting date, with the charge being included in administrative expenses.

Cash and cash equivalents

Cash and cash equivalents for cash flow purposes includes cash-in-hand, cash-at-bank, bank overdrafts and deposits readily convertible to known amounts of cash and that have an original maturity of three months or less. In the statement of financial position, bank overdrafts that do not have the right of offset are presented within current liabilities.

Cash and cash equivalents includes debit and credit card payments made by customers, which clear the bank shortly after the sale takes place. It also includes BACS receipts in flight at the reporting date for transactions where control is considered to have passed to the Group. BACS payments in flight at the reporting date are excluded from cash and cash equivalents as control is deemed to have passed from the Group.

Trade and other payables

Trade and other payables are initially recognised at fair value, which is generally equal to face value of the invoices received, and subsequently held at amortised cost. Trade payables are presented net of commercial income due when the Group's trading terms state that income from suppliers will be netted against amounts owing to that supplier.

Supply chain financing

The Group offers suppliers the option to access supply chain financing through certain third party providers. These facilities allow suppliers to receive payments earlier than the contractual payment terms. The Group did not receive any fees or rebates from the providers where the suppliers choose to utilise these facilities. Payment terms continue to be agreed directly between the Group and suppliers, and are independent of supply chain financing being available.

The Group makes an assessment of its supply chain finance arrangements to determine if the associated balance is appropriately presented as trade payables or as borrowings. This assessment considers factors such as the commercial purpose of the facility, the nature and specific terms of the arrangements and the credit terms in place with the banks and suppliers. Based on this assessment, the Group has determined that it is appropriate to present amounts outstanding through the supply chain financing arrangement as trade payables. Consistent with this classification, the reported cash flows are reported within cash generated from operations within the consolidated statement of cash flows.

Provisions

Provisions are created where the Group has a present obligation as a result of a past event, where it is probable that it will result in an outflow of economic benefits to settle the obligation, and where it can be reliably measured. The Group assesses the appropriateness of its provisions at each reporting date. The amounts provided are based on the Group's best estimate of the least net cost of exit. Where material, these estimated outflows are discounted to net present value using a pre-tax rate that reflects current market assumptions. The unwinding of this discount is recognised as a financing cost in the income statement.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or present obligations that are not recognised because it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount cannot be measured reliably. The Group does not recognise contingent liabilities. The disclosure includes an estimate of their potential financial effect and any uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote or the Group cannot measure it reliably (see note 10.2).

Notes to the Group financial statements (continued)

5 Working capital and provisions (continued)

5.2 Inventories

	2024 £m	2023 £m
Raw materials	46	50
Finished goods	911	868
	957	918

Inventory provision and write-down recognised as an expense amounted to £423m for the 52 weeks ended 27 October 2024 (52 weeks ended 29 October 2023: £410m).

5.3 Trade and other receivables

	2024 £m	2023 £m
Commercial income trade receivables	56	33
Accrued commercial income	40	38
Other trade receivables	96	108
Less: provision for impairment of trade receivables	(3)	(3)
Trade receivables	189	176
Prepayments and accrued income	182	187
Other receivables	52	17
	423	380

The carrying amounts of trade and other receivables approximate to their fair value at 27 October 2024 and 29 October 2023.

Current period	Current %/£m	1 to 30 days past due %/£m	31 to 60 days past due %/£m	61 to 90 days past due %/£m	91 days plus past due %/£m	Total £m
Expected credit loss rate	1%	6%	9%	43%	90%	
Gross carrying amount – trade receivables	182	8	1	1	-	192
Provision for impairment of trade receivables	(1)	(1)	-	(1)	-	(3)

Prior period	Current %/£m	1 to 30 days past due %/£m	31 to 60 days past due %/£m	61 to 90 days past due %/£m	91 days plus past due %/£m	Total £m
Expected credit loss rate	0%	1%	2%	81%	100%	
Gross carrying amount – trade receivables	172	3	1	1	2	179
Provision for impairment of trade receivables	-	-	-	(1)	(2)	(3)

As at 23 January 2025, £55m of the £56m commercial income trade receivables balance had been settled and of the £40m accrued commercial income £6m had still to be invoiced.

5.4 Trade and other payables

	2024 £m	2023 £m
Trade payables	(2,221)	(2,919)
Less: commercial income due, offset against amounts owed	63	55
	(2,158)	(2,864)
Other taxes and social security payable	(110)	(87)
Other payables	(61)	(111)
Accruals and deferred income	(475)	(379)
	(2,804)	(3,441)

As at 23 January 2025, £61m of the £63m commercial income due above had been offset against payments made.

Trade payables include £235m (2023: £704m) where suppliers have chosen to receive early payment under the Group's supply chain finance facilities (see note 7.2).

Notes to the Group financial statements (continued)

5 Working capital and provisions (continued)

5.5 Deferred consideration

	2024 £m	2023 £m
Deferred consideration greater than one year	(177)	-

Deferred consideration arose on the disposal of the UK petrol forecourt business (note 4.3). The deferred consideration relates to the ongoing licensing of the Group's brand to MFG, whereby certain consideration received will be released to the income statement on a straight-line basis over 25 years.

5.6 Provisions

	Onerous contracts £m	Other provisions £m	Total £m
At 29 October 2023	(57)	(6)	(63)
Charged for the period (note 1.4)	(16)	-	(16)
Utilised during the period	25	1	26
Released during the period	2	1	3
At 27 October 2024	(46)	(4)	(50)

Included within the above balance at 27 October 2024 is £18m (2023: £11m) relating to a balance due within one year. Provisions are revised regularly in response to market conditions.

5.7 Cash generated from operations

	2024 £m	2023 £m
Operating profit	2,771	89
Adjustments for:		
Depreciation and amortisation	630	635
Impairment	192	190
Impairment write back	(107)	(14)
Management Incentive Plan (MIP)	8	6
Loss/(profit) arising on disposal and exit of properties	5	(13)
Profit on disposal of petrol forecourts	(2,624)	-
Defined benefit scheme contributions paid less operating expenses	6	(6)
Derivatives settlement unwind	(34)	(45)
(Increase)/decrease in inventories	(86)	72
Increase in trade and other receivables	(77)	(12)
Increase in trade and other payables	273	44
(Decrease)/increase in provisions	(13)	20
Cash generated from operations	944	966

Notes to the Group financial statements (continued)

6 Capital and borrowings

6.1 Accounting policies

Borrowings

Interest-bearing loans and overdrafts are initially recorded at fair value, net of attributable transaction costs and fees. Subsequent to initial recognition they are measured at amortised cost, with any difference between the redemption value and the initial carrying amount being recognised in profit and loss for the period over the term of the borrowings on an effective interest rate basis.

Borrowing costs

All borrowing costs are recognised in the Group's income statement for the period on an effective interest rate basis except for interest costs that are directly attributable to the construction of buildings and other qualifying assets, which are capitalised and included within the initial cost of the asset. Capitalisation commences when both expenditure on the asset and borrowing costs are being incurred, and necessary activities to prepare the asset for use are in progress. In the case of new stores, this is generally once planning permission has been obtained. Capitalisation ceases when the asset is ready for use. Interest is capitalised at the effective rate incurred on borrowings before taxation of 8.7% (2023: 5.7%). Capitalised interest is included within interest paid in cash flow from operating activities.

Lease liabilities

For leases where the Group is a lessee, the Group recognises a right-of-use asset and a lease liability at the commencement date of the lease. Lease liabilities are initially measured at the present value of the lease payments due during the lease term but that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed payments, and applicable variable lease payments (which depend on an index or a rate). The exercise price of purchase options are also included if reasonably certain to exercise the option.

The lease term includes periods covered by extension and break options if the Group is reasonably certain to extend the lease or to not exercise the break.

The discount rates applied in the measurement of the lease liabilities represent the Group's incremental borrowing rates. The incremental borrowing rates are determined through a build-up approach, starting with a risk-free rate specific to the term and economic environment of the lease, adjusted for both the credit risk of the lessee and other characteristics of the lease (for example the quality of the underlying assets). The inputs used to determine the rates are regularly reassessed, based on historical experience and other factors which the Directors consider to be reasonable.

Each lease payment is allocated between the capital repayment of the liability and the finance cost element. The finance cost is charged to the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. In the consolidated statement of cash flows the finance cost element is reported within interest paid and the capital repayment of the liability is reported within repayment of lease obligations.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index, rate or a lease modification. When purchase, extension or break options are exercised (or not exercised) in a way inconsistent with the prior assessments of those options, or if those assessments are changed, then lease liabilities will also be remeasured. The likelihood of options being exercised will only be reassessed on the occurrence of a significant event or change in circumstance within the control of the Group (for example when a final decision to close or vacate a site is made).

The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Lease payments on short-term leases and leases of low-value assets are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

For new lease agreements entered into with landlords following the period of License to Occupy in the convenience business, right of use assets are formed in the Group's balance sheet.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options, are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company has purchased the Company's equity share capital, the consideration paid, including directly attributable incremental costs, is deducted from retained earnings until the shares are cancelled. On cancellation, the nominal value of the shares is deducted from share capital and the amount is transferred to the capital redemption reserve.

Net debt

Net debt is cash and cash equivalents, long-term cash on deposit, bank and other loans, bonds, intercompany loans, lease liabilities and derivative financial instruments (stated at current fair value).

Notes to the Group financial statements (continued)

6 Capital and borrowings (continued)

6.2 Finance costs and income

	2023/24 £m	2022/23 £m
Finance costs		
Interest payable on short-term loans and bank overdrafts	(3)	(1)
Interest payable on bonds	(2)	(4)
Interest on lease liabilities	(99)	(74)
Interest capitalised	4	2
Finance costs	(100)	(77)
Finance income		
Bank interest and other finance income	15	4
Interest from MFG preference shares (note 4.2)	32	-
Finance lease income	3	-
Other receivables: unwinding of discount	1	3
Finance income before exceptionals	51	7
Net retirement benefit interest (note 8.2)	27	33
Total finance income	78	40
Net finance costs	(22)	(37)

6.3 External borrowings

On 24 October 2024, the Group repaid its remaining listed external borrowings. The Group has no other external current borrowings or current financial liabilities measured at amortised cost.

	2024 £m	2023 £m
£400m sterling bonds 3.50% July 2026	-	(39)
£300m sterling bonds 4.75% July 2029	-	(45)
	-	(84)

The aggregate principal amount of the existing notes outstanding is £nil at 27 October 2024 (2023: £84m).

Borrowing facilities

Information in relation to the Group's borrowing facilities are detailed in the liquidity risk section of note 7.2.

Notes to the Group financial statements (continued)

6 Capital and borrowings (continued)

6.3 External borrowings (continued)

Maturity of borrowings

The table below summarises the maturity profile of the Group's external borrowings based on contractual, undiscounted payments, which include future interest payments. As a result, amounts shown below do not agree to the amounts disclosed in the statement of financial position for borrowings, which exclude future interest payments. Trade and other payables (note 5.4) are also excluded from this analysis.

	2024 £m	2023 £m
Less than one year	-	(3)
One to two years	-	(3)
Two to three years	-	(40)
Three to four years	-	(2)
Four to five years	-	(2)
More than five years	-	(47)

Fair values

The fair value of bonds is measured using closing market prices (level 1).

These compare to carrying values as follows:

	2024		2023	
	Amortised cost £m	Fair value £m	Amortised cost £m	Fair value £m
Total external borrowings: non-current and current	-	-	(84)	(54)

The fair value of other items within current and non-current borrowing equals their carrying amount, as the impact of discounting is not material.

6.4 Loan to/(from) parent undertaking

	2024 £m	2023 £m
Loan to/(from) parent undertaking	1,205	(882)

On 8 November 2021, intercompany funding was provided by Market Bidco Limited (the immediate parent) to the Group. The loan was unsecured, bearing no interest and repayable on 8 November 2028. As a result of a repayment in the Group's debt in the period, there has been a change in the structure of the loan from group undertaking. The loan to Market Bidco Limited is unsecured and interest free.

Following the sale of the petrol forecourt business (note 4.3), the Group's parent, Market Bidco Limited, completed a material external debt repayment through a cross-instrument exercise across outstanding secured and unsecured debt instruments, together with the repayment of its Term Loan A. In order to facilitate Market Bidco Limited's external debt repayments, the Group provided funding through the loan to parent undertaking above.

6.5 Lease liabilities

	2024 £m	2023 £m
Current lease liabilities	(118)	(82)
Non-current lease liabilities	(2,054)	(1,593)
	(2,172)	(1,675)

During the year the Group entered into a ground debt transaction, with net proceeds of £331m received. The judgement was reached that the transaction structure included a sale and leaseback with other members of the Market Topco Limited group. The Group has recognised an initial IFRS 16 lease liability of £367m.

Notes to the Group financial statements (continued)

6 Capital and borrowings (continued)

6.5 Lease liabilities (continued)

Maturity of lease liabilities

The table below summarises the maturity profile of the Group's lease liabilities based on contractual, undiscounted payments.

	2024 £m	2023 £m
Less than one year	(230)	(168)
One to two years	(221)	(164)
Two to three years	(209)	(160)
Three to four years	(207)	(153)
Four to five years	(194)	(150)
More than five years	(2,705)	(1,940)

Lease liabilities include periods beyond extension and break option dates if the Group is reasonably certain to extend or continue the lease. As at 27 October 2024, the undiscounted future rentals payments relating to periods beyond what is considered reasonably certain total £62m for breaks and £933m for lease extensions (2023: £60m and £928m respectively). The lease extensions relate to leases where the initial term expires between 12 and 62 years after the period end, with some extensions available of up to 25 years.

The interest expense on lease liabilities is shown in note 6.2. The value of contracts placed for future leases not provided in the financial statements is disclosed in note 3.7.

Other information

The Group is the lessee on a diverse portfolio of leases for property and equipment, with the vast majority of lease liabilities relating to property (see note 3.4 and note 3.5). Property leases typically include rent review terms that require rents to be adjusted on a periodic basis, following market rent or capped increases in inflation measurements. A number of these property leases also contain clauses to extend, or exit leases early. These clauses are negotiated with the lessors to ensure appropriate options are available for the Group's operations in future years, for example to minimise the risk that a store, still profitable at the end of the initial lease term, will be forced to close.

The depreciation expense for right-of-use assets is shown in note 1.5. This note also includes the expense of variable lease payments incurred during the periods and expenses incurred on both low-value leases and short-term leases longer than one month. Total cash outflow for leases amounted to £113m during the period (2023: £97m). The variable lease payments not included in the measurement of the lease liability is £nil (2023: £nil).

6.6 Analysis of net debt¹

	Note	2024 £m	2023 £m
Foreign exchange forward contracts	7.3	-	5
Fuel and energy price contracts	7.3	6	26
Current financial assets		6	31
Fuel and energy price contracts		1	-
Non-current financial assets		1	-
Lease liabilities	6.5	(118)	(82)
Foreign exchange forward contracts	7.3	(12)	(2)
Fuel and energy price contracts	7.3	(9)	(11)
Current financial liabilities		(139)	(95)
Bonds	6.3	-	(84)
Loans from group undertakings	6.4	-	(882)
Lease liabilities	6.5	(2,054)	(1,593)
Fuel and energy price contracts	7.3	(3)	(2)
Non-current financial liabilities		(2,057)	(2,561)
Cash and cash equivalents		849	279
Net debt¹		(1,340)	(2,346)

¹ Net debt is defined in the Glossary on page 124.

Notes to the Group financial statements (continued)

6 Capital and borrowings (continued)

6.6 Analysis of net debt¹ (continued)

Reconciliation of net cash flow to movement in net debt¹ in the period

	2024 £m	2023 £m
Financing activities:		
Cash outflow from repayment of borrowings	74	-
Cash outflow on loan from parent undertaking	882	961
Cash outflow from repayment of lease liabilities	113	97
Non-cash movements on lease liabilities ²	(611)	(460)
Other financing non-cash movements	(6)	(10)
Net decrease from financing activities	452	588
Other non-cash movements ³	(16)	(458)
Net increase/(decrease) in cash and cash equivalents	570	(8)
Opening net debt ¹	(2,346)	(2,468)
Closing net debt ¹	(1,340)	(2,346)

¹ Net debt is defined in the Glossary on page 124.

² Non-cash movement on lease liabilities comprises £589m (2023: £389m) in relation to new leases and £22m (2023: £71m) from the remeasurement of existing leases.

³ Other non-cash movements is comprised of movements on derivatives.

6.7 Called-up share capital

	Number of shares millions	Share capital £m	Share premium £m	Total £m
At 29 October 2023 and 27 October 2024	2,451	245	253	498

All issued shares are fully paid and have a par value of 10p per share (2023: 10p per share). The Group did not acquire any of its own shares for cancellation in the 52 weeks ended 27 October 2024 or the 52 weeks ended 29 October 2023. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at the meetings of the Company.

Notes to the Group financial statements (continued)

6 Capital and borrowings (continued)

6.8 Reserves

	2024 £m	2023 £m
Capital redemption reserve	39	39
Merger reserve	2,578	2,578
Hedging reserve	(16)	33
Retained earnings	3,272	535
Total	5,873	3,185

Capital redemption reserve

The capital redemption reserve relates to 389,631,561 of the Company's own shares which it purchased on the open market for cancellation between 31 March 2008 and 8 March 2013 at a total cost of £1,081m.

Merger reserve

The merger reserve represents the reserve arising on the acquisition in 2004 of Safeway Limited.

Hedging reserve

This represents the gains and losses arising on derivatives used for cash flow hedging.

6.9 Capital management

The Group defines the capital that it manages as the Group's total equity and net debt balances.

The Group's capital management objective is to safeguard its viability taking into consideration the risks that it faces. During the financial period, the Group did this by maintaining adequate liquidity headroom, along with managing the capital structure and debt outstanding. The Group has secured and unsecured debt, maintaining significant assets that do not hold a fixed charge over them. Managing the Group's credit rating, maintaining liquidity headroom and monitoring cash generation continue to be key elements of the Group's capital management activity.

Notes to the Group financial statements (continued)

7 Financial risk and hedging

7.1 Accounting policies

Derivative financial instruments and hedge accounting

Derivatives are transacted to mitigate financial risks that arise as a result of the Group's operating activities and funding arrangements. At the inception of a hedge, the Group documents the economic relationship between the hedging instrument and the hedged item, the risk management objective and strategy for undertaking the hedge. This includes an assessment of whether changes in fair values or the cash flows of the hedging instruments are expected to offset changes in the fair values or cash flows of hedged items.

All derivatives are initially recognised at fair value and are remeasured at fair value at each reporting date. Derivatives with positive fair values are recognised as assets and those with negative fair values as liabilities. They are also categorised as current or non-current according to the maturity of each derivative. All gains or losses arising due to changes in the fair value of derivatives are recognised in profit or loss except when the derivative qualifies for cash flow hedge accounting.

Cash flow hedges

The Group designates derivatives into a cash flow hedge where they have been transacted to hedge a highly probable forecast transaction or a particular risk associated with an asset or liability. The effective portion of the change in the fair value of the derivatives that are designated into cash flow hedge relationships, are recognised in other comprehensive income. Cumulative gains or losses on derivatives are reclassified from other comprehensive income into profit or loss in the period when the transaction occurs. Any ineffective portion of the gain or loss on the derivative is immediately recognised in profit or loss.

When option contracts are used to hedge forecast transactions, both the intrinsic and time value of the options are designated as hedging instruments. Gains or losses relating to the effective portion of the change in fair value of the options are recognised in the cash flow hedge reserve within equity. Any changes in the fair value of the option premium are recognised in other comprehensive income.

When forward contracts are used to hedge forecast transactions, the Group designates the change in fair value of the forward contract as the hedging instrument. Gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs, at which point the net cumulative gain or loss recognised in equity is transferred to profit or loss in the period.

7.2 Financial risk management

The Group has a centralised treasury function which manages funding, liquidity, credit and market risk in accordance with the Board approved Treasury Policy. The objective of the policy and controls that are established is to mitigate the risk of an adverse impact on the performance of the Group as a result of its exposure to financial risks arising from the Group's operations and its sources of finance. It is the Group's policy not to engage in speculative trading of financial instruments.

The Board retains ultimate responsibility for treasury activity and is involved in key decision making, providing governance and oversight to treasury activity.

Liquidity risk

The Group policy is to maintain an appropriate maturity profile across its borrowings and a sufficient level of committed headroom to meet obligations. The Group finances its operations using an intercompany loan provided by its parent company.

A central cash forecast is maintained by the treasury function who monitor the availability of liquidity to meet business requirements and any unexpected variances. The treasury function seek to centralise surplus cash balances to minimise the level of gross debt. Short-term cash balances, together with undrawn facilities, enable the Group to manage its day-to-day liquidity risk. Any short-term surplus is invested in accordance with the Treasury Policy. Some suppliers have access to supply chain finance facilities, which allow those suppliers to benefit from the Group's credit profile.

The Board compares the committed liquidity available to the Group against the forecast requirements including policy headroom. This policy includes a planning assumption that supply chain finance facilities are not available.

As at 27 October 2024, the Group (including its parent entities) had total committed revolving credit facilities of £1,000m and a supply chain finance facility of £375m across a number of banks and platforms. The level of utilisation is dependent on the individual supplier requirements and varies significantly over time (see note 5.4).

Notes to the Group financial statements (continued)

7 Financial risk and hedging (continued)

7.2 Financial risk management (continued)

Cash and committed facilities (continued)

At 27 October 2024, the Group has £849m (2023: £279m) of cash and cash equivalents and £nil (2023: £84m) of total committed facilities, comprising bond debt of £nil (2023: £84m).

The Group has an intercompany loan due from Market Bidco Limited of £1,205m at the period end (2023: £882m liability) which is unsecured and bears no interest (see note 6.4). Via intercompany, the Group has access to the parent group's facilities, including a revolving credit facility of £1,000m (£nil drawdown at 27 October 2024), Term loan facilities and Senior Secured Notes.

As at 27 October 2024, the Group had no external borrowings on uncommitted facilities (2023: £nil).

The Group finances its operations using a diversified range of funding providers including banks and bondholders. The Treasury Committee compares the committed liquidity available to the Group against the forecast requirements including policy headroom. This policy includes a planning assumption that supply chain finance facilities are not available.

Credit risk

The majority of the Group's revenue is received in cash at the point of sale. Some credit risk does arise from cash and cash equivalents, deposits with banking groups and exposures from other sources of income such as commercial income, third party wholesale customers and tenants of investment properties.

The principal areas of credit risk relate to financial institution and trading counterparties such as wholesale customers. The Group has well established credit verification procedures in place for key exposures. Limits on the total exposure to a counterparty or Group of connected counterparties are established within the Treasury Policy. Compliance with limits is regularly monitored. With respect to wholesale customers, the Group establishes a credit limit for each individual entity, which takes into account a number of factors including the level of credit insurance in place, the customer's payment history, third party credit reports and other relevant factors including the Group's rights within the specific terms of the contract.

Interest rate risk

The wider Group seeks to protect itself against adverse movements in interest rates by aiming to maintain at least 60% of its total borrowings at fixed interest rates. As at the reporting date, because the Group's external borrowings had been paid in the year in full, there is now nil (2023: 100%) of the Group's borrowings at a fixed interest rate. Whilst still applying the policy described above, from time-to-time the Group enters into fixed-to-floating interest rate swaps to achieve the appropriate proportion of fixed versus floating rate borrowings.

Foreign currency risk

The majority of purchases made by the Group are denominated in sterling, however some trade purchases are made in other currencies, primarily the euro and US dollar. The Group's objective is to reduce short-term profit volatility from exchange rate fluctuations. The Group policy specifies the minimum percentage of committed and highly probable exposures that must be hedged.

Cross-currency interest rate swaps are used to mitigate the Group's currency exposure arising from payments of interest and principal in relation to foreign currency funding.

At the reporting date, the sensitivity to a reasonably possible change (+/-10%) in the US dollar and euro exchange rates would equate to a £4m post-tax profit or loss exposure in relation to the euro (2023: £5m) and £1m in relation to the US dollar (2023: £2m), for the unhedged forecast foreign currency exposures over the next 12 months. A movement of the pound sterling by +/-10% against the euro and US dollar exchange rates would impact other comprehensive income by £25m for the hedged amount (2023: £31m).

Commodity price risk

The Group manages the risks associated with the purchase of electricity, gas and diesel consumed by its activities (excluding fuel purchased for resale to customers) by entering into hedging contracts to fix prices for expected consumption.

The Group has adopted a capital at risk model for hedging its fuel and power consumption. The Board reviews the Group's exposure to commodity prices and ensures it remains within policy limits.

A change of +/-10% in the market value of the commodity price at the reporting date would affect other comprehensive income by £10m (2023: £16m) for the hedged amount.

Notes to the Group financial statements (continued)

7 Financial risk and hedging (continued)

7.3 Derivative financial assets and liabilities

	2024 Fair Value £m	2024 Notional Value £m	2023 Fair Value £m	2023 Notional Value £m
Derivative financial assets				
Current				
Foreign exchange forward contracts	-	-	5	377
Fuel and energy price contracts	6	43	26	58
	6	43	31	435
Non-current				
Foreign exchange forward contracts	-	-	-	2
Fuel and energy price contracts	1	7	-	14
	1	7	-	16

All derivatives are categorised as level 2 instruments. Level 2 fair values for simple, over-the-counter derivatives are calculated by using benchmarked, observable market interest rates to discount future cash flows.

	2024 Fair Value £m	2024 Notional Value £m	2023 Fair Value £m	2023 Notional Value £m
Derivative financial liabilities				
Current				
Foreign exchange forward contracts	(12)	(473)	(2)	(172)
Fuel and energy price contracts	(9)	(46)	(11)	(63)
	(21)	(519)	(13)	(235)
Non-current				
Foreign exchange forward contracts	-	-	-	(8)
Fuel and energy price contracts	(3)	(22)	(2)	(26)
	(3)	(22)	(2)	(34)

The amounts disclosed in the table below are the contractual undiscounted derivative cash flows and therefore differ to those in the statement of financial position.

	2024 £m		2023 £m	
Maturity analysis of derivatives	< 1 year	1-5 years	< 1 year	1-5 years
Derivatives settled on a gross basis				
Forward contracts – cash flow hedges:				
Outflow	(484)	(37)	(383)	(4)
Inflow	471	37	385	4
Derivatives settled on a net basis				
Fuel and energy price contracts – cash flow hedges:				
Inflow	(3)	(3)	17	(2)

The fuel and energy price contracts and foreign currency derivatives are designated as cash flow hedges.

Notes to the Group financial statements (continued)

8 Retirement benefits

8.1 Accounting policies

A defined contribution scheme is a retirement scheme under which the Group pays fixed contributions into a separate entity and provides no guarantee as to the quantum of retirement benefits that those contributions will ultimately purchase. A defined benefit scheme is one that is not a defined contribution scheme.

8.1.1 Defined benefit schemes

Retirement scheme assets are valued at fair market value as required by IAS 19. Retirement benefit obligations are an estimate of the amount required to pay the benefits that employees have earned in exchange for current and past service, assessed and discounted to present value using the assumptions shown in note 8.4.1. The net retirement benefit deficit or surplus recognised in the consolidated statement of financial position is the net of the schemes' assets and obligations, which are calculated separately for each scheme.

Net interest income/expense is calculated by applying the discount rate used to value the liabilities to the net retirement benefit deficit or surplus (adjusted for cash flows over the accounting period) and is recognised in finance costs or income and excluded from profit before exceptionals.

Expenses incurred in respect of the management of scheme assets are included in the consolidated statement of comprehensive income as a reduction in the return on scheme assets. Other scheme expenses are recognised in the consolidated income statement as an operating expense.

Remeasurements comprise of actuarial gains and losses on the obligations and the return on scheme assets (excluding interest). They are recognised immediately in the consolidated statement of comprehensive income. Amounts shown within note 8 are before any adjustments for deferred taxation.

8.1.2 Defined contribution schemes

The cost of defined contribution schemes is recognised in the consolidated income statement as incurred. The Group has no further payment obligations once the contributions have been paid.

8.2 Defined benefit schemes: summary and description

The Group operates a number of defined benefit retirement schemes (together 'the Schemes') providing benefits based on a benefit formula that depends on factors including the employee's age and number of years of service.

The Morrisons and Safeway Schemes (the 'CARE Schemes') provide retirement benefits based on either the employee's compensation package and/or career average revalued earnings (CARE). The CARE Schemes are not open to new members and were closed to future accrual in July 2015.

The Retirement Saver Plan (RSP) is a cash balance scheme, which provides a lump sum benefit based upon a defined proportion of an employee's annual earnings in each year, which is revalued each year in line with inflation subject to a cap. The RSP was closed to future accrual in September 2018.

The TM Group Pension Scheme and TM Pension Plan (the 'McColl's Schemes') were acquired by the Group as part of the Group's acquisition of the McColl's trade and assets during the prior period. The Schemes provide benefits based on a benefit formula that depends on factors including the employee's age and number of years of service. The McColl's Schemes are not open to new members and were closed to future accrual in July 2008.

On 30 September 2024, the assets and liabilities of the McColl's Schemes were transferred to the Safeway Scheme (on an unsegregated basis), with Safeway Limited now responsible for all transferred liabilities.

The net funding position of each scheme at 27 October 2024 is as follows:

	2024 £m	2023 £m
CARE Schemes	418	421
RSP	28	31
McColl's Schemes	-	1
Net retirement benefit surplus	446	453

The statements below show further details for the schemes combined:

Statement of financial position	2024 CARE £m	2024 RSP £m	2024 McColl's £m	2023 CARE £m	2023 RSP £m	2023 McColl's £m
Fair value of scheme assets	3,039	285	-	2,815	270	85
Present value of obligations	(2,621)	(257)	-	(2,394)	(239)	(84)
Net retirement benefit surplus	418	28	-	421	31	1

Notes to the Group financial statements (continued)

8 Retirement benefits (continued)

8.2 Defined benefit schemes: summary and description (continued)

	2023/24 CARE £m	2023/24 RSP £m	2023/24 McColl's £m	2022/23 CARE £m	2022/23 RSP £m	2022/23 McColl's £m
Consolidated income statement:						
Transfer of McColl's pension schemes	(1)	-	1	-	-	-
Administrative costs paid by the Schemes ¹	6	1	1	3	1	1
Net interest on net retirement benefit surplus ¹	(24)	(2)	-	(31)	(2)	-
Past service credit ¹	-	-	(1)	-	-	-
Total income/expense (credited)/charged to income statement	(19)	(1)	1	(28)	(1)	1

Consolidated statement of other comprehensive income:

Remeasurements in other comprehensive income – charged	22	4	1	246	24	2
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¹ Included within exceptional items, see note 1.4.

The Schemes are registered schemes under the provisions of Schedule 36 of the Finance Act 2004 and the assets are held in legally separate, trustee-administered funds. The Trustees of each scheme are required by law to act in the best interests of the scheme participants within the context of administering the scheme in accordance with the purpose for which the trust was created, and are responsible for setting the investment, funding and governance policies of the fund.

A representative of the Group attends Trustee or Investment Committee meetings in order to provide the Group's view on investment strategy, but the ultimate power lies with the Trustees. For the Group's most significant schemes, the Deed and Rules of the Morrisons Scheme gives the Trustees the power to set contributions, while in the Safeway Scheme and the RSP this power is given to the Group, subject to regulatory override.

8.3 Scheme assets

Assets of the Schemes generate returns and ultimately cash that is used to satisfy the Schemes' obligations. They are not necessarily intended to be realised in the short term. The Trustees of each Scheme invest in different categories of asset and with different allocations amongst those categories, according to the investment principles of that Scheme.

Currently, the investment strategy of the Schemes is to maintain a balance of, income assets (including credit investments and corporate bonds) and protection assets (comprising liability driven investment (LDI) portfolios and buy-in annuity policies), with a weighting towards protection assets. There are no direct investments in the parent Company's own shares or property occupied by any member of the Group.

Fair value of Scheme assets:

	2024 CARE £m	2024 RSP £m	2024 McColl's £m	2023 CARE £m	2023 RSP £m	2023 McColl's £m
Equities (quoted)	3	-	-	2	-	-
Corporate bonds (quoted)	24	135	-	2	126	38
Infrastructure (unquoted)	-	-	-	-	-	4
Credit funds (unquoted)	287	-	-	356	-	8
Liability driven investments (unquoted) ¹	90	146	-	48	139	32
Annuity policies (unquoted)	2,533	-	-	2,391	-	-
Cash and cash equivalents (quoted)	197	4	-	152	5	3
Premium due to insurers (unquoted)	(95)	-	-	(136)	-	-
	3,039	285	-	2,815	270	85

¹ Liability Driven Investments includes investments that are debt securities, cash, derivatives and pooled investment vehicles. There are classified as unquoted because the investments include derivatives and pooled investment vehicles which are unquoted.

Liability driven investments ('LDI')

Part of the investment objective of the Schemes is to minimise fluctuations in the Schemes' funding levels due to changes in the value of the liabilities. This is achieved through the use of LDI for the RSP and the McColl's schemes (which do not have buy-in insurance policies), and the LDI's main goal is to align movements in the value of the Schemes' assets with movements in the Schemes' liabilities arising from changes in market conditions. The Schemes have hedging that broadly covers interest rate movements and inflation movements, as measured on the Trustees' funding assumptions which use a discount rate derived from gilt yields.

Notes to the Group financial statements (continued)

8 Retirement benefits (continued)

8.3 Scheme assets (continued)

Liability driven investments ('LDI') (continued)

LDI primarily involves the use of government bonds (including re-purchase agreements). Derivatives such as interest rate and inflation swaps are also used. There are no annuities or longevity swaps in the LDI portfolios.

The value of the LDI assets is determined based on the latest market bid price for the underlying investments, which are traded daily on liquid markets.

Annuity policies

At 27 October 2024, the Safeway Scheme had five buy-in annuity policies and the Morrisons Scheme had two buy-in annuity policies that provided insurance for all members of the Schemes at that date. The Trustees have deferred part of the insurance premium payments owed to the insurance companies and the outstanding amounts are expected to be mostly paid over the next year. The deferred premium payments have been deducted from the total asset value for the current year.

The policies pay income to the Schemes that is exactly equal to the benefits paid to the insured populations. This has removed all investment, interest rate, inflation and longevity risks in respect of these members.

The value of the annuity policies is determined using the disclosed assumptions used for valuing the benefits of the Schemes and is equal to the accounting liabilities of the insured populations.

Credit funds

The Schemes invest in credit funds in order to improve returns available from their bond assets. These funds typically lend directly to corporations on a senior secured basis, rather than purchasing debt issued in the public markets.

The credit funds invest in a portfolio of different debt instruments and their value is equal to the value of the component assets. For high yield debt, the value is based on the latest available market price. For senior debt and private credit, where no such market price exists, the value is taken either at par value or by determining a fair enterprise value using a variety of techniques. For real-estate related investments, the value is derived from market comparables or third party valuations.

The movement in the fair value of the Schemes' assets over the period was as follows:

	2024 CARE £m	2024 RSP £m	2024 McColl's £m	2023 CARE £m	2023 RSP £m	2023 McColl's £m
Fair value of scheme assets at start of period	2,815	270	85	3,344	323	95
Transfer of McColl's pension schemes	86	-	(86)	-	-	-
Interest income	156	15	4	155	15	4
Return on scheme assets excluding interest	127	13	4	(568)	(58)	(9)
Employer contributions	-	-	1	1	4	2
Benefits paid	(139)	(12)	(7)	(114)	(13)	(6)
Administrative expenses	(6)	(1)	(1)	(3)	(1)	(1)
Fair value of scheme assets at end of period	3,039	285	-	2,815	270	85

Scottish Limited Partnership

The Group has previously entered into a pension funding limited partnership structure with the CARE Schemes whereby the partnership structure holds properties which are leased back to the Group in return for rental income payments. The Group retains control over these properties, including the flexibility to substitute alternative properties. The CARE schemes were entitled to receive fixed distributions until 2033 subject to certain conditions.

In 2020, the Group and the Schemes' Trustees agreed to reorganise the limited partnership structure, so that future distributions will be made to the RSP. The pension funding partnership structure was amended to permanently cease fixed distributions to the CARE Schemes, with the Group entering into a new pension funding limited partnership with the RSP. As a partner, the RSP is entitled to receive an annual fixed distribution of £7m pa from the profits of the partnership for 13 years from 2020, subject to certain conditions. The fixed distribution is comparable to the distributions that would have been made under the previous partnership structure.

The distributions made to the RSP are reflected in the Group financial statements as employer retirement benefit contributions.

Notes to the Group financial statements (continued)

8 Retirement benefits (continued)

8.3 Scheme assets (continued)

Scottish Limited Partnership (continued)

The RSP's interest in the partnership reduces any deficit on a funding basis, although the agreement does not affect the position directly on an IAS 19 accounting basis because the investment held by the RSP does not qualify as a scheme asset for Group IAS 19 purposes. Given recent improvements in the RSP's funding position, the contributions from the partnership to the RSP have now been paused.

8.4 Present value of obligations

The movement in the defined benefit obligation over the period was as follows:

	2024 CARE £m	2024 RSP £m	2024 McColl's £m	2023 CARE £m	2023 RSP £m	2023 McColl's £m
Defined benefit obligation at start of period	(2,394)	(239)	(84)	(2,705)	(273)	(93)
Transfer of McColl's pension schemes	(85)	-	85	-	-	-
Interest expense	(132)	(13)	(4)	(125)	(13)	(4)
Actuarial (loss)/gain – demographic assumptions	6	-	-	53	-	2
Actuarial (loss)/gain – financial assumptions	(139)	(17)	(5)	346	34	7
Actuarial loss – experience	(16)	-	-	(77)	-	(2)
Past service credit	-	-	1	-	-	-
Benefits paid	139	12	7	114	13	6
Defined benefit obligation at end of period	(2,621)	(257)	-	(2,394)	(239)	(84)

The durations of the defined benefit obligations at the end of the 2024 reporting period are: RSP 13 years; Morrisons CARE 15 years; Safeway CARE 11 years. The weighted average duration of all the Schemes is 12 years.

The Group is aware of a case involving Virgin Media and NTL Pension Trustee, which could potentially lead to additional liabilities for some pension schemes and sponsors, including (if applicable) the Group. This case was subject to appeal which was dismissed in July 2024. The Group continues to assess its own position.

8.4.1 Significant actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

Financial assumptions	2024		2023	
<i>Discount rate applied to scheme liabilities (% p.a.)</i>				
Safeway CARE Scheme	5.1%		5.7%	
Morrisons CARE Scheme	5.2%		5.7%	
RSP	5.2%		5.7%	
McColl's	n/a		5.7%	
<i>Inflation assumption (RPI) (% p.a.)</i>				
Safeway CARE Scheme	3.3%		3.4%	
Morrisons CARE Scheme	3.3%		3.4%	
RSP	3.2%		3.4%	
McColl's	n/a		3.5%	
Life expectancies (CARE)	2024		2023	
Longevity in years from age 65 for current pensioners	CARE		CARE	
	Safeway	Morrisons	Safeway	Morrisons
Male	20.0	19.7	20.1	19.7
Female	22.5	23.1	22.4	23.1
Longevity in years from age 65 for current members aged 45				
Male	21.7	21.4	21.8	21.4
Female	24.3	25	24.2	24.9

Notes to the Group financial statements (continued)

8 Retirement benefits (continued)

8.4 Present value of obligations (continued)

8.4.1 Significant actuarial assumptions (continued)

Life expectancies (McColl's)	2024	2023
Longevity in years from age 65 for current pensioners		
Male	n/a	20.8
Female	n/a	23.1
Longevity in years from age 65 for current members aged 45		
Male	n/a	22.4
Female	n/a	24.8

The Group estimates discount rates with reference to high quality corporate bonds. At very long durations, where there are no high quality corporate bonds, the yield curve is extrapolated based on available corporate bond yields of mid to long duration. The Group believes that this approach appropriately reflects expected yields on high quality corporate bonds over the duration of the Group's retirement schemes, as required by IAS 19.

Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with published statistics. The mortality tables used for the 52 weeks ended 27 October 2024 for the Group's most material schemes are the S3PMA-Heavy/S3PFA-Heavy tables (males/females) based on year of birth with a scaling factor of 95% applied to the mortality rates in the Morrison Scheme and 91%/ 104% applied to the mortality rates in the Safeway Scheme, with CMI 2023 core projections and a long-term rate of improvement of 1.5% pa.

The mortality tables used for the 52 weeks ended 29 October 2023 were consistent with 2024, other than use of the CMI2022 projections.

Different scheme-specific mortality rates are used for the McColl's schemes.

Related actuarial assumptions (expressed as weighted averages)

	2024	2023
<i>Rate of increase of retirement benefits in payment: RPI inflation capped at either 2.5% p.a. or 5% p.a. (% p.a.)</i>		
Safeway CARE Scheme	2.1%/3.1%	2.2%/3.2%
Morrisons CARE Scheme	2.1%/3.1%	2.2%/3.2%
RSP	n/a	n/a
McColl's	n/a	2.2%/3.3%
<i>Rate of increase of retirement benefits in deferment: CPI inflation capped at either 2.5% p.a. or 5% p.a. (% p.a.)</i>		
Safeway CARE Scheme	-12.8%	-12.8%
Morrisons CARE Scheme	-12.8%	-12.8%
RSP	2.5%/-	2.5%/-
McColl's	n/a	-12.9%
<i>CPI inflation (% p.a.)</i>		
Safeway CARE Scheme	2.8%	2.8%
Morrisons CARE Scheme	2.8%	2.8%
RSP	2.7%	2.8%
McColl's	n/a	2.9%

Notes to the Group financial statements (continued)

8 Retirement benefits (continued)

8.4 Present value of obligations (continued)

8.4.2 Sensitivity analysis on significant actuarial assumptions

The following table summarises the impact on the defined benefit obligation at the end of the reporting period if each of the significant actuarial assumptions listed above were changed, in isolation, assuming no other changes in market conditions at the accounting date. In practice any movement in assumptions could be accompanied by a partially offsetting change in asset values, and the corresponding overall impact on the net asset/(liability) is therefore likely to be lower than the amounts below in a number of scenarios. Extrapolation of the sensitivities shown may not be appropriate.

		2024 CARE £m	2024 RSP £m	2024 McColl's £m	2023 CARE £m	2023 RSP £m	2023 McColl's £m
Discount rate applied to Scheme obligations	+/- 0.1% p.a.	-/+30	-/+5	n/a	-/+30	-/+5	-/+1
Inflation assumption (RPI and associated assumptions)	+/- 0.1% p.a.	-/+20	-/+0	n/a	+/-20	+/-0	+/-0
Longevity	+ one year	+55	n/a	n/a	+55	n/a	+2

8.5 Funding

The Morrisons Scheme is entirely funded by Wm Morrison Supermarkets Limited and the Safeway Scheme is funded by Safeway Limited and its subsidiaries. Wm Morrison Supermarkets Limited and its subsidiaries participated in the RSP until its closure. The McColl's Schemes are funded by the Group. There is no contractual agreement or stated policy for charging the net defined benefit cost between Wm Morrison Supermarkets Limited and its subsidiaries. The contribution of each participating subsidiary to the RSP was calculated in proportion to the number of employees that are members of the RSP.

The latest agreed full actuarial valuations were carried out as at 1 April 2022 for the Safeway Scheme, at 5 April 2022 for the Morrisons Scheme and the RSP, and at 31 March 2022 for the McColl's Schemes. The valuations indicated that, on the agreed funding basis, the Safeway, Morrisons and RSP Schemes had surpluses of £528m, £214m and £38m respectively. As a result of these funding positions there are currently no deficit contributions payable to these schemes. The valuations of the McColl's Schemes indicated that, on the agreed funding basis, there was a surplus of £5m for the TM Group Pension Scheme and a deficit of £6m for the TM Pension Plan.

These results have been used and updated for IAS 19 'Employee benefits' purposes for the period to 27 October 2024 by a qualified independent actuary. The Schemes expose the Group to inflation risk, interest rate risk and market investment risk where benefits aren't insured. In addition, the McColl's Schemes expose the Group to longevity risk.

At 27 October 2024, schemes in surplus have been disclosed within the assets in the consolidated statement of financial position. For the Group's most material pension schemes, we continue to follow legal advice with regard to the recognition of a retirement benefit surplus and also recognition of a minimum funding requirement under IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirement and their interaction'. This advice concluded that recognition of a surplus is appropriate on the basis that the Group has an unconditional right to a refund of a surplus. In respect of the RSP this is on the basis that IFRIC 14 applies enabling a refund of surplus of the RSP. In respect of the Morrisons Scheme, it is on the basis that paragraph 11(b) or 11(c) 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 or the full settlement of the Scheme's liabilities in a single event (i.e. as a scheme wind up). In respect of the Safeway Scheme, a refund is available on the basis that paragraph 11(b) of IFRIC 14 applies.

The current best estimate of Group contributions to be paid to the defined benefit schemes for the accounting period commencing 28 October 2024 is £nil (period commencing 30 October 2023: £1m).

8.6 Defined contribution schemes

The Group operates two defined contribution retirement benefit schemes, which means that the Group is not subject to the same investment, interest rate, inflation or longevity risks as it is for the defined benefit schemes. The benefits that the employees receive are dependent on the contributions paid, investment returns, and the form of benefit chosen at retirement. The Group paid contributions of £50m to the Morrisons scheme and £2m to the McColl's scheme during the period, and expects to contribute £54m in total to the schemes for the following period.

Notes to the Group financial statements (continued)

9 Share-based payments

Management Incentive Plan ('MIP')

Following the completion of CD&R acquisition of the Group in 2022, certain employees of the Group, including Directors and members of key management, were invited to invest in Preference and Ordinary shares of the ultimate parent company, Market Topco Limited. The share purchases were transacted in September 2022, funded through a combination of an ex-gratia bonus payment and a proportionate level of personal funds, plus additional voluntary personal investment.

Under the terms of the MIP, a total £17m of shares were purchased, of which £7m were funded via the ex-gratia bonus payment. The acquired shares comprised £15m of Preference Shares and £2m of Ordinary shares across different classes. £5m of the ex-gratia bonus payments were made to Directors and senior management, who purchased £11m of shares in total.

The B Preference and B Ordinary shares have the same rights as the equivalent A shares held by the principal investor shareholders of Market Topco Limited. The B Preference shares accrue dividends at 10% which compound annually and are redeemable at the discretion of the Company or on completion of an exit.

In all cases the shares are assessed as equity settled and will vest in full on completion of an exit, such as a listing or sale, with management's estimate of the vesting period being five years.

The cost of the Preference shares has been assessed as a reasonable proxy for fair value and, to the extent those shares were funded by the ex-gratia bonus, this amount will be charged to the income statement over the estimated vesting period. This gave rise to an immaterial in-year charge for the current period, given the short period of time elapsing between the effective grant/acquisition date and the period end.

The attributable in-year share-based payment charge on the Ordinary shares was £8m, of which £6m is attributable to Directors and Senior Management.

Notes to the Group financial statements (continued)

10 Other

10.1 Related party transactions

The following transactions occurred with related parties:

Sales and purchases of goods and services

The following balances were recorded during the reporting period in relation to transactions with related parties:

	2024 £m
Sale of goods and other transactions - MFG	75
Purchase of goods - MFG	27
Purchase of services from OCS UK&I Limited	57
Purchase of goods from UK Greetings Limited	13

Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Current receivables	2024 £m
MFG	8

Current payables	2024 £m
OCS UK&I Limited	13
UK Greetings Limited	3

In addition, the Group's related party transactions in the current and previous financial periods include the remuneration of the senior managers, the Directors' emoluments and retirement benefit entitlements, share awards and share options (see note 1.6).

10.2 Guarantees, contingent liabilities and contingent assets

Guarantees

Senior Facilities Agreement

A condition of the Market Bidco Limited Senior Facilities Agreement was that 'material entities' needed to become guarantors to the facilities. 'Material entities' are ones which hold 5% or more of the consolidated Group's gross assets or generate 5% or more of the consolidated Group's EBITDA, or those which hold real property of greater than £75m. As such, on 23 March 2022, Wm Morrison Supermarkets Limited (along with its subsidiaries Safeway Limited, Safeway Stores Limited and Optimisation Investments Limited) acceded as guarantors to each of the new Facilities Agreements. The Company granted a guarantee and indemnity in respect of the obligations of the Obligors under each of the Facilities Agreements and provided security over its assets, pursuant to the Common Transaction Security Agreement.

Dordon

Following the sub-lease of the land and building of its customer fulfilment centre at Dordon to a third party in June 2017, the Group continues to guarantee the lease in respect of this site until 2038. If the lessee were to default during the period of guarantee, their lease obligations could revert back to the Group under the terms and become a liability of the Group. Should the lessee default, the additional future commitment is estimated at up to £28m (2023: £30m).

Equal pay claim

The Group has received claims from both current and former store colleagues alleging that their work is of equal value to certain colleagues working within logistics and that differences relating to pay are not justifiable. The claims are looking for equivalent pay terms and settlement for any historical differential in such pay terms. The Group does not accept these claims and is fully defending them within the court process. In the event that the Group is unsuccessful in any part of its defence (which is not accepted) it is not possible to quantify the impact of any potential damages at this early stage given the wide range of possible outcomes.

Other

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings, including certain tax matters, and claims which arise in the ordinary course of business. The Directors do not anticipate that the outcome of these proceedings, actions and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

Notes to the Group financial statements (continued)

10 Other (continued)

10.3 Post-balance sheet events

Acquisition of convenience stores

On 1 November 2024, the Group completed the acquisition of 36 convenience stores in the Channel Islands from long term partner SandpiperCI for £59m. The acquisition allows the Group to rebrand local stores currently trading under Iceland and Checkers Xpress with operational and managerial colleagues transferring to the Group.

Debt restructuring

On 18 November 2024, the Group's parent, Market Bidco Limited, concluded on a debt amendment and extension exercise, together with the repayment of a further £200m of debt. The principal outcomes of the debt amendment and extension exercise were to extend the parent group's Term Loan Facilities from 2027 to 2030; to reduce the cost of the debt; to extend the Revolving Credit Facility to 2030 and to reduce the overall level of debt.

10.4 Ultimate parent undertaking controlling party

The ultimate parent undertaking and controlling party of the Wm Morrison Supermarkets Limited Group is Market Topco Limited. The immediate parent undertaking is Market Bidco Limited. Market Topco Limited and Market Bidco Limited were incorporated by Clayton, Dubilier and Rice's Fund XI for the purposes of acquiring Wm Morrison Supermarkets Limited. The investment into Market Topco Limited was made by a vehicle owned by Clayton, Dubilier & Rice Fund XI, L.P. and certain commonly-managed parallel and related investment vehicles thereof.

In addition to Market Bidco Limited, the following entities are controlled by Market Topco Limited and form part of the corporate structure above Wm Morrison Supermarkets Limited;

- Market Holdco 1 Limited
- Market Holdco 2 Limited
- Market Holdco 3 Limited
- Market Bidco Finco Plc
- Market Parent Finco Plc
- Market Holdco GRPC 1 LLP
- Market Holdco GRPC 2 LLP
- Market Holdco GRPC 3 LLP
- Market Holdco GRPC 4 LLP
- Market Holdco GRPC Member 1 Limited
- Market Holdco GRPC Member 2 Limited
- Market Holdco GRPC Member 3 Limited
- Market Holdco GRPC Member 4 Limited

The smallest group at which consolidated financial statements are prepared is Market Bidco Limited, a company incorporated in England and Wales. The largest group at which consolidated financial statements are prepared is Market Topco Limited, a company incorporated in England and Wales. The registered office address of these companies is the same as that of Wm Morrison Supermarkets Limited. The consolidated Financial Statements of these groups are available to the public and may be obtained from the Company Secretary, Wm Morrison Supermarkets Limited, Hilmore House, Gain Lane, Bradford, West Yorkshire, United Kingdom, BD3 7DL.

Wm Morrison Supermarkets Limited

Company statement of financial position

As at 27 October 2024

	Note	27 October 2024 £m	29 October 2023 £m
Fixed assets			
Intangible assets	11.6	243	276
Property, plant and equipment	11.7	1,922	2,047
Right-of-use assets	11.8	1,308	1,040
Investment properties	11.9	25	24
Investment in subsidiaries	11.10	718	718
Investments – loans from group undertakings falling due after more than one year	11.10	201	201
Investments in joint ventures and associates	4.2	570	14
		4,987	4,320
Current assets			
Inventories		584	495
Debtors – amounts falling due within one year	11.12	8,410	6,801
Debtors – amounts falling due after more than one year	11.13	110	12
Pension asset due after more than one year	11.21	103	103
Derivative financial assets due within one year	11.17	6	34
Derivative financial assets due after more than one year	11.17	1	-
Current tax asset		2	2
Loan to parent undertaking	11.18	1,205	-
Cash and cash equivalents		780	214
		11,201	7,661
Creditors – amounts falling due within one year	11.14	(8,538)	(6,210)
Lease liabilities due within one year	11.16	(96)	(79)
Derivative financial liabilities due within one year	11.17	(21)	(16)
Loan from parent undertaking	11.18	-	(882)
		(8,655)	(7,187)
Net current assets		2,546	474
Total assets less current liabilities		7,533	4,794
Creditors – amounts falling due after more than one year	11.15	-	(84)
Lease liabilities due after more than one year	11.16	(1,602)	(1,579)
Deferred consideration		(177)	-
Derivative financial liabilities due after more than one year	11.17	(3)	(2)
Deferred tax liabilities	11.19	(86)	(151)
Provisions for liabilities	11.20	(50)	(63)
		(1,918)	(1,879)
Net assets		5,615	2,915
Shareholders' equity			
Share capital	11.22	245	245
Share premium	11.22	253	253
Capital redemption reserve	11.23	39	39
Merger reserve	11.23	940	940
Hedging reserve	11.23	(16)	33
Retained earnings ¹	11.23	4,154	1,405
Total shareholders' funds		5,615	2,915

¹ Included within retained earnings is profit after tax of £2,752m (2023: £24m profit). After adjusting for exceptionals, profit before exceptionals after tax is £86m (2023: profit of £136m).

The accounting policies on pages 100 to 102 and the notes on pages 102 to 119 form part of these financial statements. The financial statements on pages 98 to 119 were approved by the Board of Directors and authorised for issue on 28 January 2025. They were signed on its behalf by:



Joanna Goff, Chief Financial Officer
Company registration number: 00358949

Wm Morrison Supermarkets Limited

Company statement of changes in equity

52 weeks ended 27 October 2024

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total shareholders' funds £m
Current period								
At 29 October 2023		245	253	39	940	33	1,405	2,915
Profit for the period		-	-	-	-	-	2,752	2,752
Other comprehensive (expense)/ income:								
Cash flow hedging movement		-	-	-	-	(66)	-	(66)
Remeasurement of defined benefit schemes	11.21	-	-	-	-	-	(3)	(3)
Tax in relation to components of other comprehensive income	11.19	-	-	-	-	17	-	17
Total comprehensive (expense)/income for the period		-	-	-	-	(49)	2,749	2,700
At 27 October 2024		245	253	39	940	(16)	4,154	5,615

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total shareholders' funds £m
Prior period								
At 30 October 2022		245	253	39	940	373	1,549	3,399
Profit for the period		-	-	-	-	-	24	24
Other comprehensive (expense)/ income:								
Cash flow hedging movement		-	-	-	-	(454)	-	(454)
Remeasurement of defined benefit schemes	11.21	-	-	-	-	-	(207)	(207)
Tax in relation to components of other comprehensive income	11.19	-	-	-	-	114	39	153
Total comprehensive expense for the period		-	-	-	-	(340)	(144)	(484)
At 29 October 2023		245	253	39	940	33	1,405	2,915

The accounting policies on pages 100 to 102 and the notes on pages 102 to 119 form part of these financial statements.

Wm Morrison Supermarkets Limited

Company accounting policies

11 Company financial statements

11.1 Company information

The principal activity of Wm Morrison Supermarkets Limited (the 'Company') is the operation of retail supermarket stores and associated activities under the Morrisons brand. The Company is a private company limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is Hilmore House, Gain Lane, Bradford, BD3 7DL, United Kingdom.

11.2 Basis of preparation

The financial statements have been prepared for the 52 weeks ended 27 October 2024 (52 weeks ended 29 October 2023). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ('IFRS') as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions. The disclosure exemptions adopted by are as follows:

- a) IFRS 2 'Share-based payment' (paragraphs 45(b) and 46 to 52) – details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined;
- b) IFRS 7 'Financial Instruments: Disclosures';
- c) IFRS 13 'Fair value measurement' (paragraphs 91 to 99) – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities;
- d) IFRS 16 'Leases':
 - (i) paragraph 52 (single lease disclosure note);
 - (ii) paragraph 58 (maturity analysis); and
 - (iii) the second sentence of paragraph 89, paragraphs 90-91, 93 (lessor disclosures);
- e) IAS 1 'Presentation of financial statements' (paragraph 38) – comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
 - (iii) paragraph 118(e) of IAS 38 'Intangible assets' – reconciliations between the carrying amount at the beginning and end of the period; and
 - (iv) paragraphs 76 and 79(d) of IAS 40 'Investment property';
- f) The following paragraphs of IAS 1 'Presentation of financial statements':
 - (i) 10(d) (statement of cash flows);
 - (ii) 111 (cash flow statement information); and
 - (iii) 134-136 (capital management disclosures);
- g) IAS 7 'Statement of cash flows';
- h) IAS 8 'Accounting policies, changes in accounting estimates and errors' (paragraphs 30 and 31) – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective;
- i) The following requirements of IAS 24 'Related party disclosures':
 - (i) paragraph 17 – key management compensation; and
 - (ii) the requirements to disclose related party transactions entered into with two or more wholly owned members of a group.

In addition to the FRS 101 exemptions above, the Company has taken advantage of the exemption available under section 408 of the Act and not presented a profit and loss account for the Company.

The financial statements have been prepared on a going concern basis under the historical cost convention except as disclosed in the Summary of accounting policies in note 11.3. The Company's accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Wm Morrison Supermarkets Limited

Company accounting policies (continued)

11 Company financial statements (continued)

11.2 Basis of preparation (continued)

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are the same for the Company as they are for the Group. For further details, see page 54 to 58.

New accounting standards, amendments and interpretations adopted by the Company

There have been no new standards, interpretations and amendments to standards which are mandatory for the Company for the first time for the 52 weeks ended 27 October 2024, which have a material impact on the Company's financial statements.

New accounting standards, amendments and interpretations in issue but not yet effective

There are a number of standards and interpretations issued by the IASB that are effective for financial statements after this reporting period. None of these new standards, amendments and interpretations, are expected to have a material impact on the Company's financial statements.

Accounting reference date

These financial statements cover the 52 week period to 27 October 2024. The accounting period of the Company ends on a Sunday not more than seven days before or after the accounting reference date of 31 October.

11.3 Summary of accounting policies

The accounting policies listed below are the same for the Company as for the Group, and are detailed in the following notes:

- a) Revenue recognition (1.1);
- b) Cost of sales (1.1);
- c) Promotional funding and commercial income (1.1);
- d) Other operating income (1.1);
- e) Taxation (2.1);
- f) Intangible assets (3.1);
- g) Property, plant and equipment (3.1);
- h) Right-of-use assets (3.1);
- i) Investment property (3.1);
- j) Impairment of non-financial assets (3.1);
- k) Lease – Group is the lessor (3.1);
- l) Investments in joint ventures (4.1)
- m) Inventories (5.1);
- n) Trade and other receivables (5.1);
- o) Cash and cash equivalents (5.1);
- p) Trade and other payables (5.1);
- q) Provisions (5.1);
- r) Borrowings and borrowing costs (6.1);
- s) Lease liabilities (6.1);
- t) Share capital (6.1);
- u) Derivative financial instruments and hedge accounting (7.1);
- v) Pensions (8.1); and
- w) Share-based payments (9.1).

The following accounting policies are those policies which are specific, and which deal with items considered material in relation to the Company's financial statements.

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

All other equity instruments are held for long-term investment and are measured at fair value. Gains or losses arising from changes in the fair value are presented in the profit and loss account within finance income or expenses in the period in which they arise.

Impairment losses or write backs of previous impairment losses are presented in the profit and loss account in the period in which they arise.

Wm Morrison Supermarkets Limited

Company accounting policies (continued)

11 Company financial statements (continued)

11.3 Summary of accounting policies (continued)

Amounts owed to/by Group undertakings

Amounts owed to/by Group undertakings are initially recorded at fair value, which is generally the proceeds received. They are subsequently carried at amortised cost. The amounts are non-interest bearing and repayable on demand unless otherwise stated.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or present obligations that are not recognised because it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount cannot be measured reliably. The Company does not recognise contingent liabilities but does disclose any such balances (see note 11.25). The disclosure includes an estimate of their potential financial effect and any uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote.

Financial guarantees

Where the Company enters into financial contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the Company financial statements

11.4 Profit and loss account

The profit after tax for the Company for the period was £2,752m (2022/23: profit after tax of £24m). After adjusting for exceptional items, profit before exceptionals after tax is £86m (2022/23: profit of £136m).

	2023/24 £m	2022/23 £m
Employee benefit expense for the Company during the period		
Wages and salaries	892	856
Social security costs	74	69
Retirement benefit costs	32	34
Share-based payments	3	3
	1,001	962

In addition to the amounts disclosed in the table above, there was an £6m exceptional charge relating to restructuring costs. (2022/23: £5m exceptional charge relating to restructuring costs).

The average monthly number of people, including Directors, employed by the Company was 46,279 (2023: 48,411).

The Company's auditors, PricewaterhouseCoopers LLP charged £0.9m (2022/23: £0.9m) for audit services in the period and £1.5m (2022/23: £0.5m) for other services. Included in other services is £1.0m related to the disposal of the petrol forecourt business, which was subsequently recharged to the purchaser. In addition to the fees noted above for the prior year, a further £0.1m was charged in relation to costs incurred within the group after the date of the financial statements.

11.5 Share-based payments

During the period, certain employees of the Company, including Directors and members of key management, were invited to invest in the Morrisons Incentive Plan. Further details are disclosed in note 9 of the Group financial statements.

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.6 Intangible assets

Current period	£m
Cost	
At 29 October 2023	559
Additions	61
Interest capitalised	1
Disposals	(10)
Fully written down assets	(78)
At 29 October 2024	533
Accumulated amortisation and impairment	
At 29 October 2023	283
Amortisation charge	93
Impairment charge	-
Disposals	(8)
Fully written down assets	(78)
At 27 October 2024	290
Net book amount at 27 October 2024	243
<i>Assets under construction included above</i>	<i>10</i>

Intangibles include software development costs and licences. The net book amount of licences at 27 October 2024 is £11m (2023: £10m).

The Company has assessed amortisation policies and asset lives and deemed them to be appropriate. As in previous years, fully amortised assets have been retained in the Company's fixed asset register. In order to provide greater understanding of the Company's annual amortisation charge, assets which have become fully amortised in the period have been disposed as fully written down.

The cost of financing asset developments prior to them being ready for use is included in the cost of the project. Interest is capitalised at the effective interest rate of 8.7% (2023: 5.7%).

Prior period	£m
Cost	
At 30 October 2022	567
Additions	77
Interest capitalised	1
Disposals	(4)
Fully written down assets	(82)
At 29 October 2023	559
Accumulated amortisation and impairment	
At 30 October 2022	277
Amortisation charge	88
Impairment charge	4
Disposals	(4)
Fully written down assets	(82)
At 29 October 2023	283
Net book amount at 29 October 2023	276
<i>Assets under construction included above</i>	<i>29</i>

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.7 Property, plant and equipment

	Freehold land £m	Freehold buildings £m	Leasehold property improvements £m	Plant, equipment, fixtures and vehicles £m	Total £m
Current period					
Cost					
At 29 October 2023	769	1,356	514	1,181	3,820
Additions	363	291	23	75	752
Interest capitalised	-	2	-	-	2
Transfers	-	-	-	11	11
Disposals	(341)	(508)	(50)	(30)	(929)
Fully written down assets	-	-	-	(185)	(185)
At 27 October 2024	791	1,141	487	1,052	3,471
Accumulated depreciation and impairment					
At 29 October 2023	94	718	329	638	1,779
Depreciation charge	-	34	13	142	189
Impairment charge	21	14	6	29	70
Impairment write back	(10)	(5)	(9)	(3)	(27)
Transfers	(3)	(23)	-	2	(24)
Disposals	(12)	(201)	(24)	(16)	(253)
Fully written down assets	-	-	-	(185)	(185)
At 27 October 2024	90	537	315	607	1,549
Net book amount at 27 October 2024	701	604	172	445	1,922
<i>Assets under construction included above</i>	13	-	-	1	14

The Company has assessed depreciation policies and asset lives and deemed them to be appropriate. As in previous periods, fully depreciated assets are retained in the Company's fixed asset register. In order to provide greater understanding of the Company's depreciation charge, assets which have been fully depreciated in the period have been disclosed as fully written down. The cost of financing property developments prior to their opening date has been included in the cost of the asset.

During the period, a number of properties were sold to another Group entity, and were subsequently leased back by the Company.

Impairment

At each reporting date, in line with IAS 36 'Impairment of assets,' the Company reviews the carrying amount of its property, plant and equipment, right-of-use assets, investment property and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss or write back. In addition, it is Company policy to consider specific indicators of impairment for certain assets on an ongoing basis.

The Company considers each store location as a separate CGU. The Company calculates each location's recoverable amount and compares this amount to its book value. The recoverable amount is determined as the higher of 'value-in-use' and 'market value'. If the recoverable amount is less than the net book value, an impairment charge is recognised based on the following methodology:

'Value-in-use' is calculated by projecting an individual location's pre-tax cash flows over the life of the store, based on forecasting assumptions. The methodology used for calculating future cash flows is to:

- use the actual cash flows for each location;
- allocate a proportion of the Company's central costs to each location on an appropriate basis;
- allocate appropriate online sales and costs for the period to individual store locations. This allocation comprises Online operations fulfilled through our store pick model only (comprising 'click & collect customers' and home delivery customers);
- allocate an element of future capital cost, including energy efficiency spend required as part of environmental strategy;
- project cash flows over the preceding years by applying forecast sales and cost growth assumptions in line with the Company budget;
- project cash flows beyond the five year plan by applying a long-term growth rate of 0%;
- discount the cash flows using a pre-tax rate of 10.0% (2023: 11.5%). The Company takes into account a number of factors when assessing the discount rate, including the Company's WACC and other wider market factors, and;

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.7 Property, plant and equipment (continued)

Impairment (continued)

- consideration is given to any significant one-off factors impacting the locations and any strategic, climate-related or market factors which may impact future performance.

'Fair value less costs of disposal' is estimated by the Directors based on store level valuations prepared by independent valuers, aided by their knowledge of individual stores, the markets they serve and likely demand from grocers or other retailers. This assessment takes into account the continued low demand from major grocery retailers for supermarket space, when assessing rent and yield assumptions on a store by store basis.

The Company also considers its corporate assets for impairment at each reporting date. The Company calculates the recoverable amount of its corporate assets and compares this amount to its book value. The recoverable amount is based on the 'value-in-use' calculation undertaken for the store location CGU assessment, less the carrying value of the location CGUs. As at 27 October 2024, there was no indication of impairment of the corporate assets as part of this assessment. In addition to this assessment, the Company undertakes an obsolescence review to identify any specific corporate assets which require impairment on an ongoing basis.

Having applied the methodology and assumptions, the Company has recognised a net impairment charge of £43m (£70m impairment charge offset by £23m impairment write-back) during the period in respect of property, plant and equipment (2022/23: £52m impairment charge; (£59m impairment charge offset by £7m impairment write-back)). This movement reflects fluctuations from store level trading performance and the valuation assessment of the properties.

At 27 October 2024, the assumptions to which the value-in-use calculation is most sensitive are the discount and cash flow growth rates. The Company has estimated that a reasonably possible change of +1% discount rate would result in a £8m net increase in impairment and -1% discount rate would result in a £8m net reduction in impairment. The Company has also estimated that a reasonably possible change of -1% growth rate would result in a £1m net increase in impairment and +1% growth rate would result in a £nil net reduction in impairment.

	Freehold land £m	Freehold buildings £m	Leasehold property improvements £m	Plant, equipment, fixtures and vehicles £m	Total £m
Prior period					
Cost					
At 30 October 2022	836	1,486	522	1,343	4,187
Additions	39	39	-	42	120
Interest capitalised	-	-	-	1	1
Disposals	(100)	(164)	(5)	(18)	(287)
Fully written down assets	-	(5)	(3)	(187)	(195)
At 29 October 2023	775	1,356	514	1,181	3,826
Accumulated depreciation and impairment					
At 30 October 2022	84	742	322	654	1,802
Depreciation charge	-	36	12	159	207
Impairment charge	13	12	3	31	59
Impairment write back	(3)	(2)	-	(2)	(7)
Disposals	-	(65)	(5)	(17)	(87)
Fully written down assets	-	(5)	(3)	(187)	(195)
At 29 October 2023	94	718	329	638	1,779
Net book amount at 29 October 2023	681	638	185	543	2,047
<i>Assets under construction included above</i>	<i>19</i>	<i>-</i>	<i>-</i>	<i>2</i>	<i>21</i>

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.8 Right-of-use assets

	Leasehold land and buildings £m	Leased plant, equipment, fixtures and vehicles £m	Total £m
Cost			
At 29 October 2023	2,335	79	2,414
Additions	538	81	619
Transfers	2	-	2
Disposals	(649)	-	(649)
Fully written down assets	(10)	(26)	(36)
At 27 October 2024	2,216	134	2,350
Accumulated depreciation and impairment			
At 29 October 2023	1,329	45	1,374
Depreciation charge	62	24	86
Impairment charge	39	-	39
Impairment write back	(29)	-	(29)
Disposals	(392)	-	(392)
Fully written down assets	(10)	(26)	(36)
At 27 October 2024	999	43	1,042
Net book amount at 27 October 2024	1,217	91	1,308

The Company has assessed depreciation policies and asset lives and deemed them to be appropriate. Fully depreciated assets are retained in the Company's fixed asset register. In order to provide greater understanding of the Company's annual depreciation charge, assets which have been fully depreciated in the period have been disclosed as fully written down.

Impairment

Having applied the methodology and assumptions set out in note 11.7, the Company has recognised a net impairment release of £10m (£39m impairment charge offset by £29m impairment write back) during the period in respect of right-of-use assets (2022/23: net £53m impairment charge; £53m impairment charge offset by £nil impairment write back). This movement reflects fluctuations from store level trading performance and the valuation assessment of the properties.

At 27 October 2024, the assumptions to which the value-in-use calculation is most sensitive are the discount and cash flow growth rates. The Company has estimated that a reasonably possible change of +1% discount rate would result in a £6m net increase in impairment and -1% discount rate would result in a £4m net reduction in impairment. The Company has also estimated that a reasonably possible change of -1% growth rate would result in £1m net increase in impairment and +1% growth rate would result in a £1m net reduction in impairment.

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.8 Right-of-use assets (continued)

	Leasehold land and buildings £m	Leased plant, equipment, fixtures and vehicles £m	Total £m
Prior period			
Cost			
At 30 October 2022	2,193	95	2,288
Additions	181	4	185
Disposals	(24)	-	(24)
Fully written down assets	(9)	(26)	(35)
At 29 October 2023	2,341	73	2,414
Accumulated depreciation and impairment			
At 30 October 2022	1,231	54	1,285
Depreciation charge	75	17	92
Impairment charge	53	-	53
Disposals	(21)	-	(21)
Fully written down assets	(9)	(26)	(35)
At 29 October 2023	1,329	45	1,374
Net book amount at 29 October 2023	1,012	28	1,040

11.9 Investment properties

	Freehold £m	Leasehold £m	Total £m
Cost			
At 29 October 2023	20	76	96
Additions	-	1	1
At 27 October 2024	20	77	97
Accumulated depreciation and impairment			
At 29 October 2023	11	61	72
Depreciation charge	-	1	1
Impairment charge	-	1	1
Impairment write back	-	(2)	(2)
At 27 October 2024	11	61	72
Net book amount at end of period	9	16	25

Included in other operating income is £5m (2023: £8m) of rental income generated from investment properties. At the end of the period the fair value of freehold investment properties was £14m (2023: £13m), with leasehold investment properties supported by their value in use. Freehold investment properties are valued by independent surveyors on a vacant possession basis using observable inputs (fair value hierarchy level 2).

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.9 Investment property (continued)

Prior period	Freehold £m	Leasehold £m	Total £m
Cost			
At 30 October 2022	21	76	97
Disposals	(1)	-	(1)
At 29 October 2023	20	76	96
Accumulated depreciation and impairment			
At 30 October 2022	11	60	71
Depreciation charge	-	1	1
At 29 October 2023	11	61	72
Net book amount at end of period	9	15	24

11.10 Investment in subsidiaries

	2024 £m	2023 £m
Net book amount		
At 29 October 2023 and 27 October 2024 ¹	718	718

¹ All the subsidiaries have the same period end as the Group, with the exception of Wm Morrison At Source Limited, Wm Morrison Property Partnership 4 LP and Wm Morrison Property Partnership LP that have the period end of 52 weeks ended 26 January 2025.

The Company holds an investment of £708m in Wm Morrison Property Partnership 4 LP as its Capital partner as part of the Scottish Limited Partnership arrangement. During the period ended 27 October 2024, an arrangement was executed to transact a number of properties between the Company and Wm Morrison Property Partnership 4 LP. The net impact of these transactions was £297m payable via intercompany.

In addition to the above, the Company continues to hold a £6m investment in Chippindale Foods Limited, a £4m investment in Lowlands Nursery Limited, and investments in other related undertakings, which in aggregate are less than £1m as at 27 October 2024. The Company additionally holds an investment of £201m (2023: £201m) in one of its indirect subsidiaries, for an amount invested to facilitate the acquisition of the trade and majority of assets of McColl's Retail Group plc in 2022.

A list of all of the Company's related undertakings at the reporting date is shown on page 120 to 122.

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.11 Disposal of petrol forecourt business

On 30 April 2024, the Group announced the completion of the sale of its petrol forecourt business to MFG for £2.5bn. This consideration included a c.21% equity stake in MFG.

	30 April 2024 £m
Balance sheet on disposal (petrol forecourt business)	
Property, plant and equipment	183
Inventories	26
Trade and other receivables	53
Total assets	262
Trade and other payables	(872)
Lease liabilities	(35)
Tax liabilities	(9)
Total liabilities	(916)
Net book value of net liabilities sold	(654)
Profit on disposal (petrol forecourt business)	£m
Consideration – cash received	2,031
Consideration – non-cash (note 4.2)	550
Total consideration	2,581
Deferred consideration	(189)
Total disposal consideration	2,392
Net book value of net liabilities sold	654
Transaction costs	(79)
Profit on disposal	2,967

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.12 Debtors – amounts falling due within one year

	2024 £m	2023 £m
Trade debtors	100	96
Amounts owed by Group undertakings	8,123	6,540
Prepayments and accrued income	139	139
Other receivables	48	26
	8,410	6,801

Amounts owed by Group undertakings are unsecured, bear no interest and repayable on demand.

11.13 Debtors – amounts falling due after more than one year

	2024 £m	2023 £m
Other receivables	78	-
Finance leases – Company is lessor	32	12
	110	12

The Company is the lessor on a diverse portfolio of leases for property, such as retail units adjacent to trading stores. Most property leases contain rent review terms that require rents to be adjusted upwards on a periodic basis. The rent reassessments are normally based on changes in market rate or capped increase in measures of inflation.

Finance leases

The table below summarises the maturity profile of undiscounted finance lease payments that are due to the Company.

	2024 £m	2023 £m
Less than one year	3	1
After one year but not more than five years	12	4
More than five years	32	5
Total undiscounted lease payments receivable	47	10
Unearned finance income	(15)	2
Total finance leases	32	12

Finance lease income of £3m has been recognised in the period (2023: £nil).

Operating leases

The table below summarises the maturity profile of undiscounted operating lease payments due to the Company.

	2024 £m	2023 £m
Less than one year	4	3
One to two years	4	3
Two to three years	3	2
Three to four years	3	2
Four to five years	2	2
More than five years	16	11
Total undiscounted lease payments receivable	32	23

Operating lease income of £6m has been recognised in the period (2023: £6m).

11.14 Creditors – amounts falling due within one year

	2024 £m	2023 £m
Trade creditors	(2,175)	(2,798)
Amounts owed to Group undertakings	(5,291)	(2,436)
Other taxation and social security	(93)	(98)
Other creditors	(434)	(384)
Accruals and deferred income	(545)	(494)
	(8,538)	(6,210)

Amounts owed to Group undertakings within one year are unsecured, bear no interest and repayable on demand.

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.15 Creditors – amounts falling due after more than one year

On 24 October 2024, the Company repaid its remaining listed external borrowings. The Company has no other external current borrowings or current financial liabilities measured at amortised cost.

	2024 £m	2023 £m
£250m sterling bonds 3.50% July 2026	-	(39)
£250m sterling bonds 4.75% July 2029	-	(45)
	-	(84)

The aggregate principal amount of the existing notes outstanding is £nil at 27 October 2024 (2023: £82m).

11.16 Lease liabilities

	2024 £m	2023 £m
Current lease liabilities	(96)	(79)
Non-current lease liabilities	(1,602)	(1,579)
	(1,698)	(1,658)

The Company is the lessee on a diverse portfolio of leases for property and equipment, with the vast majority of lease liabilities relating to property (see notes 11.7 and 11.8). Certain property leases contain rent review terms that require rents to be adjusted on a periodic basis which may be subject to market rent or capped increases in inflation measurements. In addition, certain property leases contain break clauses that would allow the Company to exit leases early.

	2024 £m	2023 £m
Total cash outflow for lessee leases	(183)	(176)
Interest expense on lease liabilities	(77)	(79)
Expense for short-term leases longer than one month	(6)	(6)
Expense for leases of low-value assets, excluding short-term	(1)	(2)

11.17 Derivative financial assets and liabilities

	2024 Fair Value £m	2024 Notional Value £m	2023 Fair Value £m	2023 Notional Value £m
Derivative financial assets				
Current				
Foreign exchange forward contracts	-	-	5	377
Fuel and energy price contracts	6	43	26	58
	6	43	31	435
Non-current				
Foreign exchange forward contracts	-	-	-	2
Fuel and energy price contracts	1	-	-	14
	1	-	-	16
Derivative financial liabilities				
Current				
Foreign exchange forward contracts	(12)	(473)	(2)	(172)
Fuel and energy price contracts	(9)	(46)	(14)	(63)
	(21)	(519)	(16)	(235)
Non-current				
Foreign exchange forward contracts	-	-	-	(8)
Fuel and energy price contracts	(3)	(22)	(2)	(26)
	(3)	(22)	(2)	(34)

Further details of the derivative financial instruments are provided in note 7, including significant assumptions underlying the valuation and the amounts recognised in profit and loss.

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.18 Loan to/(from) parent undertaking

	2024 £m	2023 £m
Loan to/(from) parent undertaking	1,205	(882)

On 8 November 2021, intercompany funding was provided by Market Bidco Limited (the immediate parent) to the Group. The loan was unsecured, bearing no interest and repayable on 8 November 2028. As a result of a repayment in the Group's debt in the period, there has been a change in the structure of the loan from group undertaking. The loan to Market Bidco Limited is unsecured and interest free.

Following the sale of the petrol forecourt business (note 4.3), the Group's parent, Market Bidco Limited, completed a material external debt repayment through a cross-instrument exercise across outstanding secured and unsecured debt instruments, together with the repayment of its Term Loan A. In order to facilitate Market Bidco Limited's external debt repayments, the Group provided funding through the loan to parent undertaking above.

11.19 Deferred tax liabilities

	2024 £m	2023 £m
Deferred tax liability	(156)	(232)
Deferred tax asset	70	81
Net deferred tax liability	(86)	(151)

IAS 12 'Income taxes' requires the offsetting of balances within the same tax jurisdiction where there is a legally enforceable right to offset. All of the deferred tax assets are available for offset against deferred tax liabilities.

The movements in deferred tax (liabilities)/assets during the period are shown below:

	Property, plant and equipment £m	Pensions £m	Other short-term temporary differences £m	Total £m
Current period				
At 29 October 2023	(181)	(40)	70	(151)
Credited/(charged) to profit for the period	-	13	35	48
Credited to other comprehensive income and equity	-	-	17	17
At 27 October 2024	(181)	(27)	122	(86)
Prior period				
At 31 October 2022	(195)	(76)	(42)	(313)
Credited/(charged) to profit for the period	14	(3)	(2)	9
Credited to other comprehensive income and equity	-	39	114	153
At 29 October 2023	(181)	(40)	70	(151)

11.20 Provisions for liabilities

	Onerous contracts £m	Other property provisions £m	Total £m
At 29 October 2023	(57)	(6)	(63)
Charged to profit for the period	(16)	-	(16)
Utilised during the period	25	1	26
Released during the period	2	1	3
At 27 October 2024	(46)	(4)	(50)

Included within the above balance at 27 October 2024 is £18m (2023: £11m) relating to a balance due within one year. The provision is reviewed regularly in response to market conditions.

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.21 Pensions

11.21.1 Defined benefit schemes: summary and description

The Company operates two defined benefit retirement schemes (together 'the Schemes') providing benefits based on a benefit formula that depends on factors including the employee's age and number of years of service.

The Morrison Scheme (the 'CARE Scheme') provides retirement benefits based on either the employee's compensation package or career average revalued earnings (CARE). The CARE Scheme is not open to new members and was closed to future accrual in July 2015.

The Retirement Saver Plan (RSP) is a cash balance scheme, which provides a lump sum benefit based upon a defined proportion of an employee's annual earnings, which is revalued each year in line with inflation subject to a cap. The RSP is not open to new members and was closed to future accrual in September 2018.

The position of each scheme at the reporting date is as follows:

	2024 £m	2023 £m
CARE Scheme	75	72
RSP	28	31
Net pension asset	103	103

Statement of financial position:	2024 CARE £m	2024 RSP £m	2023 CARE £m	2023 RSP £m
Fair value of scheme assets	759	285	711	270
Present value of obligations	(684)	(257)	(639)	(239)
Net pension asset	75	28	72	31

Income statement	2024 CARE	2024 RSP	2023 CARE	2023 RSP
Administrative costs	2	1	2	1
Net interest income on net pension asset	(4)	(2)	(9)	(5)
Total expense credited to income statement	(2)	(1)	(7)	(4)

Statement of other comprehensive income:				
Remeasurements in other comprehensive income – (credited)/charged	(1)	4	130	77

The Schemes are registered schemes under the provisions of Schedule 36 of the Finance Act 2004 and the assets are held in legally separate, trustee-administered funds. The Trustees of each Scheme are required by law to act in the best interests of the Scheme participants within the context of administering the Scheme in accordance with the purpose for which the trust was created, and they are responsible for setting the investment, funding and governance policies of the fund. A representative of the Company attends Trustee Investment Committee meetings in order to provide the Company's view on investment strategy, but the ultimate power lies with the Trustees. The Deed and Rules of the Morrison Scheme gives the Trustees the power to set contributions, while in the RSP this power is given to the Company, subject to regulatory override.

11.21.2 Scheme assets

Assets of the Schemes generate returns and ultimately cash that is used to satisfy the Schemes' obligations. They are not necessarily intended to be realised in the short term. The Trustees of each Scheme invest in different categories of asset and with different allocations amongst those categories, according to the investment principles of that Scheme.

Currently, the investment strategy of the Schemes is to maintain a balance of income assets (including credit investments and corporate bonds) and protection assets (comprising liability driven investment (LDI) portfolios and buy-in annuity policies), with a weighting towards protection assets. There are no direct investments in the Company's own shares or property occupied by any member of the Company.

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.21 Pensions (continued)

11.21.2 Scheme assets (continued)

Fair value of Scheme assets:

	2024 CARE £m	2024 RSP £m	2023 CARE £m	2023 RSP £m
Corporate bonds (quoted)	-	135	-	126
Credit funds (unquoted)	96	-	134	-
Liability driven investments (unquoted)	-	146	-	139
Scottish Limited Partnership (unquoted)	-	-	-	-
Annuity policies (unquoted)	684	-	639	-
Cash and cash equivalents (quoted)	23	4	19	5
Premium due to insurers (unquoted)	(44)	-	(81)	-
	759	285	711	270

For definitions of the liability driven investments, annuity policies, and credit funds, see note 8.3.

The movement in the fair value of the Schemes' assets over the period was as follows:

	2024 CARE £m	2024 RSP £m	2023 CARE £m	2023 RSP £m
Fair value of scheme assets at start of period	711	270	933	376
Interest income	40	15	43	18
Return on scheme assets excluding interest	39	13	(235)	(111)
Employer contributions	-	-	-	1
Benefits paid	(29)	(12)	(28)	(13)
Administrative expenses	(2)	(1)	(2)	(1)
Fair value of scheme assets at end of period	759	285	711	270

Scottish Limited Partnership

The Company has previously entered into a pension funding partnership structure with the CARE Scheme whereby the partnership structure holds properties which are leased back to the Company in return for rental income payments. The Company retains control over these properties, including the flexibility to substitute alternative properties. The CARE Scheme was entitled to receive fixed distributions of £2.2m p.a. until 2033 subject to certain conditions.

During the 52 weeks ended 31 January 2021, the Company and the Schemes' Trustees agreed to reorganise the limited partnership structure, so that future distributions are made to the RSP. The pension funding partnership structure was amended to permanently cease fixed distributions to both the Company and Safeway Stores Limited's CARE Schemes. On the same day, the Company and the RSP entered into a new pension funding partnership. As a partner, the RSP is entitled to receive a fixed distribution of £6.9m p.a. from the profits of the SLP for 13 years from 2020, subject to certain conditions. The fixed distribution is comparable to the distributions that would have been made to the Group's CARE Schemes under the previous partnership structure.

The RSP Scheme's interests in the Scottish Limited Partnership can increase the net pension asset on the FRS 101 accounting basis because the investments held by the Scheme qualify as an asset for Company FRS 101 purposes. Given recent improvements in the RSP's funding position, the contributions from the partnership to the RSP have now been paused. No further contributions are expected to be paid from the partnership and its value as at 27 October 2024 is assumed to be £nil.

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.21 Pensions (continued)

11.21.3 Present value of obligations

The movement in the defined benefit obligation over the period was as follows:

	2024 CARE £m	2024 RSP £m	2023 CARE £m	2023 RSP £m
Defined benefit obligation at start of period	(639)	(239)	(738)	(273)
Interest expense	(36)	(13)	(34)	(13)
Actuarial gain/(loss) – demographic assumptions	2	-	13	-
Actuarial gain – financial assumptions	(40)	(17)	115	34
Actuarial (loss)/gain – experience	-	-	(23)	-
Benefits paid	29	12	28	13
Defined benefit obligation at end of period	(684)	(257)	(639)	(239)

The durations of the defined benefit obligations at 27 October 2024 are: RSP 13 years; CARE 15 years (2023: RSP: 13 years CARE: 15 years). The weighted average duration of the Schemes is 14 years (2023: 14 years).

11.21.4 Significant actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2024 CARE £m	2024 RSP £m	2023 CARE £m	2023 RSP £m
Financial assumptions				
Discount rate applied to scheme liabilities	5.2%	5.2%	5.7%	5.7%
Inflation assumption (RPI)	3.3%	3.2%	3.4%	3.4%
Life expectancies				
Longevity in years from age 65 for current pensioners				
Male	19.7	n/a	19.7	n/a
Female	23.1	n/a	23.1	n/a
Longevity in years from age 65 for current members aged 45				
Male	21.4	n/a	21.4	n/a
Female	25.0	n/a	24.9	n/a

The Company estimates the discount rates with reference to high quality corporate bonds. At very long durations, where there are no high quality corporate bonds, the yield curve is extrapolated based on available corporate bond yields of mid to long duration. The Company believes that this approach appropriately reflects expected yields on high quality corporate bonds over the duration of the Company's pension schemes, as required by FRS 101.

Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with published statistics. The mortality tables used for the 52 weeks ended 27 October 2024 are the S3PMA-Heavy/S3PFA-Heavy tables (males/females) based on year of birth with a scaling factor of 95% applied to the mortality rates, with CMI 2023 core projections and a long-term rate of improvement of 1.5% pa.

The mortality tables used for the 52 weeks ended 29 October 2023 were consistent with 2024, other than use of the CMI2022 projections.

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.21 Pensions (continued)

11.21.4 Significant actuarial assumptions (continued)

Related actuarial assumptions

	2024 CARE £m	2024 RSP £m	2023 CARE £m	2023 RSP £m
Rate of increase of pensions in payment: RPI inflation capped at either 2.5% p.a. or 5% p.a	2.1%/3.1%	-	2.2%/3.2%	-
Rate of increase of pensions in deferment: CPI inflation capped at either 2.5% p.a. or 5% p.a.	-12.8%	2.5%/-	-12.8%	2.5%/-
CPI inflation (% p.a.)	2.8%	2.7%	2.8%	2.8%

Sensitivity analysis on significant actuarial assumptions

The following table summarises the impact on the defined benefit obligation at the end of the reporting period if each of the significant actuarial assumptions listed above were changed, in isolation, assuming no other changes in market conditions at the accounting date. In practice, given the CARE Scheme is fully insured, any movement in assumptions could be accompanied by an offsetting change in asset values, and the corresponding overall impact on the net asset/(liability) is broadly nil. For the RSP, any movement in assumptions would be accompanied by a partially offsetting change in asset values, and therefore the corresponding overall impact of the net asset/(liability) is likely to be lower than the amounts below in a number of scenarios. Extrapolation of the sensitivities shown may not be appropriate.

		2024 CARE £m	2024 RSP £m	2023 CARE £m	2023 RSP £m
Discount rate applied to Scheme obligations	+/-0.1% p.a.	-/+10%	-/+5%	-/+10	-/+5
Inflation assumption (RPI and associated assumptions)	+/-0.1% p.a.	+/-5%	+/-	+/-5	+/-
Longevity	+one year	+15	n/a	+15	n/a

11.21.5 Funding

The CARE Scheme is entirely funded by the Company. The Company along with other subsidiaries of the Company participated in the RSP. There is no contractual agreement or stated policy for charging the net defined benefit cost between the Company and its subsidiaries. The contribution of each participating subsidiary to the RSP is currently calculated in proportion to the number of employees that are members of the RSP.

The latest full actuarial valuations were carried out as at 5 April 2022 for the CARE Scheme and the RSP. The valuations indicated that, on the agreed funding basis, the CARE and RSP Schemes had surpluses of £214m and £38m respectively. As a result of these funding positions there are currently no deficit contributions payable. As such there is no "minimum funding requirement" in force.

These results have been used and updated for FRS 101 purposes for the period to 27 October 2024 by a qualified independent actuary. The Schemes expose the Company to inflation risk, interest rate risk and market investment risk where benefits are not insured.

At 27 October 2024, schemes in surplus have been disclosed within the assets in the Statement of financial position. The Company continues to follow legal advice with regard to the recognition of a pension surplus and also recognition of a minimum funding requirement under IFRIC 14 'IAS19 – The limit on a defined benefit asset, minimum funding requirement and their interaction'. This advice concluded that recognition of a surplus is appropriate on the basis that the Company has an unconditional right to a refund of a surplus. In respect of the RSP this is on the basis that IFRIC 14 applies enabling a refund of surplus of the RSP. In respect of the CARE Scheme, this is on the basis that paragraph 11(b) or 11(c) 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 or the full settlement of the Scheme's liabilities in a single event (i.e. as a scheme wind up).

The current best estimate of Company contributions to be paid to the defined benefit schemes for the accounting period commencing 27 October 2024 is £nil (52 weeks to 29 October 2023: £nil).

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.21 Pensions (continued)

11.21.6 Defined contribution scheme

The Group opened a defined contribution retirement benefit scheme called the Morrisons Personal Retirement Scheme ('MPRS') for employees during the 53 weeks ended 4 February 2018. The MPRS has become the auto enrolment scheme for the Company. As the MPRS is a defined contribution scheme, the Company is not subject to the same investment, interest rate, inflation or longevity risks as it is for the defined benefit schemes. The benefits that employees receive are dependent on the contributions paid, investment returns, and the form of benefit chosen at retirement.

During the 52 weeks ended 27 October 2024, the Company paid contributions of £29m to the MPRS (52 weeks to 29 October 2023: £30m) and expects to contribute £30m for the following period.

11.22 Share capital

	Number of shares millions	Called up share capital £m	Share premium account £m	Total £m
At 29 October 2023 and 27 October 2024	2,451	245	253	498

All issued shares are fully paid and have a par value of 10p per share (2023: 10p per share).

For further details on called up share capital and share premium accounts, see note 6.7.

11.23 Reserves

	2024 £m	2023 £m
Capital redemption reserve	39	39
Merger reserve	940	940
Hedging reserve	(16)	33
Retained earnings	4,154	1,405
Total	5,117	2,417

Capital redemption reserve

The capital redemption reserve at the start of the period related to 389,631,561 of the Company's own shares which it purchased on the open market for cancellation between 31 March 2008 and 8 March 2013 at a total cost of £1,081m.

Merger reserve

The merger reserve represents the reserve arising on the acquisition in 2004 of Safeway Limited. This merger reserve was initially considered unrealised on the basis it was represented by investments held by the Company, which is not qualifying consideration in accordance with Tech 02/17 issued by the Institute of Chartered Accountants in England and Wales (ICAEW).

During the 53 weeks ended 4 February 2018, the majority of the Company's investments were transferred to another Group company, Wm Morrison Supermarkets Holdings Limited, in exchange for an intercompany loan. To the extent that this intercompany balance is settled in qualifying consideration, the same proportion of the merger reserve becomes realised. During the 52 weeks ended 27 October 2024 and 29 October 2023 none of the intercompany loan balance was settled through a qualifying consideration. As a result, none of the merger reserve balance was realised in the period (2023: £nil).

Hedging reserve

This represents the gains and losses arising on derivatives used for cash flow hedging.

11.24 Capital commitments

	2024 £m	2023 £m
Contracts placed for future capital expenditure not provided in the financial statements (property, plant and equipment, right-of-use assets and intangible assets)	61	72
Contracts placed for future leases not provided in the financial statements	2	4

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.25 Guarantees, contingent liabilities and contingent assets

Guarantees

Senior Facilities Agreement

A condition of the Market Bidco Limited Senior Facilities Agreement was that 'material entities' needed to become guarantors to the facilities. 'Material entities' are ones which hold 5% or more of the consolidated Group's gross assets or generate 5% or more of the consolidated Group's EBITDA, or those which hold real property of greater than £75m. As such, on 23 March 2022 Wm Morrison Supermarkets Limited (along with its subsidiaries Safeway Limited, Safeway Stores Limited and Optimisation Investments Limited) acceded as guarantors to each of the new Facilities Agreements. The Company granted a guarantee and indemnity in respect of the obligations of the Obligors under each of the Facilities Agreements and provided security over its assets, pursuant to the Common Transaction Security Agreement.

The Company has also given an unlimited guarantee in respect of the overdraft of all the subsidiary undertakings within the Group's banking offset agreement. The overdraft position at 27 October 2024 was £nil (29 October 2023: £nil).

Dordon and Equal pay claim

See note 10 of the Group financial statements.

Other

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings, including certain tax matters, and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings, actions and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

11.26 Post-balance sheet events

Acquisition of convenience stores

On 1 November 2024, the Company completed the acquisition of 36 convenience stores in the Channel Islands from long term partner SandpiperCI for £59m. The acquisition allows the Company to rebrand local stores currently trading under Iceland and Checkers Xpress with operational and managerial colleagues transferring to the Company.

Debt restructuring

On 18 November 2024, the parent Group concluded on a debt amendment and extension exercise, together with the repayment of a further £200m of debt. The principal outcomes of the debt amendment and extension exercise were to extend the parent group's Term Loan Facilities from 2027 to 2030; to reduce the cost of the debt; to extend the Revolving Credit Facility to 2030 and to reduce the overall level of debt.

Wm Morrison Supermarkets Limited

Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.27 Ultimate parent undertaking

The ultimate parent undertaking and controlling party of the Company is Market Topco Limited. The immediate parent company is Market Bidco Limited. Market Bidco Limited and Market Topco Limited were incorporated by Clayton, Dubilier and Rice's Fund XI for the purposes of acquiring the Company. The investment into Market Topco Limited was made by a vehicle owned by Clayton, Dubilier & Rice Fund XI, L.P. and certain commonly-managed parallel and related investment vehicles thereof.

In addition to Market Bidco Limited, the following entities are controlled by Market Topco Limited and form part of the corporate structure above Wm Morrison Supermarkets Limited;

- Market Holdco 1 Limited
- Market Holdco 2 Limited
- Market Holdco 3 Limited
- Market Bidco Finco Plc
- Market Parent Finco Plc
- Market Holdco GRPC Member 1 Limited
- Market Holdco GRPC Member 2 Limited
- Market Holdco GRPC 1 LLP
- Market Holdco GRPC 2 LLP
- Market Holdco GRPC 3 LLP
- Market Holdco GRPC Member 3 Limited
- Market Holdco GRPC Member 4 Limited
- Market Holdco GRPC 4 LLP

The smallest group at which consolidated financial statements are prepared is Market Bidco Limited, a company incorporated in England and Wales. The largest group at which consolidated financial statements are prepared is Market Topco Limited, a company incorporated in England and Wales. The registered office address of these companies is the same as that of Wm Morrison Supermarkets Limited. The consolidated Financial Statements of these groups are available to the public and may be obtained from the Company Secretary, Wm Morrison Supermarkets Limited, Hilmore House, Gain Lane, Bradford, West Yorkshire, United Kingdom, BD3 7DL.

Wm Morrison Supermarkets Limited

Related undertakings

In accordance with section 409 of the Companies Act 2006, a full list of related undertakings including the country of incorporation, the principal activity and the effective percentage of equity owned as at 27 October 2024 is disclosed below. The registered address of all undertakings is Hilmore House, Gain Lane, Bradford, BD3 7DL unless otherwise stated.

Related undertakings of Wm Morrison Supermarkets Limited

Name	Country of incorporation	Principal activity	Interest
Bos Brothers Fruit and Vegetables B.V. ¹	Netherlands	Acquirer of food products	100%
Chippindale Foods Limited	England and Wales	Supplier of eggs	100%
De Mandeville Gate Management Limited	England and Wales	Dormant	51%
Dordon SPV Limited ²	England and Wales	Lease company	100%
Flower World Limited	England and Wales	Dormant	100%
Food Retail Limited ³	Jersey	Retailer	100%
Lowlands Nursery Limited	England and Wales	Wholesale of flowers and plants	100%
Mercury PFS 1 Limited ⁴	Jersey	Dormant	100%
MHE JVCo Limited ⁵	England and Wales	Joint venture with Ocado Group plc	51%
Neerock Farming Limited ⁶	Scotland	Dormant	100%
Perimeter Holdings Limited	England and Wales	Dormant	100%
Wm Morrison (HK) Limited ⁷	Hong Kong	Acquirer of non-food products	100%
Wm Morrison Nominee 1 Limited	England and Wales	Dormant	100%
Wm Morrison Nominee 2 Limited	England and Wales	Dormant	100%
Wm Morrison Nominee 3 Limited	England and Wales	Dormant	100%
Wm Morrison Pension Trustee Limited	England and Wales	Dormant	100%
Wm Morrison Property Investments Limited ^{8*}	Scotland	General partner in a partnership	100%
Wm Morrison Supermarkets Holdings Limited*	England and Wales	Holding company	100%
Yes Recycling (Fife) Ltd ⁹	Scotland	In administration	50%

Registered address:

1. 3151, ZJ Hoek van Holland, the Netherlands, Amersgat 17
2. 1 Ashley Road, 3rd Floor, Altrincham, WA14 2DT
3. 3rd Floor, One the Esplanade, St Helier, Jersey, JE2 3QA
4. IFC1, Esplanade, St Helier, Jersey, JE1 3BX
5. Buildings 1 & 2, Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL
6. Market Hill, Market Hill Road, Turriff, Aberdeenshire, Scotland, AB53 4PA
7. 19/F Millenium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong
8. Capella Building (Tenth Floor), 60 York Street, Glasgow, G2 8JX
9. Lomond House Westlaw Road, Whitehill Industrial Estate, Glenrothes, Fife, Scotland, KY6 2QZ

Related undertakings of other Group companies

Name	Country of incorporation	Principal activity	Interest
Alliance Property Holdings Limited	England and Wales	Retailer	100%
Amos Hinton & Sons Ltd	England and Wales	Dormant	100%
Argyll Foods Limited	England and Wales	Dormant	100%
Argyle Securities Limited ¹	Scotland	Dormant	100%
Argyll Stores (Holdings) Limited	England and Wales	Dormant	100%
Ascot Road Watford Limited	England and Wales	Dormant	100%
Cancede Limited*	England and Wales	Property investment	100%
Cordon Bleu Freezer Food Centres Limited	England and Wales	Dormant	100%
Divertigo Limited	England and Wales	Dormant	100%
English Real Estates Limited	England and Wales	Dormant	100%
Erith Pier Company Limited*	England and Wales	Property maintenance	100%

Wm Morrison Supermarkets Limited

Related undertakings (continued)

Related undertakings of other Group companies (continued)

Evermere Limited	England and Wales	Dormant	100%
Falfish (Holdings) Limited*	England and Wales	Preparation and supply of seafood	100%
Falfish Limited	England and Wales	Preparation and supply of seafood	100%
Farmers Boy Limited	England and Wales	Manufacturer and distributor of fresh food products	100%
Farmers Boy (Deeside) Limited	England and Wales	Dormant	100%
Federated Properties Limited	England and Wales	Dormant	100%
Firsdeli Ltd	England and Wales	Dormant	100%
Fisherdale Properties Limited	England and Wales	Dormant	100%
International Seafoods Limited	England and Wales	Preparation and supply of seafood	100%
Ipsolus Limited	England and Wales	Dormant	100%
J3 Property Limited ¹	Scotland	Dormant	100%
Kiddicare Properties Limited	England and Wales	Dormant	100%
MDW (Eastbourne) Limited	England and Wales	Dormant	100%
MoClo Limited*	England and Wales	Property management	100%
Monument Hill Properties Limited	England and Wales	Dormant	100%
Myton Food Group Limited	England and Wales	Dormant	100%
Neerock Limited	England and Wales	Fresh meat processor	100%
Newincco 1072 Limited	England and Wales	Dormant	100%
Oldwest Limited ¹	Scotland	Dormant	100%
Optimisation Developments Limited	England and Wales	Property development	100%
Optimisation Investments Limited	England and Wales	Property investment	100%
Presto Stores (LC) Limited	England and Wales	Dormant	100%
Presto Stores Limited	England and Wales	Dormant	100%
Rathbone Kear Limited	England and Wales	Manufacturer and distributor of morning goods and bread	100%
Rathbones Bakeries Limited	England and Wales	Dormant	100%
RP (No. 37) Limited ²	Jersey	Dormant	100%
Safeway (Overseas) Limited	England and Gibraltar	Grocery retailer (overseas)	100%
Safeway Development Limited	England and Wales	Dormant	100%
Safeway Food Stores Limited*	England and Wales	Holding company	100%
Safeway Grocery (Ireland) Limited ⁵	Ireland	Dormant	100%
Safeway Limited*	England and Wales	Holding company	100%
Safeway Pensions Trustees Company Limited	England and Wales	Dormant	100%
Safeway Pension Trustees Limited	England and Wales	Dormant	100%
Safeway Properties Limited	England and Wales	Property investment	100%
Safeway QUEST Trustees Limited	England and Wales	Dormant	100%
Safeway Stores (Gibraltar) Pension Trustees Limited ⁴	Gibraltar	Dormant	100%
Safeway Stores (Ireland) Limited	England and Wales	Dormant	100%

Wm Morrison Supermarkets Limited

Related undertakings (continued)

Related undertakings of other Group companies (continued)

Safeway Stores Limited	England and Wales	Grocery retailer	100%
Safeway Trustee (FURB) Limited	England and Wales	Dormant	100%
Safeway Wholesale Limited	England and Wales	Holding company	100%
Simply Fresh Foods Holdings Limited	England and Wales	Dormant	100%
Stores Group Limited*	England and Wales	Holding company	100%
The Home & Colonial Stores Limited	England and Wales	Dormant	100%
The Medical Hall Limited ⁴	Gibraltar	Pharmaceutical licence holder (Gibraltar)	100%
The Morrisons Foundation	England and Wales	Charity	100%
Tower Centre Hoddesdon Limited	England and Wales	Dormant	100%
Trilogy (Leamington Spa) Limited*	England and Wales	Property development	100%
Velligrist Limited	England and Wales	Dormant	100%
Wm Morrison (Ireland) Limited ⁵	Ireland	Dormant	100%
Wm Morrison At Source Limited*	England and Wales	Technical testing and analysis	100%
Wm Morrison Bananas Limited	England and Wales	Dormant	100%
Wm Morrison GP 1 Limited	England and Wales	Dormant	100%
Wm Morrison GP 2 Limited	England and Wales	Dormant	100%
Wm Morrison GP 3 Limited	England and Wales	Dormant	100%
Wm Morrison Growers Limited	England and Wales	Acquirer of fresh produce	100%
Wm Morrison LP 1 Limited	England and Wales	Dormant	100%
Wm Morrison LP 2 Limited	England and Wales	Dormant	100%
Wm Morrison LP 3 Limited	England and Wales	Dormant	100%
Wm Morrison Produce Limited	England and Wales	Produce packer and purchaser	100%
Wm Morrison Property Partnership LP ¹	Scotland	Scottish Limited Property Partnership	100%
Wm Morrison Property Partnership 1 Limited Partnership	England and Wales	Dormant	100%
Wm Morrison Property Partnership 2 Limited Partnership	England and Wales	Dormant	100%
Wm Morrison Property Partnership 3 Limited Partnership	England and Wales	Property partnership	100%
Wm Morrison Property Partnership 4 LP ¹	Scotland	Property partnership	100%
Wm Morrison Supermarket Stores Ltd	England and Wales	Dormant	100%

Registered address:

1. Capella Building (Tenth Floor), 60 York Street, Glasgow, G2 8JX
2. IFC1, Esplanade, St Helier, Jersey, JE1 3BX
3. 1st & 2nd floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW
4. 1st Floor, 5 Secretary's Lane, Gibraltar GX11 1AA
5. 25-2, North Wall Quay, Dublin 1, Ireland, D01 H104

* For the year ended 27 October 2024, Wm Morrison Supermarkets Limited has provided a guarantee in respect of the outstanding liabilities of the subsidiary undertaking in accordance with s.479A-s.479C of the Companies Act 2006 ('the Act'), as these UK subsidiary companies of the Group are exempt from the requirements of the Act relating to the audit of financial statements by virtue of s.479A of this Act.

Glossary

Alternative Performance Measures

In response to the Guidelines on Alternative Performance Measures ('APMs') issued by the European Securities and Markets Authority ('ESMA'), we have provided additional information on the APMs used by the Group. The Directors use the APMs listed below as they are critical to understanding the financial performance and financial health of the Group. As they are not defined by IFRS, they may not be directly comparable with other companies who use similar measures.

All measures are from continuing operations unless otherwise stated, and so exclude the disposed petrol forecourts business.

Measures	Closest equivalent IFRS measure	Definition and purpose	Reconciliation for Group measures
Profit measures			
Like-for-like ('LFL') sales growth	Revenue	Percentage change in year-on-year sales (excluding VAT), removing the impact of new store openings and closures in the current or previous financial period. The measure is used widely in the retail industry as an indicator of ongoing sales performance. It is also a key measure for Director and management remuneration.	2023/2024 %
			Group LFL (continuing operations) 4.1%
			Group LFL (total operations) 2.5%
Total sales growth	Revenue	<i>Including fuel:</i> Percentage change in year-on-year total reported revenue. <i>Excluding fuel:</i> Percentage change in year-on-year total sales excluding fuel. This measure illustrates the total year-on-year sales growth and is a key measure for Director and management remuneration.	A reconciliation of total sales including and excluding fuel is provided in note 1.2 of the financial statements.
Profit before tax and exceptionals	Profit before tax	Profit before tax and exceptionals is defined as profit before tax, exceptional items and net retirement benefit credit. This excludes exceptional items which are significant in size and/or nature and net retirement benefit credit. This measure is a key measure used by the Directors. It provides key information on ongoing trends and performance of the Group.	A reconciliation of this measure is provided in note 1.4 of the financial statements.
Profit before exceptionals after tax	Profit after tax	Profit before exceptionals after tax. This measure is used by the Directors as it provides key information on ongoing trends and performance of the Group, including a tax charge.	£98m being profit before tax and exceptionals of £138m less a tax charge of £40m (see note 1.4 of the financial statements).
Operating profit before exceptionals	Operating profit ¹	Reported operating profit before exceptional items, which are significant in size and/or nature. This measure is used by the Directors as it provides key information on ongoing trends and performance of the Group.	£206m being reported operating profit of £74m, impairment with exceptionals items added back of provisions for onerous contracts (£101m), restructuring and store closure costs (£6m), loss on disposal and closure (£5m), pension administrative costs (£8m) and other exceptional credit items (£12m).
Net finance costs before exceptionals	Finance costs	Reported net finance costs excluding the impact of net retirement benefit interest and other exceptional items, which are significant in size and/or nature. This measure is used by the Directors as it provides key information on ongoing cost of financing excluding the impact of exceptional items.	A reconciliation of this measure is provided in note 6.2 of the financial statements.

¹ Operating profit is not defined under IFRS. However, it is a generally accepted profit measure.

Glossary (continued)

Alternative Performance Measures (continued)

Measures	Closest equivalent IFRS measure	Definition and purpose	Reconciliation for Group measures
Profit measures (continued)			
Underlying EBITDA	Operating profit ¹	Operating profit before exceptional items and after profit/loss from joint ventures. Plus depreciation and amortisation, McColl's rental costs ² and Management Incentive Plan (MIP) ³ . This measure is used by the Directors as it provides key information on ongoing trends and the performance of the Group before capital investment and financing costs.	£835m being operating profit before exceptionals of £206m, plus depreciation (£509m) and amortisation (£100m), McColl's rental costs (£9m), MIP (£10m) and share of profit from joint venture (£1m).
Statutory EBITDA	Operating profit ¹	Operating profit after exceptional items including share of profit/loss from joint venture, before depreciation and amortisation.	£684m being operating profit of £74m and share of profit from joint venture (£1m), plus depreciation (£509m) and amortisation (£100m).
Cash flows and net debt measures			
Net debt	No direct equivalent	Net debt is current and non-current: borrowings, lease liabilities and derivative financial assets and liabilities; net of cash and cash equivalents.	A reconciliation of this measure is provided in note 6.6 of the financial statements.
Working capital movement	No direct equivalent	Movement in inventories, trade and other receivables, trade and other payables and provisions from total operations.	£97m inflow relating to movement in inventories (outflow of £86m), debtors (outflow of £77m), creditors (inflow of £273m) and provisions (outflow of £13m).

¹ Operating profit is not defined under IFRS. However, it is a generally accepted profit measure.

² Rental costs for McColl's properties are recorded within operating profit/(loss) where full IFRS 16 leases agreements have yet to be finalised. This adjustment treats them as if IFRS 16 had been applied.³ Management Incentive Plan includes release of prepaid charges.

³ Management Incentive Plan includes release of prepaid charges and IFRS 2 accounting charge

Company advisors

Corporate responsibility enquiries

Telephone: 0345 611 5000

Solicitors

Ashurst LLP

London Fruit & Wool Exchange

1 Duval Square

London E1 6PW

Eversheds Sutherland (International) LLP

1 Wood Street

London EC2V 7WS

Squire Patton Boggs (UK) LLP

No.1 Spinningfields

1 Hardman Square

Manchester M3 3EB

DWF LLP

1 Scott Place

2 Hardman Street

Manchester M3 3AA

Kirkland & Ellis International LLP

30 St Mary Axe

London, EC3A 8AF

United Kingdom

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Central Square

29 Wellington Street

Leeds LS1 4DL

DISCLAIMER

This Annual Report has been prepared by Wm Morrison Supermarkets Limited ("Morrison's") solely for informational purposes.

Morrison's has prepared this Annual Report on the basis of information in its possession, as well as from sources believed to be reliable. To the extent available, the industry, market and competitive-position data contained in this Annual Report come from official or third-party sources. Third-party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Although Morrison's believes that each of these publications, studies and surveys has been prepared by a reputable source, Morrison's has not independently verified the data contained therein. In addition, certain of the industry, market and competitive position data contained in this Annual Report come from Morrison's own internal estimates based on the knowledge and experience of Morrison's management in the markets in which it operates. Although Morrison's believes that such estimates are reasonable and reliable, such estimates, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice. Accordingly, no undue reliance should be placed on any of the industry, market or competitive position data contained in this Annual Report. In connection with any investment decision, the recipient should conduct its own evaluation and assessment of the information contained in this Annual Report, and the economic, financial, regulatory, legal, taxation, stamp duty and accounting implications of that information. Morrison's is not providing legal, accounting or tax advice, and you are strongly advised to consult your own independent advisers on any legal, tax or accounting issues relating to this Annual Report in connection with any investment decision.

This Annual Report contains financial information regarding the businesses and assets of Morrison's. Unless indicated otherwise, the financial information presented herein is for Morrison's on a consolidated basis.

Certain financial data included in this Annual Report consists of "non-IFRS financial measures." These non-IFRS financial measures may not be comparable to similarly-titled measures as presented by other companies, nor should they be considered to be alternatives to the historical financial results or other indicators of Morrison's income or cash flow based on IFRS. Morrison's believes that presenting certain non-IFRS financial measures provides meaningful information to investors in understanding operating results and may enhance investors' ability to analyse financial and business trends. In addition, Morrison's believes that these non-IFRS financial measures allow investors to compare period to period more easily by excluding items that could have a disproportionately negative or positive impact on results in any particular period. Even though the non-IFRS financial measures are used by management to assess Morrison's financial position, financial results and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of Morrison's financial position or results of operations as reported under IFRS. The definitions, calculations and reconciliations of such non-IFRS measures to the applicable IFRS measures are set forth in the glossary to this Annual Report.

Neither Morrison's nor its advisers are under any duty to update or inform any recipient of any changes to information in this Annual Report, provide any recipient with access to any additional information or to correct any inaccuracies in any such information which may become apparent. As such, the information in this Annual Report should not be assumed to have been updated at any time subsequent to the date hereof.

This Annual Report may contain forward-looking statements. All statements other than statements of historical fact included in this Annual Report are forward-looking statements. Forward-looking statements express Morrison's current expectations and projections relating to Morrison's financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by, or including words such as "aim," "anticipate," "believe," "can," "have," "continue," "could," "estimate," "expect," "forecast," "guidance," "guide," "intend," "likely," "may," "ongoing," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would" and other words and terms of similar meaning or the negative thereof. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause Morrison's actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Morrison's present and future business strategies and the environment in which it will operate in the future. Past performance is not a guarantee of future results and there can be no assurance that Morrison's or its subsidiaries will achieve comparable results or be able to implement a desired strategy or objective. This Annual Report and any forward-looking statements herein speak only as of the date of this Annual Report and Morrison's expressly disclaims to the fullest extent permitted by applicable law any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements or other information contained herein to reflect any change in expectations with regard thereto or any new information or change in events, conditions or circumstances on which any such statement is based. The recipient acknowledges that circumstances may change without notice and the contents of this Annual Report may become outdated as a result. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.