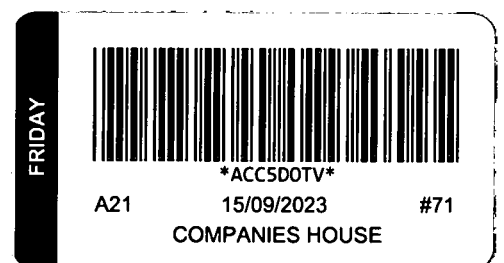


Marks and Spencer plc  
Financial Statements 2023



Registered number  
00214436

# Marks and Spencer plc

## Marks and Spencer plc

### STRATEGIC REPORT

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

The financial statements are made up to the nearest Saturday to 31 March each year. The current financial year is the 52 weeks ended 1 April 2023 (the 'year'). The prior financial year was the 52 weeks ended 2 April 2022.

Further details on the Ultimate Parent Group's strategic direction can be found in the following sections of the Marks and Spencer Group plc Annual Report 2023, which does not form part of this report:

Strategic report on pages 2 - 67

Chairman's letter on pages 2 - 3

Chief Executive's Review on pages 4 - 5

People & culture on pages 28 - 31

### Review of the business and future developments

Marks and Spencer plc (the 'Company') is the main trading company of the Marks & Spencer group of companies. The Company and its subsidiaries (the 'Group') are one of the UK's leading retailers of clothing, food and home products. The Group employs over 64,000 people and has around 1,064 UK-owned and franchise stores. The Group also trades in wholly-owned stores in the Republic of Ireland and the Czech Republic, through partly-owned stores in a number of European countries and India and in franchises within Asia, Europe and the Middle East.

During the year the new leadership team set out plans to reshape M&S to deliver sustainable, profitable sales and market share growth, and improve operating margins over time. These plans include the creation of a high performance focused culture, prioritisation of structural cost reduction and disciplined investment in the areas that will deliver long-term shareholder returns.

M&S delivered strong results in 22/23 despite significant inflationary cost headwinds impacting margin, reflecting the benefits of our programme to reshape for growth. Profit before tax and adjusting items for the period was £503.9m (21/22: £509.0m). Statutory profit before tax was £432.6m (21/22: £404.7m). Prior year results included £59.8m of UK business rates relief and a net rates charge of £139.7m compared with a net rates charge of £186.6m in 22/23.

Food sales grew 7.4% with like-for-like sales up 5.4%, outperforming the market in volume and value terms, as we broadened appeal through focused product development and investment in trusted value. While investment in value reduced margin, the positive customer response supported the delivery of improved trading performance in the second half.

Clothing & Home grew sales 11.5% with like-for-like sales up 11.2% driven by a more confident approach to buying and a focus on the modern mainstream customer, which is starting to drive better style perceptions. While store sales outperformed, online sales were also up, with growth in Click & Collect sales, active App users and Sparks loyalty membership. Alongside this, volume and value market share increased.

International sales were up 11.2% at constant currency, driven by demand for clothing from global partners. As a result, profits recovered despite the combined impacts of the exit from Russia and ongoing EU border-related costs.

M&S has a heritage of quality, style, innovation and value for money and during the year, was voted the UK's most trusted brand. After a number of years of substantial change and investment, a strengthening omni-channel position in Clothing & Home and the broader reach of Food, there are significant opportunities for profitable growth.

The nine priorities to reshape M&S to deliver sustainable growth are:

- **Exceptional product, trusted brand:** Developing exceptional product worthy of a trusted brand, through investment in great tasting, value for money, quality Food and developing stylish, great value, quality Clothing & Home ranges.
- **Leading in omni-channel:** Driving omni-channel growth. Increasing the participation of Clothing & Home online sales, through leveraging the national store and distribution network, to offer a convenient and consistent service however and wherever customers choose to shop.
- **Expanding global reach:** Capitalising on the strength of the M&S brand to grow global sales through capital light partnerships and the development of a multi- platform online business.
- **Structurally reducing costs:** Making £400m of structural cost savings over five years, reducing cost to serve and growing our margins through technology improvements to increase retail and supply chain efficiency and simplified and streamlined digital, technology and support centre functions.
- **Creating a high-performance culture:** A simpler, faster, delivery focused business which is passionate about M&S products, puts the customer first and has the digital skillset to make fast, informed decisions.
- **Accelerating store rotation:** Accelerating store rotation and renewal to create a more productive estate of c.180 full line stores and opening more than 100 new Food stores positioned in growth locations, which support omni-channel retailing.
- **Modernising our supply chain:** Modernising the supply chain to improve availability and customer service, while reducing costs and working capital.

## Marks and Spencer plc

- **Compelling customer ecosystem:** Creating a more engaging and connected customer experience to drive omni-channel growth. This brings together the Sparks loyalty programme and payment options, supported by an effective and more efficient technology infrastructure.
- **Disciplined capital allocation:** Disciplined capital allocation, to strengthen the balance sheet, reinstate an investment grade rating for our debt and restore dividends. Robust liquidity and balance sheet metrics allow for a further bond repurchase exercise of c.£275m in respect of our medium-term maturities.

### Section 172 (1) statement

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

The directors of the Company consider that they have responsibly and appropriately discharged their duties under the Companies Act 2006 (the "Act"), including their duty to act in the way that they consider, in good faith, will be most likely to promote the success of the Company for the benefit of its members as a whole, having due regard in doing so for the matters set out in section 172 (1) (a) to (f) in the Act ("s.172").

During the year under review, the directors of the Company were also members of the Executive Committee as Chief Finance Officer and General Counsel & Company Secretary, of Marks and Spencer Group plc ("the Ultimate Parent Group"). As a result of this and of the Ultimate Parent Group's governance structure (which is outlined in the Corporate Governance Statement in the Report of the Directors on page 25, the matters that the directors are responsible for considering under s.172 were considered by them together with the Ultimate Parent Group Board in relation to both the Ultimate Parent Group and to the Company. The directors consider the matters set out in s.172 to apply to both the Ultimate Parent Group and the Company on the basis that the Company is the Ultimate Parent Group's primary trading, contracting and employing entity, and therefore the Company's business relationships with employees, suppliers, customers and partners, are those of the wider Group. Where appropriate, and given that the Company's directors are not directors of the Ultimate Parent Group, the directors of the Company anticipate separately meeting immediately following Ultimate Parent Group Board meetings, to ensure that they review and consider all Ultimate Parent Group matters and decisions with respect to the specific interests of the Company and its stakeholders. However, during the year the directors of the Company agreed with all of the Ultimate Parent Group Board's decisions and recommendations as applicable directly to the Company and its stakeholders, having been present during the Ultimate Parent Group Board's discussions and consideration of the matters set out in s.172, and therefore no separate meetings were required.

Consequently, a description of how the directors have had regard to the matters set out in s.172 when performing their duty, as discharged alongside the Ultimate Parent Group Board for both the Ultimate Parent Group and the Company, is set out on pages 80 to 82 of the Group's Annual Report 2023 (available online at [corporate.marksandspencer.com/annualreport](https://corporate.marksandspencer.com/annualreport)). Information on how the directors of the Company engaged and had regard for the Company's employees and other stakeholders is provided in the 'Business relationships and colleague engagement' section of the Report of the Directors on page 21.

## KEY PERFORMANCE INDICATORS

### Financial

Group revenue	Group profit before tax & adjusting items								
£11.8bn	£503.9m								
<table border="1"> <tr> <td>21/22</td><td>£10.9bn</td></tr> <tr> <td>22/23</td><td>£11.8bn</td></tr> </table>	21/22	£10.9bn	22/23	£11.8bn	<table border="1"> <tr> <td>21/22</td><td>£509.0m</td></tr> <tr> <td>22/23</td><td>£503.9m</td></tr> </table>	21/22	£509.0m	22/23	£503.9m
21/22	£10.9bn								
22/23	£11.8bn								
21/22	£509.0m								
22/23	£503.9m								

Group statutory revenue was £11.8bn, an increase of 8.8% vs. 21/22. This was driven by Clothing & Home revenue up 10.6%, Food revenue up 7.4% and International revenue up 12.6%.

Group profit before tax and adjusting items was £503.9m, down 1.0% vs 21/22, largely due to declines in Food, Clothing & Home, offset by an increase in International operating profit and reduced interest.

### Strategic KPIs

#### FOOD

##### Quality perception

M&S grew its lead in quality as we continued to invest in upgrading our ranges (Source: YouGov).

**66** (21/22: +1ppt)

##### Value for money perception

Rising costs caused value perceptions across the market to fall this year. However, M&S investment drove improvements across the year and its position relative to the market is now its strongest in six years (Source: YouGov).

**-3** (21/22: -3ppt)

##### Availability

Against a backdrop of market wide supply chain challenges availability remained level. The Ultimate Parent Company's acquisition of Gist will support future improvements.

**94.5%** (21/22: Level)

##### Market Share

Market share grew as M&S invested in trusted value and innovation.

**3.6%** (21/22: +0.2%)

## KEY PERFORMANCE INDICATORS

### Strategic KPIs

#### CLOTHING & HOME

##### Value for money perception

Customers continue to recognise M&S as a value for money clothing retailer and it has held its leading position this year (Source: YouGov).

**37** (21/22: Level)

##### Quality perception

Customers continue to rank M&S above the competition when it comes to quality and positive perceptions grew a further percentage point this year (Source: YouGov).

**55** (21/22: +1ppt)

##### Market Share

M&S market share strengthened this year as it outperformed on a value and volume basis.

**9.3%** (21/22: +0.4%)

#### OMNI-CHANNEL

##### Percentage of UK Clothing & Home sales online

**32%** (21/22: -2.1%)

##### Active App users

**4.3m** (21/22: +40%)

##### Omni - Channel net promoter score

To align with our strategic priorities, Digital and Store NPS metrics have been replaced with a single Omni-channel NPS measure to track customer satisfaction as they shop across channels.

**+39** (New metric)

## STRATEGIC REPORT

## FINANCIAL REVIEW

## FINANCIAL SUMMARY

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 21/22 % £m
Group statutory revenue	11,847.1	10,885.1	8.8%
Group sales	11,903.8	10,909.0	9.1%
UK Food	7,133.8	6,639.6	7.4%
UK Clothing & Home	3,715.0	3,332.2	11.5%
International	1,055.0	937.2	12.6%
Group operating profit/(loss) before adjusting items	644.1	695.1	-7.3%
UK Food	236.0	277.8	-15.0%
UK Clothing & Home	323.8	330.7	-2.1%
International	84.8	73.6	15.2%
All other segments	(0.5)	13.0	-103.8%
Interest payable on lease liabilities	(110.7)	(115.6)	-4.2%
Net financial interest	(29.5)	(70.5)	-58.2%
Profit before tax & adjusting items	503.9	509.0	-1.0%
Adjusting items	(71.3)	(104.3)	-31.6%
Profit before tax	432.6	404.7	6.9%
Profit after tax	322.8	323.1	-0.1%

**Notes:**

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

In the prior period, we introduced a new APM: 'sales'. All references to sales throughout this document are statutory revenue plus the gross value of consignment sales excluding VAT. Where third-party branded goods are sold on a consignment basis, only the commission receivable is included in statutory revenue. This measure was introduced given the Group's focus on launching and growing third-party brands and is consistent with how the business performance is reported and assessed by the Ultimate Parent Company's Board and the Executive Committee.

## GROUP RESULTS

Group sales were £11,903.8m. This was an increase of 9.1% versus 21/22, driven by Clothing & Home sales up 11.5%, Food sales up 7.4% and International sales up 12.6%. Statutory revenue in the period was £11,847.1m, an increase of 8.8% versus 21/22.

The Group generated a profit before tax and adjusting items of £503.9m, compared with £509.0m in the prior year. The Group benefited from Covid-related UK business rates relief of £59.8m in 21/22, which was not repeated in 22/23.

Adjusting items were a net charge of £71.3m, compared with a charge of £104.3m in the prior year. For full details on adjusting items and the Group's related policy, read more on notes 1 and 5 to the financial information.

As a result the Group generated a statutory profit before tax of £432.6m, compared with £404.7m in the prior year.

## UK: FOOD

UK Food sales increased by 7.4%, underpinned by strong performance of hospitality and franchise sales, following Covid restrictions in the prior year.

% change vs 21/22	Q1	Q2	Q3	Q4	FY
Food <sup>1</sup>	6.6	4.5	7.8	10.8	7.4
Food like-for-like sales	3.4	2.5	6.3	9.2	5.4

<sup>1</sup> UK Food sales are equal to statutory revenue.

Operating profit before adjusting items was £236.0m compared with £277.8m in 21/22, with last year's result benefitting from £24.6m of UK business rates relief.

## Marks and Spencer plc

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 21/22 %
Revenue	7,133.8	6,639.6	7.4
Operating profit before adjusting items	236.0	277.8	-15.0
Operating margin	3.3%	4.2%	-90 bps

The table below sets out the drivers of the movement in Food operating profit margin before adjusting items year on year.

Operating profit before adjusting items	%
21/22	4.2
Gross margin	(1.1)
Store staffing	0.5
Other store costs	(0.1)
Distribution and warehousing	(0.2)
Central costs	0.1
22/23	3.3

- Gross margin declined 110bps, largely as a result of investment in trusted value..
- Store staffing costs decreased 50bps. Colleague pay increases were largely offset by retail efficiencies and sales growth.
- Other store costs increased 10bps, with a 40bps adverse impact from the receipt of business rates relief in the prior year, and additional energy cost headwinds.
- Distribution and warehousing costs increased 20 bps. The increase largely reflects pay and inflation increasing faster than sales.
- Central costs decreased 10bps due to sales leverage, despite additional technology investments in store and trials of the new forecasting, ordering and allocation system.

## UK: CLOTHING & HOME

Clothing & Home sales increased 11.5% with continued recovery of store sales, which are now above pre-Covid levels, and a robust performance by the online business.

% change	Q1	Q2	Q3	Q4	FY
Clothing & Home sales	18.2	10.3	8.8	10.2	11.5
Clothing & Home like-for-like sales	17.6	10.2	8.6	9.6	11.2
Clothing & Home stores sales	24.3	14.0	12.8	9.8	14.9
Clothing & Home online sales	7.0	2.9	0.7	11.1	4.8
Clothing & Home statutory revenue	16.7	9.6	7.1	10.8	10.6

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

### Online

52 weeks ended	1 Apr 23	2 Apr 22	Change vs 21/22 %
Traffic (m) <sup>1</sup>	446.5	405.7	10.1
Conversion (%) <sup>2</sup>	6.7	7.0	-30 bps
Average order value (£)	58.6	55.4	5.8
Returns rate (%) <sup>3</sup>	29.5	25.6	390 bps
Sales ex VAT £m	1,176.4	1,122.7	4.8

1. Traffic: the number of site visits to M&S.com and the app.

2. Conversion: the number of orders as a % of the number of site visits.

3. Prior year number restated due to basis of calculation. Returns rate represents returns on despatch sales.

Following strong performance last year, online sales remained solid with growth throughout the year despite a tough market backdrop. Average order value grew almost 6% reflecting higher average selling prices, partly driven by mix.

The online returns rate increased year-on-year due to the growth of third-party brands which have a higher returns rate and a reversion in product mix and customer behaviour. Store returns rates reduced, with fitting rooms now reopened post pandemic.

# Marks and Spencer plc

## Stores

52 weeks ended	1 Apr 23	2 Apr 22	Change vs 21/22 %
Footfall, m (average/week)	4.5	4.0	12.5
Transactions, m (average/week)	1.8	1.7	5.9
Average basket value inc VAT pre returns (£)	37.4	34.9	7.2
<b>Sales ex VAT £m</b>	<b>2,538.6</b>	<b>2,209.5</b>	<b>14.9</b>

UK Clothing & Home store sales increased 14.9%, with all clothing store formats seeing an improvement in sales year-on-year, also supported by higher average selling prices and mix. Average weekly footfall was up 12.5% following Covid restrictions lifting during Q1 last year, contributing to an increase in transactions.

## Total Clothing & Home

Operating profit before adjusting items was £323.8m compared with £330.7m in 21/22, with last year's result benefitting from £35.2m of UK business rates relief.

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 21/22 %
Statutory revenue	3,658.3	3,308.3	10.6
Sales	3,715.0	3,332.2	11.5
<b>Operating profit before adjusting items</b>	<b>323.8</b>	<b>330.7</b>	<b>-2.1</b>
<b>Adjusted operating margin</b>	<b>8.7%</b>	<b>9.9%</b>	<b>-120 bps</b>

The overall Clothing & Home adjusted operating margin decreased by c.120bps (20bps excluding rates relief). Within this, gross margin decreased 290bps, although this was partly offset by lower operating costs as a percent of sales, as sales grew faster than costs.

Within gross margin, bought-in margin declined c.200bps. Sourcing, freight and in-year currency related cost pressures, particularly in H2, were not fully offset by pricing activity.

In addition, as expected, promotional mix normalised and, third-party brands grew, diluting margin by c.30bps.

Total adjusted operating costs increased 7.6%, with growth of 5.2% adjusted for business rates relief. Pay and inflation related costs such as energy contributed 4% to cost growth, while space, volume and channel mix contributed 3% and investments were made in digital development, the growth of third-party brands and marketing. These were partly offset by efficiencies of c.3%, including store staffing.

The table below sets out the drivers of the movement in Clothing & Home operating profit before adjusting items for the total segment and by channel.

- Gross margin decreased 290bps, although this was partly offset by lower operating costs as a percent of sales as sales grew faster than costs. Within gross margin, bought-in margin declined c.200bps. Sourcing, freight and in-year currency related cost pressures, particularly in H2, were not fully offset by pricing activity. In addition, as expected, promotional mix normalised and, third-party brands grew, diluting margin by c.30bps.
- Store staffing costs decreased 60bps. Colleague pay increases were more than offset by retail efficiencies and sales growth.
- Other store costs were level. There was a 100bps adverse impact from the receipt of business rates relief in the prior year, which was offset by the effects of sales growth.
- Distribution and warehousing costs improved 110bps due to sales growth and channel mix, which more than offset pay inflation.
- Central costs were level as a percentage of sales despite significant additional digital investments including website front end development and increased personalisation.

	Total %	Stores %	Online %
<b>Operating profit margin before adjusting items</b>			
<b>21/22</b>	<b>9.9</b>	<b>10.3</b>	<b>9.1</b>
Gross margin	(2.9)	(2.1)	(4.5)
Store staffing	0.6	0.9	0.4
Other store costs	0.0	0.4	0.1
Distribution and warehousing	1.1	0.8	0.9
Central Clothing & Home costs	0.0	0.1	(0.9)
<b>22/23</b>	<b>8.7</b>	<b>10.4</b>	<b>5.0</b>

As outlined above, store margin increased, largely due to strong sales growth. Online margin was adversely impacted due to slower sales growth, product mix and digital investments.



## INTERNATIONAL

Total International sales increased 11.2% at constant currency. Store sales grew 14% as the business recovered from lockdown in several markets in Q1 of the prior year. Online sales were up 5% led by India and growth through European marketplaces in H2.

Sales excluding the Republic of Ireland were up 15.1% at constant currency, driven by Clothing & Home sales in India and continued robust demand from partners in the Middle East. Trading in Europe was adversely impacted by the closure of operations in Russia and France. Sales growth in the Republic of Ireland was robust despite continuing EU border related headwinds in Food.

52 weeks ended	1 Apr 23 £m	2 Apr 22 £m	Change vs 21/22 %	Change vs 21/22 CC%
Total sales	1,055.0	937.2	12.6	11.2
<i>Memo: Sales excl. Republic of Ireland</i>	741.0	637.8	16.2	15.1
Operating profit before adjusting items	84.8	73.6	15.2	16.2
<i>Adjusted operating margin</i>	8.0%	7.9%	10bps	30bps
<i>Memo: Operating profit before adjusting items excl. Republic of Ireland</i>	67.9	58.2	16.7	18.6

Total International operating profit before adjusting items was up 15.2% to £84.8m, with adjusted operating margin up 10bps to 8.0%. This was largely driven by growth in markets excluding the Republic of Ireland.

Gross margin decreased by 20bps, driven by a reduced Clothing & Home gross margin in the Republic of Ireland. Operating costs increased 11.6% but reduced as a percent of sales. The increase in operating costs was largely driven by the business returning to a fully operational state following Covid related lockdowns in Q1 last year. In addition, pay and energy related cost inflation was absorbed in owned markets.

## M&S BANK & SERVICES

M&S Bank and Services generated a loss before adjusting items of £0.5m, as compared with profit of £13.0m in 21/22. Deterioration of the forward macro-economic environment guidance drove the need for higher bad debt provision resulting in insufficient profits to generate a profit share payment.

## NET FINANCE COST

	1 Apr 23 £m	2 Apr 22 £m	Change vs 21/22 £m
Interest payable	(76.9)	(85.1)	8.2
Interest income	28.4	9.6	18.8
<b>Net interest payable</b>	<b>(48.5)</b>	<b>(75.5)</b>	<b>27.0</b>
Pension net finance income	28.7	13.2	15.5
Unwind of discount on Scottish Limited Partnership liability	(4.3)	(4.4)	0.1
Unwind of discount on provisions	(5.4)	(3.8)	(1.6)
<b>Net financial interest</b>	<b>(29.5)</b>	<b>(70.5)</b>	<b>41.0</b>
<b>Net interest payable on lease liabilities</b>	<b>(110.7)</b>	<b>(115.6)</b>	<b>4.9</b>
<b>Net finance costs</b>	<b>(140.2)</b>	<b>(186.1)</b>	<b>45.9</b>

Net finance costs decreased £45.9m to £140.2m. This was driven by higher average interest rates on cash balances and higher pension income from a larger opening pension surplus balance. In addition, interest expense reduced as a result of the partial buy-back of the 2023 and 2025 bonds.

## GROUP PROFIT BEFORE TAX &amp; ADJUSTING ITEMS

Group profit before tax and adjusting items was £503.9m, down 1.0% on 21/22. The profit decrease was largely due to declines in Food and Clothing and Home, offset by an increase in International operating profit and reduced interest. UK profits in the prior year benefitted from £59.8m business rates relief.

## GROUP PROFIT BEFORE TAX

Group profit before tax was £432.6m (21/22: £404.7m). This includes net charges for adjusting items of £71.3m (21/22: £104.3m).

## ADJUSTING ITEMS

The Group makes certain adjustments to statutory profit measures in order to derive alternative performance measures (APMs) that provide stakeholders with additional helpful information and to aid comparability of the performance of the business. For further detail on these charges/gains and the Group's policy for adjusting items, please see notes 1 and 5 to the financial statements.

	52 weeks ended 1 Apr 23 £m	52 weeks ended 2 Apr 22 £m	Change vs 21/22 £m
Strategic programmes – UK store estate	(51.3)	(161.4)	110.1
Strategic programmes – Structural simplification	(12.3)	-	(12.3)
Strategic programmes – Organisation	(10.7)	14.3	(25.0)
Strategic programmes – UK logistics	(10.5)	21.9	(32.4)
Strategic programmes – International store closures and impairments	-	0.4	(0.4)
Store impairments, reversals and other property charges	15.1	60.0	(44.9)
M&S Bank charges incurred in relation to insurance mis-selling provisions	(2.0)	(16.0)	14.0
Franchise restructure	0.4	(41.3)	41.7
Directly attributable gains resulting from the Covid-19 pandemic	-	17.8	(17.8)
<b>Adjusting items</b>	<b>(71.3)</b>	<b>(104.3)</b>	<b>33.0</b>

Adjusting items net charges incurred in the period were £71.3m. These included:

A charge of £51.3m in relation to UK store estate rotation plans. This reflects a revised view of latest store exit routes, assumptions, estimated closure costs, charges relating to the impairment of buildings, fixtures and fittings, and accelerated depreciation.

A charge of £12.3m for structural simplification of the organisation, which has resulted in a reduction of c.600 roles across support centres, management and stores, with the charge reflecting the associated redundancy and exit costs.

A non-cash charge of £10.7m within organisation relating to updated assumptions regarding the sub-let of previously closed Merchant Square offices.

A net charge of £10.5m for UK logistics, reflecting estimated costs of closure relating to the announced closure of a further distribution centre in 23/24, as part of the previously announced programme to transition to a single-tier UK distribution network.

## Marks and Spencer plc

A non-cash net credit of £15.1m in relation to UK and International store impairments, driven by revised future cash flow projections in relation to the carrying value of stores.

Charges of £2.0m have been incurred relating to M&S Bank, primarily due to the insurance mis-selling provision.

In 21/22, the Group announced the restructure of its franchise operations in France. Following finalisation of costs, £0.4m of the provision has been released, with no future costs currently expected.

### TAXATION

The effective tax rate on profit before tax and adjusting items was 25.2% (21/22: 18.7%). This was higher than the UK statutory tax rate primarily due to the impact of the recapture of tax relief on distributions to the Scottish Limited Partnership (SLP), which have resumed in the year.

The effective tax rate on statutory profit before tax was 25.4% (21/22: 20.2%). This is higher than the effective tax rate on profit before adjusting items due to the impact of non-taxable adjusting items.

In 23/24 we expect the effective tax rate on profit before tax and adjusting items to increase to c.31-32%, largely as a result of the increase in the UK corporation tax rate.

## CASH FLOW

	1 Apr 23 £m	2 Apr 22 £m	Change vs 21/22 £m
<b>Operating profit</b>	<b>572.8</b>	<b>590.8</b>	<b>(18.0)</b>
Adjusting operating profit items	71.3	104.3	(33.0)
<b>Adjusted operating profit</b>	<b>644.1</b>	<b>695.1</b>	<b>(51.0)</b>
Depreciation and amortisation before adjusting items	509.3	510.7	(1.4)
Cash lease payments	(346.9)	(344.3)	(2.6)
Working capital	52.9	239.7	(186.8)
Defined benefit scheme pension funding	(36.8)	(36.8)	-
Capex and disposals	(403.9)	(213.5)	(190.4)
Financial interest	(64.3)	(79.9)	15.6
Taxation	(70.6)	(7.7)	(62.9)
Employee related share transactions	37.9	38.8	(0.9)
Adjusting items outflow	(57.3)	(61.8)	4.5
Loans to associates	-	(1.0)	1.0
Movement in parent company and fellow subsidiaries of the parent company loans	(209.5)	0.3	(209.8)
<b>Free cash flow from operations</b>	<b>54.9</b>	<b>739.6</b>	<b>(684.7)</b>
Acquisitions, investments and divestments	(4.0)	(6.6)	2.6
<b>Free cash flow</b>	<b>50.9</b>	<b>733.0</b>	<b>(682.1)</b>
Dividends paid	-	(33.8)	33.8
<b>Free cash flow after shareholder returns</b>	<b>50.9</b>	<b>699.2</b>	<b>(648.3)</b>
<b>Opening net debt excluding lease liabilities</b>	<b>(420.1)</b>	<b>(1,110.0)</b>	<b>689.9</b>
Free cash flow after shareholder returns	50.9	699.2	(648.3)
Exchange and other non-cash movements excluding leases	0.5	(9.3)	9.8
<b>Closing net debt excluding lease liabilities</b>	<b>(368.7)</b>	<b>(420.1)</b>	<b>51.4</b>
<b>Opening net debt</b>	<b>(2,698.8)</b>	<b>(3,515.9)</b>	<b>817.1</b>
Free cash flow after shareholder returns	50.9	699.2	648.3
Decrease in lease obligations	225.4	216.0	9.4
New lease commitments and remeasurements	(235.3)	(100.6)	(134.7)
Exchange and other non-cash movements	36.5	2.5	34.0
<b>Closing net debt</b>	<b>(2,621.3)</b>	<b>(2,698.8)</b>	<b>77.5</b>

The business generated free cash flow from operations of £54.9m, reducing year on year. This was driven by lower operating profit as a result of business rates relief in 21/22, prior year working capital inflows, increased capital expenditure (detailed below), and tax payments.

Prior year working capital inflows were partly a result of changes to payment terms for Clothing & Home suppliers during the pandemic, which are partially reversing as Clothing & Home shifts back towards pre-Covid terms. The outflow was lower than anticipated due to the phasing of payables over year end.

Defined benefit scheme pension funding of £36.8m reflects the agreed SLP interest distribution to the pension scheme.

Increased taxation was principally due to the resumption of UK corporation tax payments in the period.

Adjusting items in cashflow includes £26.4m relating to the exit of the Russian franchise business, £22.8m relating to the UK store estate strategy, £5.2m related to structural simplification and £2.0m relating to the M&S Bank insurance mis-selling provisions.

Movement in parent company and fellow subsidiaries of the parent company loans were driven principally by an intra-group funding arrangement relating to the acquisition of Gist Limited by a fellow subsidiary.

The business generated free cashflow of £50.9m, resulting in a further reduction of net debt.

## CAPITAL EXPENDITURE

	52 weeks ended 1 Apr 23 £m	52 weeks ended 2 Apr 22 £m	Change vs 21/22 £m
UK store remodelling	70.5	50.1	20.4
New UK stores	55.0	49.9	5.1
International	28.9	18.2	10.7
Supply chain	30.3	28.6	1.7
IT and M&S.com	109.5	68.2	41.3
Property asset replacement	102.1	85.2	16.9
<b>Capital expenditure before property acquisitions and disposals</b>	<b>396.3</b>	<b>300.2</b>	<b>96.1</b>
Property acquisitions and disposals	(1.1)	(43.9)	42.8
<b>Capital expenditure</b>	<b>395.2</b>	<b>256.3</b>	<b>138.9</b>
Movement in capital accruals and other items	8.7	(42.8)	51.5
<b>Capex and disposals as per cashflow</b>	<b>403.9</b>	<b>213.5</b>	<b>190.4</b>

Group capital expenditure before property acquisitions and disposals increased £96.1m to £396.3m due to increased investment in technology, store remodelling and property asset replacement.

UK store remodelling costs reflects 31 Food renewals and upgrades to Clothing & Home space in several full line stores.

Spend on new UK stores primarily related to the opening of 3 full line and 6 Food stores and one Food extension.

Supply chain expenditure reflects investment in the underlying base food infrastructure together with spend on upgrading vehicles.

IT and M&S.com spend includes technology replacement and upgrades in stores, continued investment in website development and investment in Food planning systems.

Property asset replacement has increased in the current year, primarily driven by the resumption of investment following the pandemic. This includes roof works and replacement of fridges, freezers, boilers, lifts and escalators.

Prior year disposals include receipts from the sale of two warehouses.

The movement in capital accruals and other items is driven by landlord contributions partially offset by an increase in capital accruals as capex spend normalises post pandemic.

## NET DEBT

Group net debt decreased by £77.5m compared to 21/22, driven by free cash flow from operations.

The composition of Group net debt is as follows:

	1 Apr 23 £m	2 Apr 22 £m	Change vs 21/22 £m
Cash and cash equivalents	1,055.2	1,197.9	(142.7)
Medium Term Notes	(1,346.4)	(1,529.5)	183.1
Current financial assets and other	44.3	99.4	(55.1)
Partnership liability to the UK DB pension fund	(121.9)	(187.9)	66.0
<b>Net debt excluding lease liabilities</b>	<b>(368.8)</b>	<b>(420.1)</b>	<b>51.3</b>
Lease liabilities	(2,252.5)	(2,278.7)	26.2
– Full-line stores	(909.2)	(919.5)	10.3
– Simply Food stores	(673.1)	(712.8)	39.7
– Offices, warehouses and other	(465.5)	(449.5)	(16.0)
– International	(204.7)	(196.9)	(7.8)
<b>Group net debt</b>	<b>(2,621.3)</b>	<b>(2,698.8)</b>	<b>77.5</b>

The Medium Term Notes include five bonds, with maturities out to 2037, and the associated accrued interest. During the period part of the 2023 and 2025 bonds were repurchased, reducing near-term liquidity draws. The USD 300m 2037 bond is valued by reference to the embedded exchange rate in the associated cross currency swaps. During the year these swaps were reset and the embedded mark to market value realised resulting in an increased value of the debt. The full breakdown of maturities is as follows:

Bond and maturity date	Value (£m)
Dec 2023, GBP	185.3
Jun 2025, GBP	330.0
May 2026, GBP	298.9
Jul 2027, GBP	248.6
Dec 2037, USD	251.8
<b>Total principal value</b>	<b>1,314.6</b>
Other	31.8
<b>Total carrying value</b>	<b>1,346.4</b>

Full-line store lease liabilities include £192.2m relating to stores identified as part of the UK store estate strategic programme. Of the remaining full-line stores lease liability, the liability-weighted average lease length to break is c.21 years. However, these average lease lengths are skewed by five particularly long leases on stores which are trading well in locations where the Group intends to remain. Excluding these five leases, the average term to break of leases outside the programme is c.16 years.

Simply Food store lease liabilities include £26.3m relating to stores identified as part of the UK store estate strategic programme. Of the remaining lease liability, the average lease length to break is c.10 years.

Within offices, warehouses and other lease liabilities, £143.0m relates to the sublet lease on the Merchant Square offices in central London, which is part of the strategic programme, organisation. Average lease length of all other offices and warehouses to break is c.8 years.

International leases relate primarily to India (c.£99m) and Ireland (c.£62m). Average lease length to break in India is close to nil, as the majority of these leases are past the break point, and so we have the flexibility to exit these at any time on several months' notice. Average length to lease break or expiry in Ireland is c.8 years.

## PENSION

At 1 April 2023, the IAS 19 net retirement benefit surplus was £477.4m (21/22: £1,038.2m). There has been a decrease of £560.8m from the start of the year largely driven by an increase in gilt yields.

The pension scheme is fully hedged for movements in gilt yields. However, on an IAS 19 basis there is an inherent basis risk to the scheme valuation, with the pension assets moving with underlying movements in rates and scheme liabilities exposed to the movement in corporate bonds yields. In a normal period, this always results in some dislocation between movements in the scheme assets and liabilities. However, the increase in gilt yields in the year led to a larger dislocation. Nevertheless, there has been no material worsening of the scheme's overall funding position and the scheme remains fully funded on a technical provisions basis.

## Marks and Spencer plc

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

### MARKS AND SPENCER SCOTTISH LIMITED PARTNERSHIP

Marks and Spencer plc is a general partner of the Marks and Spencer Scottish Limited Partnership, with the UK defined benefit pension scheme, which is a limited partner. The Partnership holds £1.3bn (last year: £1.3bn) of properties at book value which have been leased back to Marks and Spencer plc. The first limited Partnership interest held by the scheme entitles it to receive £73.0m in 2023 and £54.4m in 2024 and is included as a financial liability in the financial statements as it is a transferable financial instrument. The second Partnership interest held by the scheme, entitles it to receive a further £36.4m annually from June 2017 until June 2031. It is not a transferable financial instrument, so the associated liability is not included on the Group's statement of financial position, rather the annual distribution is recognised as a contribution to the scheme each year.

### LIQUIDITY

At 1 April 2023, the Group held cash and cash equivalents of £1,055.2m (21/22: £1,197.9m). In the period, as part of its approach to liability management, the Group bought back c.£190m of bonds due for maturity in 2023 and 2025.

The Group currently has an unused £850m revolving credit facility which is due to expire in June 2026 on terms linked to delivery of its net zero roadmap. With the facility undrawn, the Group has liquidity headroom of £1.9bn.

### DIVIDEND

Dividends of £nil were paid to Marks and Spencer Group plc during 22/23. Last year, dividends of £33.8m were paid as part of an intra-group funding arrangement.

### STATEMENT OF FINANCIAL POSITION

Net assets were £4,682.1m at the period end, a decrease of 3.0% since the start of the year largely due to the decrease in the IAS 19 pension surplus, partially offset by profits.

## PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks and uncertainties have been assessed in accordance with the methodology outlined on pages 56 – 57 of the Marks and Spencer Group plc Annual Report 2023 which allows the business to remain flexible and respond to a dynamic risk landscape.

### Risk movement



No change





Increased net risk exposure





New/evolving risk







Reduced net risk exposure

RISK	DESCRIPTION & CONTEXT	MITIGATING ACTIVITIES & KEY DEVELOPMENTS
1	<p><b>AN UNCERTAIN TRADING ENVIRONMENT</b></p> <p> The business continues to operate in an environment impacted by an increasingly complex set of external factors. The ongoing cost-of-living crisis, the invasion in Ukraine and continued consequences of the pandemic, along with the potential for further geopolitical and economic uncertainties have combined to create a difficult and unpredictable trading environment which could negatively impact performance.</p> <p><b>Context</b></p> <p>The broader context of this risk is detailed on page 58 of Marks and Spencer Group plc Annual Report 2023. While not repeated in full, key aspects impacting this risk include:</p> <ul style="list-style-type: none"> <li>- cost of goods inflation (including foreign exchange movements);</li> <li>- energy price volatility;</li> <li>- increasing interest rates;</li> <li>- the impact of industrial action;</li> <li>- structural instability in the global financial system;</li> <li>- a potential decline in consumer spending; and</li> <li>- supplier resilience and viability.</li> </ul> <p>Operational oversight by the Ultimate Parent Company's Board and Executive Committee.</p>	<p><b>MITIGATING ACTIVITIES</b></p> <ul style="list-style-type: none"> <li>- Strong, varied and complementary senior leadership team capabilities.</li> <li>- An established operating model consisting of a family of accountable businesses who share M&amp;S brand values, support functions, technology and customer data.</li> <li>- A three-year plan maintained to remain relevant to the current challenges, including an effective budgeting process, incorporating sensitivity analysis to anticipate the impact of external uncertainty.</li> <li>- Formal operating reviews enabling effective executive oversight, governance and alignment of each business.</li> <li>- Prioritised focus and discipline across the business on cost, range, trusted value and availability.</li> <li>- Effective business continuity and crisis management processes to respond to issues as they arise.</li> <li>- A proactive, structured supplier engagement programme to anticipate and support management of escalating business-critical issues such as cost inflation.</li> <li>- Frequently reviewed policy and procedure framework aligned to risk appetite in key risk areas such as foreign exchange, energy and interest rate management.</li> </ul>
2	<p><b>BUSINESS TRANSFORMATION</b></p> <p> Ongoing business transformation is dependent on our ability to prioritise capital spend and resources to accelerate and successfully implement the suite of critical strategic projects to deliver our medium- and longer-term growth ambitions.</p> <p><b>Context</b></p> <p>The business continues to manage a number of significant change programmes that underpin our transformation objectives. These include:</p> <ul style="list-style-type: none"> <li>- modernising our supply chain and logistics operations;</li> <li>- improving our IT infrastructure, underlying systems and digital capabilities;</li> <li>- reshaping and modernising our UK store estate;</li> <li>- delivering a compelling omni-channel experience; and</li> <li>- transitioning the business to a simpler and more cost-effective structure.</li> </ul> <p>While each initiative is individually significant and has its own set of inherent risks, the aggregate impact of</p>	<p><b>MITIGATING ACTIVITIES</b></p> <ul style="list-style-type: none"> <li>- Transformation programmes aligned to the business strategy and prioritised as part of our three-year planning process.</li> <li>- Ultimate Parent Company's Board approved risk appetite statements aligned to our key initiatives.</li> <li>- Transformation programmes underpinned by bespoke delivery plans and leadership-led governance structures.</li> <li>- Dedicated strategy and transformation roles to support focus and track delivery of the programmes.</li> <li>- Programme governance principles applied for core projects, with clear accountabilities and milestones.</li> <li>- The implementation of specific Strategy &amp; Transformation leadership reporting, including ongoing benefits tracking in line with spend targets and value outcomes.</li> <li>- Periodic reporting on key business and functional initiatives to the Audit &amp; Risk Committee.</li> </ul>




RISK	DESCRIPTION & CONTEXT	MITIGATING ACTIVITIES & KEY DEVELOPMENTS
	<p>simultaneously delivering these challenging projects creates further risks to successful implementation.</p> <p>Oversight by Executive Committee and, where appropriate, supporting sub-committees</p>	
3	JOINT VENTURE INVESTMENTS	MITIGATING ACTIVITIES
	<p>Successful achievement of any joint venture's long-term performance is inherently complex due to the ownership structure and the need to align different shareholder perspectives.</p> <p><b>Context</b></p> <p>The value of the Ultimate Parent Group's investment in Ocado Retail Limited (ORL), achievement of our multi-channel food strategy, protection of our brand and delivery of anticipated trading performance is dependent on maintaining effective strategic and operational relationships with both ORL and Ocado Group.</p> <p>Similarly, linked to the planned growth of global sales, business performance in India will be shaped by the ability to maintain strategic alignment and harmonised ways of working with Reliance Industries.</p> <p>Oversight by Ocado Retail Board and M&amp;S Reliance Board</p>	<ul style="list-style-type: none"> <li>- M&amp;S nominated directors form part of the JV boards at ORL and M&amp;S Reliance (MSR), with collaborative sign-off on strategic and investment plans directing the growth of the business such as: <ul style="list-style-type: none"> <li>- expanding the M&amp;S range at Ocado Retail and optimising the national footprint of customer fulfilment centres; and</li> <li>- to maintain store opening plans in India.</li> </ul> </li> <li>- Appropriately aligned operational and people structures, for example: <ul style="list-style-type: none"> <li>- a dedicated M&amp;S Ocado delivery team to coordinate sourcing, product development, ranging, customer data and marketing; and</li> <li>- oversight from our International leadership team and/or secondments of UK resources to support activities at MSR in India.</li> </ul> </li> <li>- Monitoring of internal audit and risk management processes at JVs by the Audit &amp; Risk Committee.</li> </ul>
4	BUSINESS CONTINUITY AND RESILIENCE	MITIGATING ACTIVITIES
	<p>A major operational or resilience failure at a key business location, including any of our key global sourcing or supply locations (such as Bangladesh and China), at Castle Donington (our primary online Clothing &amp; Home distribution centre), in our food supply chain or logistics operations, or at a critical third party outsourced provider could result in business interruption.</p> <p>More broadly, an inability to effectively respond to large, disruptive global events (such as the pandemic, geopolitical tensions, trade sanctions or natural disasters) or national issues (such as industrial action) could also impact trading performance.</p> <p><b>Context</b></p> <p>The business has continued to demonstrate resilience throughout the full range of recent externally driven events and economic uncertainties. However, risks to business continuity remain, such as:</p> <ul style="list-style-type: none"> <li>- a sustained period offline or an inability to fulfil online orders due to a major incident at Castle Donington;</li> <li>- the loss of, or major disruption at dedicated warehouses in the UK or overseas, at primary supply countries, or at support facilities (such as IT);</li> <li>- dependency on key third parties means that significant incidents and long-term resilience issues for our suppliers could also impact our own operations;</li> <li>- a major issue impacting one or more of our significant franchise partnerships, either domestically or internationally, could impact future performance and growth;</li> <li>- unexpected or unplanned shortage of ingredients or materials as a result of external events (such as animal disease or inclement weather) could affect the quantity and quality of our products;</li> <li>- continued industrial action in the UK; and</li> </ul>	<ul style="list-style-type: none"> <li>- An experienced Business Continuity (BC) team with established Group crisis and incident management processes.</li> <li>- Risk-based BC assessments for stores, sourcing offices and warehouses along with validation of key supplier arrangements and disaster recovery plans for technology infrastructure.</li> <li>- Up-to-date BC plans for key activities and scenarios across our operations, including offices, warehouses and IT sites that evolve in response to new threats.</li> <li>- Proactive testing of plans for key scenarios, with support from critical third parties where needed.</li> <li>- A digital platform to support the BC governance programme.</li> <li>- Active engagement with external organisations including the Retail BC Association, government-led forums and membership of the National Counter Terrorism Information Exchange.</li> </ul>

RISK	DESCRIPTION & CONTEXT	MITIGATING ACTIVITIES & KEY DEVELOPMENTS
	<p>- future unknown/new Covid variants or similar widespread health events.</p> <p>Oversight by Executive Committee and Crisis Management Team</p>	
5	PRODUCT SAFETY AND INTEGRITY	MITIGATING ACTIVITIES
	<p>A failure to prevent and/or effectively respond to a major food or product safety incident, or to maintain product integrity, could impact customer confidence in our brand and business performance.</p> <p><b>Context</b> The safety of our products – food and all other product categories – remains vital for our business. We need to manage the potential risks to customer health, safety and consumer confidence that face all retailers.</p> <p>In doing this, along with maintaining effective internal processes for managing product safety, the business remains focused on how external pressures on the food, clothing and homeware industries could impact the availability, quality, provenance and integrity of our products. These include:</p> <ul style="list-style-type: none"> <li>- animal disease;</li> <li>- inflationary pressure;</li> <li>- the impact of the invasion of Ukraine;</li> <li>- cross-border regulatory divergence;</li> <li>- climate related events; and</li> <li>- the related pressures in the supply chain.</li> </ul> <p>Oversight by Executive Committee, Group Safety Committee and Consumer Brand Protection Committee</p>	<ul style="list-style-type: none"> <li>- Group-wide assessment of all safety risks, with allocated Executive and business ownership.</li> <li>- Safety Policy and Compliance Standards, Terms of Trade and product safety specifications with clear accountability, including for overseas requirements and within contracts with third party brands.</li> <li>- Established governance, assurance and risk management processes to monitor and support the safety and integrity of our products, such as: <ul style="list-style-type: none"> <li>- risk-based store, supplier and warehouse audit programmes, including for our franchise operations;</li> <li>- monitoring of product quality and customer complaints with corrective action taken where required; and</li> <li>- crisis management planning for safety incidents.</li> </ul> </li> <li>- Qualified Food and Product Technology teams with access to external experts where required.</li> <li>- Regular engagement with expert bodies to understand and respond to changes in safety standards.</li> </ul>
6	TALENT, CULTURE AND CAPABILITY	MITIGATING ACTIVITIES
	<p>The ongoing success of the business is dependent upon an ability to: attract, retain and develop the right talent, skills and capabilities; achieve cultural change to support efficient and effective working; meet the financial and wellbeing expectations of our colleagues; respond to labour cost pressures; and work collaboratively with our Business Involvement Group and unions.</p> <p>Any shortfall in executing against these objectives could impact the delivery of core operational activities and longer-term strategy, including aspects of our transformation programme.</p> <p><b>Context</b> The business employs more than 64,000 talented and passionate people and remains an attractive brand to future colleagues. However, key challenges exist due to ongoing pressures:</p> <ul style="list-style-type: none"> <li>- managing our investment in competitive pay for colleagues in an inflationary environment;</li> <li>- a tight labour market in specialist areas, including digital, technology and data science;</li> <li>- integrating the Gist workforce following the Ultimate Parent Group's acquisition of our logistics partner;</li> <li>- adapting to a post-pandemic hybrid working model;</li> <li>- demonstrating a cultural alignment in areas such as sustainability, diversity and ethical values; and</li> <li>- maintaining investment in modern technology and underpinning processes to support a high performance culture.</li> </ul>	<ul style="list-style-type: none"> <li>- Continued investment in pay and wellbeing benefits, supported by external benchmarking.</li> <li>- Investment in internal and external talent to strengthen capability in key roles, develop future leaders and drive internal career progression, including: <ul style="list-style-type: none"> <li>- an established colleague skills framework to support performance, development and progression;</li> <li>- maintenance of succession plans for key roles;</li> <li>- delivery of improvements in core people management systems and processes to drive consistency and improve decision-making, such as performance management; and</li> <li>- continued focus on driving digital literacy and capability building.</li> </ul> </li> <li>- A well-established Business Involvement Group which is actively involved in business-wide colleague engagement and representation at the Ultimate Parent Company's Board meetings.</li> <li>- Active monitoring of gender, ethnicity, disability and age profiles.</li> </ul>

RISK	DESCRIPTION & CONTEXT	MITIGATING ACTIVITIES & KEY DEVELOPMENTS
Oversight by Executive Committee		
7	INFORMATION SECURITY	MITIGATING ACTIVITIES
	<p>A significant or wide-reaching data breach or cyber-attack, directly or at a related third party, could adversely impact our reputation, result in legal exposure including significant fines, business disruption, loss of information for our customers, employees or business and/or loss of stakeholder and customer confidence.</p>	<ul style="list-style-type: none"> <li>- Information security and data protection policies with mandatory training for colleagues.</li> <li>- A dedicated information Security function, with multidisciplinary specialists, 24-hour security operations centre, active monitoring of our threat environment and mature incident management plan.</li> <li>- Dedicated Group Data Protection Officers team and a network of Data Protection Managers in priority business areas.</li> <li>- Access to specialist third party resources, as required.</li> <li>- Prioritised investment in response to increased security events, breaches and potential threat of cyber-attacks.</li> <li>- Focused security assurance around our digital product lifecycle, operations model and significant change activities, like omni- channel and new technologies.</li> <li>- Risk-based cyber security assurance programme, including assessment of controls in overseas locations.</li> <li>- Information security obligations included in third party contracts with a risk-based assurance programme.</li> </ul>
	Context	
	<p>The sophistication and frequency of cyber-attacks in the retail industry continue to increase, highlighting an escalating information security threat. This is further exacerbated by the increased threat of cyber warfare linked to current global uncertainties.</p>	
	<p>The profile of information security and the overall threat landscape for our business is also changing as we use data more intelligently, introduce new technology and digital solutions, transition to the cloud, enhance omni-channel experiences, adopt hybrid working, and build a broader ecosystem.</p>	
	<p>Our reliance on key third parties for selected services and/or hosting of data also exposes us to risks from vulnerabilities in their cyber and data controls.</p>	
	Oversight by Executive Committee and Data Leadership Committee	
8	CORPORATE COMPLIANCE AND RESPONSIBILITY	MITIGATING ACTIVITIES
	<p>A failure to consistently deliver against our legal and regulatory obligations or broader corporate responsibility commitments would undermine our reputation as a responsible retailer, may result in legal exposure or regulatory sanctions, and could negatively impact our ability to operate and/or remain relevant and trusted by our customers and other stakeholders.</p>	<ul style="list-style-type: none"> <li>- Code of Conduct in place and underpinned by policies and procedures in core areas.</li> <li>- Group-wide mandatory training programme for higher-risk regulatory areas, like health and safety, anti-bribery and corruption, data privacy and information security.</li> <li>- Established in-house regulatory legal team, including specialist solicitors and dedicated subject-area leaders embedded in the business.</li> <li>- Mandatory sourcing principles set and communicated to our supply base and other third parties.</li> <li>- Risk-based assurance and monitoring systems covering legal and regulatory compliance, and ethical and social considerations, including for our overseas operations and suppliers.</li> <li>- A confidential reporting line to allow colleagues and other stakeholders to report areas of concern.</li> <li>- Worker Voice programme in the Food business and transparency initiatives within Clothing &amp; Home.</li> <li>- Active monitoring of customer feedback and public sentiment on compliance and responsibility, including social media trends.</li> <li>- Proactive engagement with regulators, legislators, trade bodies and policy makers.</li> </ul>
	Context	
	<p>The increasingly broad and rigorous legal and regulatory framework for retailers creates pressure on business performance and market sentiment, requiring frequent changes or improvements in how we operate.</p>	
	<p>Changes in the external environment and challenging economic conditions also leave ethical and social responsibilities open to a heightened risk of mismanagement or exploitation, particularly through our supply chains.</p>	
	<p>The business also continues to monitor and plan for new and evolving regulatory requirements, including:</p> <ul style="list-style-type: none"> <li>- further restrictions on the promotion of goods high in fat, sugar and salt;</li> <li>- anticipated changes in UK corporate governance requirements; and</li> <li>extended producer responsibility for plastic packaging recycling targets.</li> </ul>	
	<p>Non-compliance may result in fines, criminal prosecution for M&amp;S or colleagues, litigation, investment to rectify breaches, disruption or cessation of business activity, as well as impact our reputation.</p>	
	Oversight by Executive Committee, Group Safety Committee, Consumer Brand Protection Committee, Compliance Monitoring Committee, Fraud and Loss	

RISK	DESCRIPTION & CONTEXT	MITGATING ACTIVITIES & KEY DEVELOPMENTS
	Committee, ESG Committee and Data Leadership Committee	
9	<p><b>CLIMATE CHANGE AND ENVIRONMENTAL RESPONSIBILITY</b></p> <p>Our customers, colleagues, investors and other stakeholders have expectations for the business to operate in an <i>environmentally conscious manner</i>. This includes reducing the environmental impact of our business over time, progressing towards our net zero targets (including those linked to Gist and elsewhere within our supply chain) and effectively managing the consequences of climate-related risks (such as extreme weather events). Failure to achieve this could impact our brand, future trading performance and other business costs, including financing.</p> <p><b>Context</b></p> <p>There is increasing pressure from carbon-conscious customers, investors and government bodies for the business to operate in a more environmentally conscious manner where sustainability forms a core part of decision-making. This includes our response to the growth in the circular economy, waste reduction, low-carbon products and use of recycled fabrics.</p> <p>Future business performance will therefore be impacted by our ability to effectively manage the transition to a low-carbon economy while maintaining value for our customers, particularly as they navigate the pressure of the current economic environment. Key aspects of this include:</p> <ul style="list-style-type: none"> <li>- balancing commercial decisions with environmental responsibility and regulatory requirements;</li> <li>- managing changes in customer preferences;</li> <li>- managing the potential increase in costs associated with sustainable materials, recycling and carbon pricing; and</li> <li>- further technological and regulatory interventions like developments in Taskforce on Climate-related Financial Disclosures (TCFD) requirements and potential new reporting under Taskforce on Nature-related Financial Disclosures (TNFD).</li> </ul> <p>The physical impact of climate change on the availability of raw materials and food products, the geography of the locations from which we source and operate, and the condition of our buildings will need to be managed effectively to reduce the potential impact on trade and the income statement.</p>	<p><b>MITGATING ACTIVITIES</b></p> <ul style="list-style-type: none"> <li>- Established Plan A programme with clear accountabilities for each area of the business relating to our environmental objectives.</li> <li>- Net zero targets agreed with the Ultimate Parent Company's Board, with the our 2030 corporate greenhouse gas emissions reduction target approved by the SBTi (Science Based Targets Initiative.).</li> <li>- Established product and raw material standards and processes outlining environmental and sustainability considerations for own activities and the supply chain.</li> <li>- Clothing Quality Charter and Environmental &amp; Chemical Policy in place for suppliers.</li> <li>- Business-led forums established to oversee the delivery of our carbon commitments and broader ESG risks.</li> <li>- Early engagement and planning with partners and suppliers to support their decarbonising activities.</li> <li>- Business-wide climate risk and opportunity review undertaken across all business areas, with risks and mitigations included in business and functional risk registers as appropriate.</li> </ul>
	Oversight by ESG Committee	
10	<p><b>LIQUIDITY, FUNDING AND FINANCIAL MARKETS</b></p> <p>Barriers to maintaining affordable short- and long-term funding to meet business needs or an inability to effectively manage associated risks (such as foreign exchange and/or interest rate changes) could impact our ability to transform at pace, as well as have an adverse impact on business performance and/or viability.</p> <p>Future fragility in the financial markets could also impact the business directly (such as heightening counterparty risk or restricting access to capital), or indirectly (such as triggering liquidity or funding support for the M&amp;S Pension Scheme).</p> <p><b>Context</b></p> <p>As the business continues to navigate a turbulent economic climate, focus on our liquidity and funding requirements</p>	<p><b>MITGATING ACTIVITIES</b></p> <ul style="list-style-type: none"> <li>- A £850m undrawn, revolving credit facility and £1,067.9m of cash and cash equivalents.</li> <li>- Review and refinement of our three-year plan, linked to strategic priorities, with sensitivity analysis to assess the impact of the changing economic environment.</li> <li>- Board-approved Treasury Policy, including hedging policies to assist in mitigating future fluctuations in foreign exchange and energy price volatility.</li> <li>- Strong discipline over capital allocation decisions and scrutiny and challenge of discretionary spend.</li> <li>- Focus on working capital to improve cash flow and reduce reliance on bank facilities.</li> <li>- Monitoring and stress testing of projected cash and debt capability, covenants and other rating metrics.</li> </ul>

RISK	DESCRIPTION & CONTEXT	MITGATING ACTIVITIES & KEY DEVELOPMENTS
	<p>through active management of cash, liquidity and debt remains a priority.</p> <p>Availability of, and access to, appropriate sources and levels of funding remain vital for the continued operation of business and transformation activities.</p> <p>The business is exposed to a number of movements in the financial markets that require active management. They include:</p> <ul style="list-style-type: none"> <li>- foreign exchange volatility due to the significant volumes of product sourced from overseas;</li> <li>- energy cost fluctuations relating to the operation of our estate; and</li> <li>- changes in interest rates, impacting the cost of debt.</li> </ul> <p>Our ability to repay debt and fund working capital, capital expenditures and other expenses is dependent on our operating performance, ability to generate cash and to refinance existing debt, where necessary.</p>	<ul style="list-style-type: none"> <li>- Frequent engagement and dialogue with the market and rating agencies.</li> <li>- Active monitoring and management of our pension fund commitments, including regular engagement with the Trustees.</li> </ul>
	Oversight by the Ultimate Parent Company's Board and Executive Committee	

11	EU BORDER CHALLENGES	MITGATING ACTIVITIES
	<p>The cost consequences and operational friction from the complexity of border arrangements between the UK and the European Union (EU) could impact trading performance generally and our Irish business specifically.</p> <p><b>Context</b> The business continues to manage the following challenges as a result of the UK's exit from the EU:</p> <ul style="list-style-type: none"> <li>- adhering to labelling requirements for both imports and exports to the UK and Ireland;</li> <li>- monitoring and implementing solutions for any long-term divergence of UK and EU rules that may add additional cost and complexity to the business, such as the Border Target Operating Model;</li> <li>- further increases in the cost base following the introduction of checks to inbound goods from the EU to UK and the consequent pressure on the supply chain including additional sourcing requirements and impacts on product availability; and</li> <li>- managing the consequences of introducing more locally sourced products.</li> </ul>	<ul style="list-style-type: none"> <li>- Regular engagement with the Ultimate Parent Company's Board to discuss the actions being undertaken to manage evolving border challenges by our accountable businesses.</li> <li>- Broadening our local sourcing scheme in the Republic of Ireland to expand product ranges and reduce cost.</li> <li>- Strengthening the management and accountabilities of Irish operations to support targeted mitigation of costs, including opportunities for local sourcing.</li> <li>- Operation of a virtual customs warehouse environment and implementation of an EU hub to mitigate tariff costs.</li> <li>- Continued engagement with key government departments and other external experts to represent M&amp;S views and review our mitigation strategies.</li> </ul>

Oversight by Executive Committee

## GOING CONCERN

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as set out on pages 1 to 14 as well as the Group's principal risks and uncertainties as set out on pages 15 to 20, including the downside sensitivities outlined in note 1. The directors have also considered the performance of the Group, subsequent to the period end, noting that actual performance is not adverse in relation to the forecast results. Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

The Strategic Report was approved by the Board on 4 September 2023 and signed on its behalf by



Nick Folland  
Director

# Marks and Spencer plc

## DIRECTORS' REPORT

The profit for the financial year, after taxation, amounts to £322.8m (last year £323.1m). The directors declared and paid interim dividends of £nil during 22/23 (last year: £33.8m) and have not proposed a final dividend for 22/23 (last year: £nil).

## SHARE CAPITAL

The Company's issued ordinary share capital as at 1 April 2023 comprised a single class of ordinary share. Each share carries the right to one vote at general meetings of the Company.

Details of movements in the Company's issued share capital can be found in note C18 to the financial statements on page 109.

## SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

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

- The \$300m US Notes issued by the Company to various institutions on 6 December 2007 under Section 144a of the US Securities Act contain an option such that, upon a change of control event, combined with a credit ratings downgrade, any holder of such a US Note may require the Company to prepay the principal amount of that US Note.
- The £850m Credit Agreement dated 13 December 2021 between the Company and various banks contains a provision such that, upon a change of control event, unless new terms are agreed within 60 days, the facility under this agreement will be cancelled with all outstanding amounts becoming immediately payable with interest.
- The amended and restated Relationship Agreement dated 6 October 2014 (originally dated 9 November 2004 and amended and restated on 1 March 2005 and 1 February 2012), between HSBC UK Bank plc, Marks and Spencer Financial Services plc ("M&S Bank") and the Company and relating to M&S Bank, contains certain provisions which address a change of control of the Company. Upon a change of control, the existing rights and obligations of the parties in respect of M&S Bank continue and HSBC gains certain limited additional rights in respect of existing customers of the new controller of the Company. Where a third-party arrangement is in place for the supply of financial services products to existing customers of the new controller, the Company is required to procure the termination of such arrangement as soon as practicable (while not being required to do anything that would breach such a third-party arrangement). Where a third-party arrangement is so terminated, or does not exist, HSBC has the exclusive right to negotiate proposed terms for the offer and sale of financial services products to the existing customers of the new controller by HSBC on an exclusive basis. Where the Company undertakes a re-branding exercise with the new controller following a change of control (which includes using any M&S brand in respect of the new controller's business or vice versa), HSBC may, depending on the nature of the re-branding exercise, have the right (exercisable at HSBC's election) to terminate the Relationship Agreement.

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

## DIRECTORS

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

Nick Folland

Stephen Rowe (resigned 25 May 2022)

Eoin Tonge (resigned 19 January 2023)

Jeremy Townsend (appointed 19 January 2023)

## DIRECTORS' INDEMNITIES

The Company maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its directors. The Company has also granted indemnities to each of its directors and the Company Secretary to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by Section 234 of the Companies Act 2006) were in force during the year ended 1 April 2023 and remain in force in relation to certain losses and liabilities which the directors (or Company Secretary) may incur to third parties in the course of acting as directors or Company Secretary or employees of the Company or of any associated company. Qualifying pension scheme indemnity provisions (as defined by Section 235 of the Companies Act 2006) were in force during the course of the financial year ended 1 April 2023 for the benefit of the Trustees of the Marks & Spencer UK Pension Scheme, both in the UK and the Republic of Ireland.

## BUSINESS RELATIONSHIPS AND COLLEAGUE ENGAGEMENT

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

During the year under review, the directors of the Company were also members of the Executive Committee, as Chief Finance Officer and the General Counsel & Company Secretary, of the Ultimate Parent Group. As a result of this, and of the Ultimate Parent Group's governance structure (which is outlined in the Corporate Governance Statement in the Report of the Directors on page 25), the directors of the Company have undertaken their directors' duties in relation to employees and other stakeholders together with the Ultimate Parent Group Board, for both the overall Ultimate Parent Group and for the Company specifically. This included engaging with and having due regard for employee interests and to the need to foster business relationships with

suppliers, customers and other stakeholders in decision making. This engagement, and examples of key decisions influenced by, and impacting, our colleagues, customers, suppliers and partners is summarised below:

- **Colleagues:** Our colleagues are central to our success; we cannot operate and achieve our strategic goals (set by the Ultimate Group Board and adopted by the directors of the Company) without an engaged colleague base that feels appreciated and is motivated to deliver for our customers and the business' success. We want our colleagues to feel they have an inclusive and diverse place to work with a respectful corporate culture; where they can share their views and have their colleague voice heard in decision-making. To achieve this, the chair of our Business Involvement Group (BIG) represents the collective colleague voice by attending one Ultimate Parent Group Board and one Remuneration Committee meeting during the year, while the Ultimate Parent Group's Executive Committee (ExCo) members provide regular performance and strategy updates where colleagues are encouraged to voice their views, ideas and questions.

### Key Decisions:

- Our colleague suggestion scheme was relaunched as "Straight to Stuart" during the year, allowing colleagues to submit their ideas and receive a response straight back from the CEO of the Ultimate Parent Group. Live sessions broadcast online provide colleagues with the opportunity to have their ideas discussed and answered in real time by the CEO and ExCo.
- The cost-of-living crisis created many challenges for our colleagues. Feedback highlighted it was important that the support provided by M&S was meaningful in reducing colleague uncertainty. As a result, the Ultimate Parent Group's Board implemented two out-of-cycle pay reviews to combat increasing financial pressures.
- During the year the Ultimate Parent Group set 'high performance culture' as a core pillar of its strategic plan. As a result internal talent development remained a priority on the people agenda with regular discussions at ExCo meetings.

- **Customers:** Our customers are at the heart of our business. Maintaining and increasing their enthusiasm and loyalty for the M&S brand ensures the enduring success of the Group's business. This year the Ultimate Parent Group Board (and consequently the Company's directors) focused on customers through various surveys, interviews, focus groups and store visits. In 22/23 customers were brought into our Support Centre for a series of focus groups reaching over 400 of our Clothing & Home colleagues. We have also conducted "Closer to Customer" events with Business Unit Leadership Teams on various topics from Sleepwear to Autograph. The "Collective", an online community where 40,000 loyal customers are engaged by Food colleagues on problems they are working on, bringing customers into the decision-making and allowing them to see results first hand, was also launched during the year.

### Key Decisions:

- The cost-of-living crisis put value firmly at the forefront of customer's minds. This drove the launch of "Remarksable" and "Price Lock" initiatives in Food.
- The Ultimate Parent Group's Environmental, Social & Governance ("ESG") Committee our new quarterly reputation tracker. Run by Portland Communications, it surveys a robust sample of 20,000 nationally representative customers four times a year to give a view of how we are performing on ESG issues.

- **Suppliers:** Our trusted suppliers enable us to provide our customers with the high-quality, ethically sourced and produced goods they expect. To engage with suppliers, the Ultimate Parent Group's Board and Audit & Risk Committee reviews and considers supplier relationships and feedback in operational, performance and risk updates, while supplier satisfaction and perceptions are measured using the independent Advantage Report Mirror and the annual Groceries Code Adjudicator survey.

### Key Decisions:

- The Ultimate Parent Group's Audit & Risk Committee reviewed compliance with the Groceries Supply Code of Practice, using the results from the annual Groceries Code Adjudicator survey to focus management's activities with suppliers for the coming year.
- Ensuring sustainable practices is important to us, and as a result we worked with our renewable energy partner, Green Span, to model a renewable energy solution across our milk supply chain. We have also worked with Food suppliers to establish roadmaps on carbon reductions.
- In September 2022, the Ultimate Parent Group's Board completed the acquisition of Food logistics provider, Gist. M&S engaged collaboratively with Gist throughout negotiations, to balance business as usual with working towards transaction completion.

- **Partners:** Our franchise and joint venture partners provide avenues to expand our reach and access to new customers - in the UK and internationally. We also have partners critically assessing and supporting our operations, to ensure we constantly evolve and improve. After three years of travel restrictions, we returned to in-person strategic partner events, bringing our global franchise partners together to view future products and discuss the strategic direction of the business.

### Key Decisions:

- The Ultimate Parent Group's Board has considered and approved contract extensions with existing partners, as well as approving an exclusive agreement with bp pulse to expand its national electric vehicle charging network at around 70 M&S stores.
- To ensure sustainable and socially responsible practices are a key priority for M&S and our Partners, we have worked closely with franchise partners to engage them on our ambition to become a net zero retailer by

## Marks and Spencer plc

2040. This included developing local sourcing on Food with partner Al-Futtaim in the Middle East and Asia, as well as increasing the number of food products available to be shipped using a freeze defrost model,

Further information on how the directors of the Company, together with the Board of the Ultimate Parent Group, engaged with employees and other stakeholders, and how regard for their interests affected the principal decisions made by the Ultimate Parent Group (being the principal decisions adopted by the Company) can be found on pages 10 to 11 and 80 to 82 of the Ultimate Parent Group's Annual Report 2023.

The directors of the Company remain committed to colleague involvement throughout the business. As above, the engagement of employees is a matter considered by the directors of the Company together with the Ultimate Parent Group Board, and includes ensuring that colleagues are kept well informed of the performance and strategy of the Ultimate Parent Group, are consulted on a regular basis for their views to be taken into account, and are provided with information on matters of concern to them as employees. In addition to the engagement and consideration set out above and on pages 8 to 11 and 80 to 82 of the Ultimate Parent Group's Annual Report 2023, examples of colleague involvement and engagement, and information on our approach to our workforce and culture, are highlighted on pages 28 to 31 of the Marks and Spencer Group plc Annual Report 2023.

Share schemes are a long-established and successful part of colleagues' total reward packages, encouraging and supporting employee share ownership. The Company operates both an all-employee Save As You Earn Scheme and Share Incentive Plan. As at 1 April 2023, 14,934 colleagues were participating in the Company's SAYE Scheme. Full details of all schemes are given on pages 173 to 175 of the Marks and Spencer Group plc Annual Report 2023.

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

### EQUAL OPPORTUNITIES

The Group is committed to an active inclusion, diversity and equal opportunities policy: from recruitment and selection, through training and development, performance reviews and promotion, to retirement.

The Company's policy is to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, health condition, age, marital or civil partner status, sexual orientation, gender identity or faith. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its employees, customers and the community at large.

M&S is an organisation which uses everyone's talents and abilities and where inclusion and diversity are valued. M&S has a business-wide inclusion and diversity strategy, sponsored by a member of the Executive Committee and championed by our Inclusion Activation Group of senior leaders.

Our seven employee-led diversity networks are supported by a central Inclusion and Diversity team, who work to embed a culture of inclusion across the organisation. Last year, as part of the reset of our inclusion and diversity strategy we set the aim to reach 50% female representation and 15% ethnic minority representation on the M&S senior management team by 2025.

We have made great progress in driving female representation at this level and throughout our talent pipelines, and we are continuing to address the barriers and identify opportunities to attract and develop ethnic minority talent. We know we have a lot more to do, but we are facing into this and want to show our colleagues, customers and communities that we continue to be committed to making M&S an inclusive organisation.

### EMPLOYEES WITH DISABILITIES

The Company is clear in its policy that people with health conditions, both visible and non-visible, should have full and fair consideration for all vacancies. M&S has continued to demonstrate its commitment to interviewing those applicants with disabilities who fulfil the minimum criteria, and endeavouring to retain employees in the workforce if they become disabled during employment. M&S will actively retrain and adjust employees' environments where possible to allow them to maximise their potential and will continue to work with external organisations to provide workplace opportunities through our innovative Marks & Start scheme, working closely with The Prince's Trust and Jobcentre Plus, most recently via the Kickstart programme.

### RESEARCH & DEVELOPMENT

Research and innovation remain key to our Food and Clothing & Home offers, enabling the development of better products. Further information is available on our corporate website: [corporate.marksandspencer.com](https://corporate.marksandspencer.com) and our Sustainability Report 2023.

### GROCERIES SUPPLY CODE OF PRACTICE

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

M&S submitted its report, covering the period from 3 April 2022 to 1 April 2023 to the Audit & Risk Committee on 11 May 2023. It was approved on 18 May 2023.



## Marks and Spencer plc

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

M&S believes that it has materially complied with the Code and the Order during the relevant period. No formal disputes under the Code have arisen during the reporting period. There have been nine instances during the reporting period in which suppliers have either alleged a breach or made a reference to potential non-compliance with the Code. M&S has worked with the suppliers to address the issues raised and seven of them have been resolved or closed, with two issues remaining open. One additional Code reference made by a supplier before 3 April 2022 was also closed during the reporting period.

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

### Total Global M&S Greenhouse gas emissions 22/23

#### Greenhouse gas ("GHG") emissions

	This year 22/23 (000 tonnes)	Last year 21/22 (000 tonnes)^	% Change
Scope 1 emissions	173	182	-5%
of which UK:	165	176	-6%
Scope 2 emissions (location-based)	136	141	-3%
of which UK:	112	119	-6%
<b>Total location-based scope 1&amp;2 emissions</b>	<b>309</b>	<b>322</b>	<b>-4%</b>
of which UK:	277	295	-6%
<b>GHG intensity per 1,000 sq ft of salesfloor</b>	<b>14.7</b>	<b>14.3</b>	<b>3%</b>
Scope 2 emissions from procured renewable electricity (location- based)	116	124	-6%
<b>Total gross market-based method Scope 1+2 GHG emissions</b>	<b>192</b>	<b>198</b>	<b>-3%</b>
of which UK:	166	176	-6%

^Performance for last year has been re-stated, in line with the GHG Protocol and M&S' emissions re-statement policy, to account for data improvements identified through the implementation of a new digital ESG reporting platform.

#### ENERGY EFFICIENCY INITIATIVES IMPLEMENTED THIS YEAR

- LED Lighting: Continued investment in installation of LED lighting, with 24 schemes implemented in UK stores in 22/23, and installations now complete across all Gist retail distribution operations.
- Automated Meter Readers: Now installed in 80% of UK stores (project started February 2022).
- Initiatives implemented in Q4, with savings to be realised from next year, included trials of adding doors to fridges, moves to 100% electric stores using heat pumps to reduce gas usage, voltage optimisation projects and implementation of aerofoils.
- Behaviour change: Energy efficiency has been a focus in our communications to colleagues this year, reminding colleagues to use night blinds, switch off lights, and review bakery schedules. At Gist, all drivers have completed SAFED training on fuel efficient driving.

#### POLITICAL DONATIONS

The Company did not make any political donations or incur any political expenditure during the year ended 1 April 2023. M&S has a policy of not making donations to political organisations or independent election candidates or incurring political expenditure anywhere in the world as defined in the Political Parties, Elections and Referendums Act 2000.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, at any time and with reasonable accuracy, the financial position of the Company and the Group and

## Marks and Spencer plc

to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### CORPORATE GOVERNANCE STATEMENT

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

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

As the Company is the Ultimate Parent Group's primary trading, contracting and employing entity, the directors of the Company ensure that they give due care and consideration to discharging their duties by adhering to the governance arrangements outlined above. The Board has adopted the Ultimate Parent Group's internal governance arrangements and internal controls as set out above as its own, being used to delegate authority on the Company's behalf. If necessary, the directors also hold meetings immediately following those of the Ultimate Parent Group Board to review and consider all Ultimate Parent Group matters and decisions with respect to the specific interests of the Company and its stakeholders. During the year, the directors of the Company agreed with all of the Ultimate Parent Group Board's decisions and recommendations as applicable directly to the Company and its stakeholders, and therefore no separate meetings were required, having been present during the Ultimate Parent Group Board's discussions and consideration of the matters set out in s.172. This included having regard to the need to engage and consider the interests of employees, customers, suppliers and others in a business relationship with the Company, and is outlined in the 'Business relationships and colleague engagement' section on page 21.

Further information about the Ultimate Parent Group's corporate governance is provided in the Director's Report set out on pages 68 to 134 of the Group's Annual Report 2023, and in the Ultimate Parent Group's Corporate Governance Statement 2023 on the M&S corporate website ([corporate.marksandspencer.com](https://corporate.marksandspencer.com)).

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

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

### DISCLOSURE OF INFORMATION TO AUDITOR

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

### AUDITOR

Resolutions to reappoint Deloitte LLP as auditor of the Company and to authorise the Audit & Risk Committee to determine its remuneration will be proposed at the 2023 AGM.

## Marks and Spencer plc

The Directors' Report was approved by a duly authorised committee of the Board of Directors on 4 September 2023 and signed on its behalf by

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

Nick Folland  
Director  
London

4 September 2023

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

### Report on the audit of the financial statements

#### 1. Opinion

In our opinion:

- the financial statements of Marks and Spencer plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 1 April 2023 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated and Parent Company Statements of Cash Flows; and
- the related notes 1 to 30 and C1 to C26.

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

#### 2. Basis for opinion

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

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

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

### 3. Summary of our audit approach

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"><li>• impairment and impairment reversal of UK store assets;</li><li>• accounting for the UK store estate programme;</li><li>• inventory provisions within UK Clothing &amp; Home; and</li><li>• disclosure of adjusting items as part of alternative performance measures.</li></ul> <p><i>These are consistent with, and represent a similar level of risk as, last year.</i></p>
<b>Materiality</b>	<p>The materiality that we used for the Group financial statements was £24.0m which was determined by considering a number of different metrics used by investors and other readers of the financial statements. These included:</p> <ul style="list-style-type: none"><li>• profit before tax;</li><li>• profit before tax &amp; adjusting items;</li><li>• earnings before interest, tax, depreciation and amortisation ('EBITDA'); and</li><li>• revenue.</li></ul>
<b>Scoping</b>	<p>We have performed a full-scope audit on the UK component of the business, Balances subject to full scope audit represent 93% (2022: 95%) of the Group revenue, 91% (2022: 90%) of profit before tax and adjusting items, 82% (2022: 88%) of profit before tax, 60% (2022: 72%) of total assets and 61% (2022: 77%) of total liabilities. We perform specified audit procedures in relation to the India business and analytical procedures on residual balances.</p>
<b>Significant changes in our approach</b>	<p>No significant changes apply for the current period.</p>

### 4. Conclusions relating to going concern

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

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

- obtaining an understanding of relevant controls relating to the assessment of going concern models, including the review of the inputs and assumptions used in those models;
- obtaining management's board-approved three-year cash flow forecasts and covenant compliance forecasts, including the sensitivity analysis;
- reviewing management's assessment of going concern and viability, including the three-year plan.
- assessing the appropriateness of forecast assumptions by:
  - reading analyst reports, industry data and other external information and comparing these with management's estimates;

- comparing forecast sales with recent historical financial information to consider accuracy of forecasting;
- testing the underlying data generated to prepare the forecast scenarios and to determine whether there was adequate support for the assumptions underlying the forecast;
- reviewing correspondence relating to the availability of the Group's financing arrangements;
- assessing the impact of macro-economic conditions on the business; and
- considering the results of the sensitivity analyses performed; and
- evaluating the Group's disclosures on going concern in the financial statements against the requirements of IAS 1.

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

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

## 5. Key audit matters

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

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

### 5.1. Impairment and impairment reversal of UK store assets

<b>Key audit matter description</b>	<p>As at 1 April 2023 the Group held £3,452.5 million (2022: £3,379.4 million) of UK store assets in respect of stores not considered for closure within the UK store estate programme. In accordance with IAS 36 <i>Impairment of Assets</i>, the Group has undertaken an annual assessment of indicators of impairment. An impairment charge of £17.3 million (2022: £6.9 million) and a reversal of previously recognised impairment charges of £33.1 million (2022: £63.4 million) have been recognised as set out in notes 5 and 14 to the financial statements.</p> <p>As described in note 14 to the financial statements, the Group has estimated the recoverable amount of store assets based on their value in use, derived from a discounted cash flow model prepared by management. The model relies on certain assumptions and estimates of future trading performance, incorporating committed strategic changes to the UK Clothing &amp; Home and Food businesses and the performance of new stores operating within their shelter period (which takes into account the time new stores take to establish themselves in the market), all of which involve a high degree of estimation uncertainty (as disclosed in notes 1 and 14).</p> <p>The key assumptions applied by management in the impairment reviews performed are:</p>
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- future revenue growth and changes in gross margin;
- long term growth rates; and
- discount rates.

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

## 5.2. Accounting for the UK store estate programme

<b>Key audit matter description</b>	<p>In February 2018, the Board approved a list of stores marked for closure as part of its UK store estate programme. The total charge recognised in connection with this closure programme in previous periods was £819.0 million. A further net charge of £51.3 million has been recognised in the current period as a result of:</p> <ul style="list-style-type: none"> <li>• an increase in the number of stores assessed as probable for closure and the update of estimates made in light of known developments in the exit strategy, including current trading performance, negotiations with landlords and changes in the retail property market;</li> <li>• depreciation of store assets where previously identified for closure, as they approach their planned closure dates; and</li> <li>• accelerated depreciation and impairment of buildings and fixtures and fittings in respect of additional stores added to the programme.</li> </ul>
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	Further information is set out in notes 1, 5 and 14 to the financial statements. Our key audit matter was focused on the specific assumptions applied in the discounted cash flow analysis prepared by management including the discount rate, store closure costs, freehold sale proceeds, leasehold surrender costs and expected sublet income, lease incentives and void periods.
<b>How the scope of our audit responded to the key audit matter</b>	<p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• obtained an understanding of relevant controls relating to the review and approval of the Group's UK store exit model;</li> <li>• performed enquiries of management and inspected the latest strategic plans, Board and relevant sub-committee minutes of meetings;</li> <li>• understood and challenged the basis of management's judgement where stores previously marked for closure are no longer expected to close and additional stores have been identified for closure;</li> <li>• with the involvement of our real estate specialists, we evaluated the appropriateness of management's judgements for a representative sample of properties and benchmarked with reference to external data;</li> <li>• assessed the mechanical accuracy of discounted cash flow models and other key provision calculations;</li> <li>• assessed the integrity of key inputs to the discounted cash flow models including the discount rate, store closure costs, freehold sale proceeds, leasehold surrender costs, expected sublet income, sublet lease incentives and void periods with reference to available evidence;</li> <li>• recalculated the closing provision for a representative sample of stores;</li> <li>• evaluated the accuracy and completeness of provisions recorded in light of the status of the Group's UK store estate plan; and</li> <li>• assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.</li> </ul>
<b>Key observations</b>	We are satisfied that the Group's estimate of the store exit charges and the associated disclosures are appropriate.

### 5.3. Inventory provisions within UK Clothing & Home

<b>Key audit matter description</b>	<p>As at 1 April 2023, the Group held UK Clothing &amp; Home inventories of £470.7 million (2022: £458.6 million), inclusive of a provision of £53.1 million (2022: £48.3 million). As described in the Accounting Policies in note 1 to the financial statements, inventories are carried at the lower of cost and net realisable value. As a result, judgement is applied in determining the appropriate provisions required for obsolete inventory and inventory expected to be sold below cost based upon a detailed analysis of old season inventory and forecast net realisable value based upon plans for inventory to go into sale. We consider the assessment of inventory provisions within UK Clothing &amp; Home to require the most judgement due to historical trading performance and the quantum of gross inventory. Management has determined the level of provision using judgement and with reference to forecast future sales utilising available data from past periods on the saleability of stock.</p>
<b>How the scope of our audit responded</b>	In responding to the identified key audit matter, we completed the following audit procedures:



**to the key audit matter**

- obtained an understanding of relevant controls relating to inventory management and the review and approval of the inventory provisions;
- assessed the validity, accuracy and completeness of the information used by management in computing the provisions;
- assessed the mechanical accuracy and logic of the models underpinning the provisions;
- understood the changes in the provisioning methodology and challenged the appropriateness thereof;
- challenged and validated the key assumptions applied by management in estimating the provisions, by performing enquiries of buyers and merchandisers, considering the current purchasing strategy and ranging plans, and assessed the historical accuracy of forecasting stock to be subject to a future discount;
- tested the accuracy of the process used by management to identify potentially impaired inventory across a representative sample of individual product lines; and
- assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.

**Key observations**

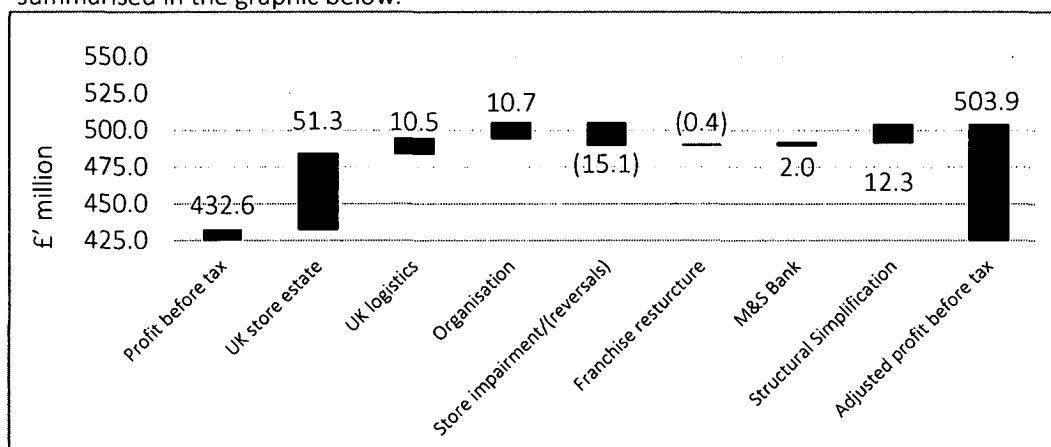
We are satisfied with the judgements taken by management and that the resulting inventory provisions for UK Clothing & Home is appropriate.

#### 5.4. Disclosure of adjusting items as part of alternative performance measures

**Key audit matter description**

The Group has presented an alternative performance measure being profit before tax and adjusting items of £503.9 million (2022: £509.0 million), which is derived from profit before tax of £432.6 million (2022: profit before tax of £404.7 million) adjusted for a number of items totalling £71.3 million (2022: £104.3 million) which the Group considers meet their definition of an 'adjusting item'. Judgement is exercised by management in determining the classification of such items in accordance with guidance issued by the FRC and ESMA. We consider there to be a risk of fraud in the reporting of adjusting items within the alternative performance measures.

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



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

- the identification and classification of items as 'adjusting' as part of the presentation of alternative performance measures may be inappropriate, distorting the reported results;

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

The Group's policy regarding adjusting items is set out in note 1.

<b>How the scope of our audit responded to the key audit matter</b>	<p>In responding to the identified key audit matter we completed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• obtained an understanding of relevant controls, relating to the identification and disclosure of adjusting items within alternative performance measures;</li> <li>• performed enquiries of management to understand the rationale applied in identifying items as adjusting and completed an independent assessment as to the selection and presentation of adjusting items based on their nature;</li> <li>• assessed the identification and consistency of items reported as adjusting period on period, with reference to guidance published by ESMA and the FRC;</li> <li>• performed tests over a representative sample of adjusting items through agreement to supporting evidence;</li> <li>• used our cumulative audit knowledge and applied data analytics to identify other transactions outside of the normal course of business, or which display characteristics of being material, significant or one-off in nature;</li> <li>• considered the impact of adjusting items on the directors' remuneration targets to determine whether any increased fraud risk factor existed based on actual results for the period; and</li> <li>• assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRSs.</li> </ul>
<b>Key observations</b>	We are satisfied that the items included in adjusting items within the alternative performance measures are in line with the Group's policy and that they are appropriately disclosed.

## 6. Our application of materiality

### 6.1. Materiality

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

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

	Group financial statements	Parent Company financial statements
<b>Materiality</b>	£24.0 million (2022: £25.0 million)	£21.6 million (2022: £22.5 million)
<b>Basis for determining materiality</b>	<p>We considered the following metrics in the current and prior period:</p> <ul style="list-style-type: none"> <li>• profit before tax and adjusting items;</li> </ul>	<p>We considered the following metrics in the current and prior period:</p> <ul style="list-style-type: none"> <li>• profit before tax and adjusting items</li> </ul>

- earnings before interest, tax, depreciation and amortisation ('EBITDA'); and
- revenue.

In the current period we also considered profit before tax. Using professional judgement, we determined materiality to be £24.0m.

- earnings before interest, tax, depreciation and amortisation ('EBITDA')
- revenue

Using professional judgement we have capped materiality at 90% of Group materiality.

**Rationale for the benchmark applied**

In determining our benchmark for materiality, we considered a number of different metrics used by investors and other readers of the financial statements.

We capped materiality at 90% of Group materiality to reduce the risk of a material error arising as a result of the consolidation of the Parent Company's result in the Group financial statements.

Group materiality represents:

Metric	%
Profit before tax	5.0
Profit before tax and adjusting items	5.0
EBITDA	2.3
Revenue	0.2

## 6.2. Performance materiality

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

	Group financial statements	Parent Company financial statements
<b>Performance materiality</b>	65% (2022: 65%) of Group materiality	65% (2022: 65%) of Parent Company materiality
<b>Basis and rationale for determining performance materiality</b>	<p>In determining performance materiality, we considered the following factors:</p> <ul style="list-style-type: none"> <li>• our cumulative knowledge of the Group and its environment, including industry specific trends;</li> <li>• the change in the level of judgement required in key accounting estimates;</li> <li>• reliability on internal control over financial reporting;</li> <li>• the level of change to the business in the period;</li> <li>• the stability in key management personnel;</li> <li>• the level of centralisation in the Group's financial reporting controls and processes; and</li> <li>• the level of misstatements identified in prior periods.</li> </ul>	

### 6.3. Error reporting threshold

We agreed with the Directors that we would report to them all audit differences in excess of £1.2 million (2022: £1.3 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

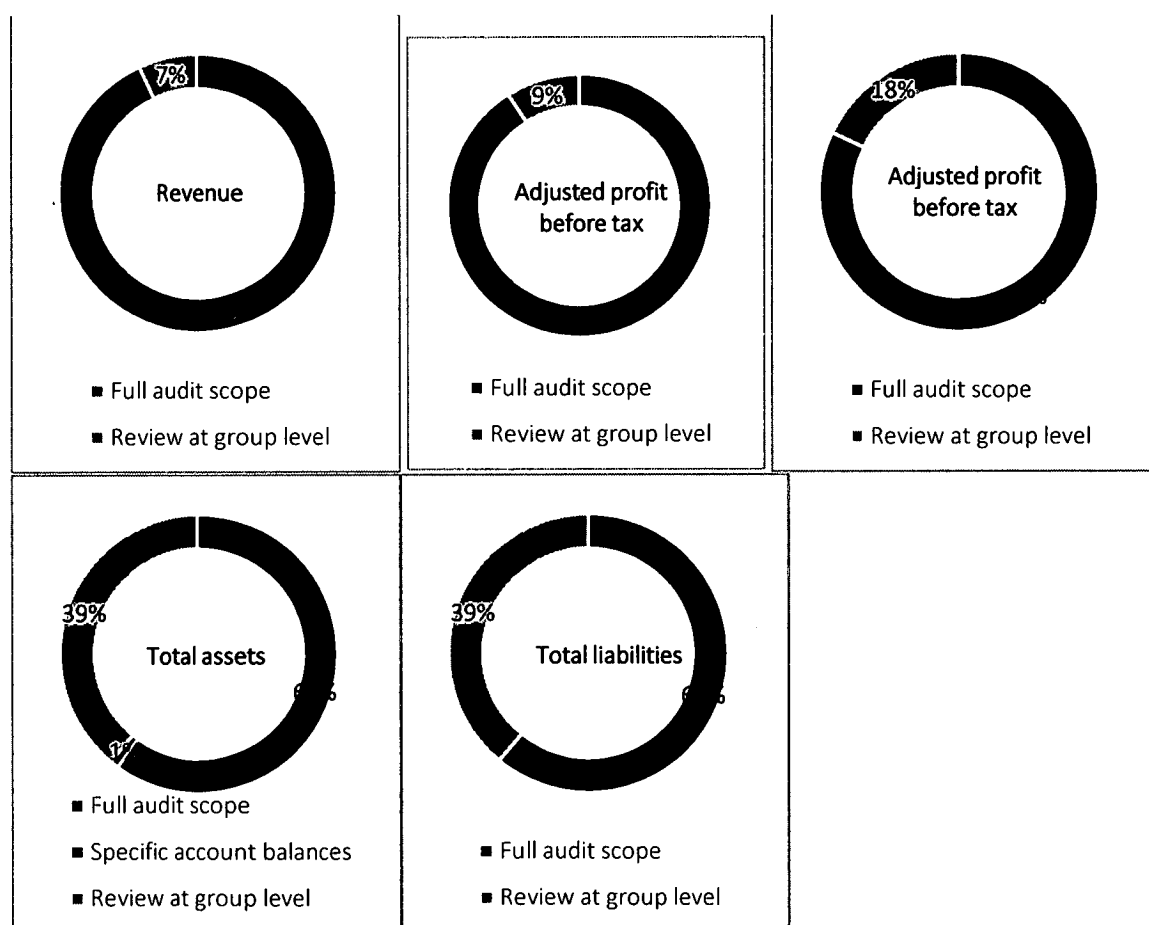
## 7. An overview of the scope of our audit

### 7.1. Identification and scoping of components

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

Components were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified. Based on our assessment we have focused our audit on the UK and India businesses which were subject to full audit procedures and specified audit procedures on individual balance sheet accounts respectively. We have performed our full audit scope of the UK component using a materiality of £21.6 million (or 90% of Group materiality), and our specified audit procedures in India using a materiality of £3.5 million (or 14.6% of Group materiality).

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



## **7.2. Our consideration of the control environment**

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

On certain business cycles, we obtained an understanding of, but did not rely on, controls. These included inventory provisions, food rebates and financial close and reporting.

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

## **7.3. Our consideration of climate-related risks**

The Group continues to develop its assessment of the potential impacts of climate change and set targets which management considers to be aligned with the Paris Agreement. Management has identified a number of milestones, including the target of net zero carbon emissions by 2040. This assessment focused on property, fleet and two of the Group's key resources: protein; and cotton.

Management considers that the most likely impact on the financial statements will be in relation to its three-year cash flow forecasts, including those described as part of our key audit matters in section 5, and has included the impact within these forecasts where appropriate. Whilst at this stage there is significant uncertainty regarding what the long-term impact of climate change initiatives may be, the forecasts reflect management's best estimate of the impact on the financial statements as explained in note 1.

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

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

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

## **7.4. Working with other auditors**

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

We have engaged regularly with the component auditor throughout the audit process, determining the nature, timing and extent of the specified audit procedures to be performed and to review their

component reporting. A dedicated member of the Group audit team is assigned to facilitate an effective and consistent approach to component oversight.

## 8. Other information

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

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

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

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

We have nothing to report in this regard.

## 9. Responsibilities of directors

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

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

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

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

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

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

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

### 11.1. Identifying and assessing potential risks related to irregularities

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

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

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

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

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

### 11.2. Audit response to risks identified

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

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

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

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

## Report on other legal and regulatory requirements

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

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

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

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

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

#### 13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or



- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### **13.2. Directors' remuneration**

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

We have nothing to report in respect of these matters.

### **14. Other matters which we are required to address**

#### **14.1. Auditor tenure**

Following the recommendation of the M&S Group plc Audit & Risk Committee, we were appointed by the shareholders on 8 July 2014 to audit the financial statements for the period ending 28 March 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 periods, covering the periods ending 28 March 2015 to 1 April 2023.

#### **Consistency of the audit report with the additional report to the Audit & Risk Committee**

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

### **15. Use of our report**

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



Richard Muschamp FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

4 September 2023

# Marks and Spencer plc

## Consolidated income statement

		52 weeks ended 1 April 2023	52 weeks ended 2 April 2022
	Notes	Total £m	Total £m
Revenue	2, 3	11,847.1	10,885.1
Operating profit	2, 3, 5	572.8	590.8
Finance income	5, 6	62.7	28.3
Finance costs	5, 6	(202.9)	(214.4)
Profit before tax	4, 5	432.6	404.7
Income tax expense	7	(109.8)	(81.6)
Profit for the year		322.8	323.1
Attributable to:			
Owners of the parent		321.7	320.7
Non-controlling interests		1.1	2.4
		322.8	323.1

### Reconciliation of profit before tax and adjusting items:

Profit before tax		432.6	404.7
Adjusting items	5	71.3	104.3
Profit before tax and adjusting items – non-GAAP measure		503.9	509.0

### Consolidated statement of comprehensive income

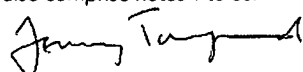
	Notes	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Profit for the year		322.8	323.1
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit schemes	10	(622.8)	357.0
Tax credit/(charge) on retirement benefit schemes		158.0	(127.6)
Loss on disposal of investment held at fair value through other comprehensive income ("FVOCI")		-	(3.7)
		(464.8)	225.7
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences			
- movements recognised in other comprehensive income		4.3	(13.5)
- reclassified and reported in profit or loss		-	(0.5)
Cash flow hedges			
- fair value movements recognised in other comprehensive income	20	77.0	91.3
- reclassified and reported in profit or loss	20	(14.4)	(10.5)
Tax charge on cash flow hedges		(18.6)	(14.7)
		48.3	52.1
Other comprehensive (expense)/income for the year, net of tax		(416.5)	277.8
Total comprehensive (expense)/income for the year		(93.7)	600.9
Attributable to:			
Owners of the parent		(94.8)	598.5
Non-controlling interests		1.1	2.4
		(93.7)	600.9

# Marks and Spencer plc

## Consolidated statement of financial position

		As at 1 April 2023	As at 2 April 2022
	Notes	£m	£m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	13	160.8	192.5
Property, plant and equipment	14	4,983.0	4,902.3
Investment property		11.8	15.0
Investments in joint ventures and associates		11.0	10.5
Other financial assets	15	2,549.2	2,546.1
Retirement benefit asset	10	482.0	1,043.9
Trade and other receivables	16	484.3	270.6
Derivative financial instruments	20	0.1	21.4
Deferred tax assets		7.6	-
		8,689.8	9,002.3
<b>Current assets</b>			
Inventories		761.6	706.1
Other financial assets	15	13.0	17.6
Trade and other receivables	16	243.8	217.1
Derivative financial instruments	20	22.6	43.6
Current tax assets		6.5	-
Cash and cash equivalents	17	1,055.2	1,197.9
		2,102.7	2,182.3
<b>Total assets</b>		<b>10,792.5</b>	<b>11,184.6</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	2,088.1	1,966.6
Partnership liability to the Marks & Spencer UK Pension Scheme	11	73.0	71.9
Borrowings and other financial liabilities	19	433.3	247.2
Derivative financial instruments	20	58.1	3.2
Provisions	21	41.1	53.6
Current tax liabilities		37.7	32.9
		2,731.3	2,375.4
<b>Non-current liabilities</b>			
Retirement benefit deficit	10	4.6	5.7
Trade and other payables	18	16.1	15.6
Partnership liability to the Marks & Spencer UK Pension Scheme	11	51.8	120.4
Borrowings and other financial liabilities	19	3,165.6	3,561.0
Derivative financial instruments	20	7.1	0.4
Provisions	21	73.5	91.8
Deferred tax liabilities	22	60.4	187.2
		3,379.1	3,982.1
<b>Total liabilities</b>		<b>6,110.4</b>	<b>6,357.5</b>
<b>Net assets</b>		<b>4,682.1</b>	<b>4,827.1</b>
<b>Equity</b>			
Issued share capital	23	712.5	712.5
Share premium account		386.1	386.1
Capital redemption reserve		8.0	8.0
Hedging reserve	20	(31.9)	17.6
Cost of hedging reserve	20	4.2	3.6
Foreign exchange reserve		(69.6)	(73.9)
Retained earnings		3,668.4	3,769.0
<b>Equity attributable to owners of the parent</b>		<b>4,677.7</b>	<b>4,822.9</b>
Non-controlling interests		4.4	4.2
<b>Total equity</b>		<b>4,682.1</b>	<b>4,827.1</b>

The financial statements were approved by the Board and authorised for issue on 4 September 2023. The financial statements also comprise notes 1 to 30.



Jeremy Townsend, Chief Finance Officer  
Registered Number: 00214436

## Consolidated statement of changes in equity

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Cost of hedging £m	Foreign exchange reserve £m	Retained earnings <sup>1</sup> £m	Total £m	Non- controlling interest £m	Total £m
<b>As at 4 April 2021</b>	<b>712.5</b>	<b>386.1</b>	<b>8.0</b>	<b>(54.8)</b>	<b>4.6</b>	<b>(59.9)</b>	<b>3,216.4</b>	<b>4,212.9</b>	<b>2.8</b>	<b>4,215.7</b>
Profit for the year	-	-	-	-	-	-	320.7	320.7	2.4	323.1
<b>Other comprehensive income/(expense):</b>										
Foreign currency translation	-	-	-	-	-	-	-	-	-	-
- movements recognised in other comprehensive income	-	-	-	-	-	(13.5)	-	(13.5)	-	(13.5)
- reclassified and reported in profit or loss	-	-	-	-	-	(0.5)	-	(0.5)	-	(0.5)
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	357.0	357.0	-	357.0
Tax charge on retirement benefit schemes	-	-	-	-	-	-	(127.6)	(127.6)	-	(127.6)
Loss on disposal of investments held at FVOCI	-	-	-	-	-	-	(3.7)	(3.7)	-	(3.7)
<b>Cash flow hedges</b>										
- fair value movement in other comprehensive income	-	-	-	92.1	(0.8)	-	-	91.3	-	91.3
- reclassified and reported in profit or loss	-	-	-	(10.5)	-	-	-	(10.5)	-	(10.5)
Tax on cash flow hedges	-	-	-	(14.5)	(0.2)	-	-	(14.7)	-	(14.7)
<b>Other comprehensive income/(expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67.1</b>	<b>(1.0)</b>	<b>(14.0)</b>	<b>225.7</b>	<b>277.8</b>	<b>-</b>	<b>277.8</b>
<b>Total comprehensive income/(expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67.1</b>	<b>(1.0)</b>	<b>(14.0)</b>	<b>546.4</b>	<b>598.5</b>	<b>2.4</b>	<b>600.9</b>
Cash flow hedges recognised in inventories	-	-	-	6.5	-	-	-	6.5	-	6.5
Tax on cash flow hedges recognised in inventories	-	-	-	(1.2)	-	-	-	(1.2)	-	(1.2)
<b>Transactions with owners:</b>										
Dividends	-	-	-	-	-	-	(33.8)	(33.8)	-	(33.8)
Transactions with non-controlling shareholders	-	-	-	-	-	-	(1.7)	(1.7)	(1.0)	(2.7)
Purchase of own shares held by employee trusts	-	-	-	-	-	-	(0.7)	(0.7)	-	(0.7)
Credit for share-based payments	-	-	-	-	-	-	38.8	38.8	-	38.8
Deferred tax on share schemes	-	-	-	-	-	-	3.6	3.6	-	3.6
<b>As at 2 April 2022</b>	<b>712.5</b>	<b>386.1</b>	<b>8.0</b>	<b>17.6</b>	<b>3.6</b>	<b>(73.9)</b>	<b>3,769.0</b>	<b>4,822.9</b>	<b>4.2</b>	<b>4,827.1</b>
<b>As at 3 April 2022</b>	<b>712.5</b>	<b>386.1</b>	<b>8.0</b>	<b>17.6</b>	<b>3.6</b>	<b>(73.9)</b>	<b>3,769.0</b>	<b>4,822.9</b>	<b>4.2</b>	<b>4,827.1</b>
Profit for the year	-	-	-	-	-	-	321.7	321.7	1.1	322.8
<b>Other comprehensive income/(expense):</b>										
Foreign currency translation	-	-	-	-	-	-	-	-	-	-
- movements recognised in other comprehensive income	-	-	-	-	-	4.3	-	4.3	-	4.3
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	(622.8)	(622.8)	-	(622.8)
Tax credit on retirement benefit schemes	-	-	-	-	-	-	158.0	158.0	-	158.0
<b>Cash flow hedges</b>										
- fair value movement in other comprehensive income	-	-	-	76.2	0.8	-	-	77.0	-	77.0
- reclassified and reported in profit or loss	-	-	-	(14.4)	-	-	-	(14.4)	-	(14.4)
Tax on cash flow hedges	-	-	-	(18.4)	(0.2)	-	-	(18.6)	-	(18.6)
<b>Other comprehensive income/(expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43.4</b>	<b>0.6</b>	<b>4.3</b>	<b>(464.8)</b>	<b>(416.5)</b>	<b>-</b>	<b>(416.5)</b>
<b>Total comprehensive income/(expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43.4</b>	<b>0.6</b>	<b>4.3</b>	<b>(143.1)</b>	<b>(94.8)</b>	<b>1.1</b>	<b>(93.7)</b>
Cash flow hedges recognised in inventories	-	-	-	(123.9)	-	-	-	(123.9)	-	(123.9)
Tax on cash flow hedges recognised in inventories	-	-	-	31.0	-	-	-	31.0	-	31.0
<b>Transactions with owners:</b>										
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	(0.9)	(0.9)
Purchase of own shares held by employee trusts	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Credit for share-based payments	-	-	-	-	-	-	38.0	38.0	-	38.0
Deferred tax on share schemes	-	-	-	-	-	-	4.8	4.8	-	4.8
<b>As at 1 April 2023</b>	<b>712.5</b>	<b>386.1</b>	<b>8.0</b>	<b>(31.9)</b>	<b>4.2</b>	<b>(69.6)</b>	<b>3,668.4</b>	<b>4,677.7</b>	<b>4.4</b>	<b>4,682.1</b>

<sup>1</sup>Included within Retained earnings is the fair value through other comprehensive income reserve.

# Marks and Spencer plc

## Consolidated statement of cash flows

		52 weeks ended 1 April 2023	52 weeks ended 2 April 2022
	Notes	£m	£m
<b>Cash flows from operating activities</b>			
Cash generated from operations	25	1,150.2	1,385.7
Income tax paid		(70.6)	(7.7)
<b>Net cash inflow from operating activities</b>		<b>1,079.6</b>	<b>1,378.0</b>
<b>Cash flows from investing activities</b>			
Proceeds on property disposals		1.1	43.9
Purchase of property, plant and equipment		(320.5)	(192.8)
Purchase of intangible assets		(84.5)	(64.6)
Sale of current financial assets		5.3	0.8
Purchase of non-current financial assets		(4.2)	(3.3)
Proceeds on disposal of non-current financial assets		0.2	5.2
Purchase of investments in associates and joint ventures <sup>1</sup>		-	(4.0)
Acquisition of subsidiary, net of cash acquired <sup>2</sup>		-	(4.5)
Loans to related parties		-	(1.0)
Interest received		24.1	8.4
Movement in loans to fellow subsidiaries of the parent company		(209.5)	-
<b>Net cash used in investing activities</b>		<b>(588.0)</b>	<b>(211.9)</b>
<b>Cash flows from financing activities</b>			
Interest paid <sup>3</sup>		(209.9)	(216.6)
Redemption of Medium Term Notes		(189.9)	(163.6)
Repayment of lease liabilities		(225.4)	(216.0)
Payment of liability to the Marks & Spencer UK Pension Scheme		(66.0)	-
Equity dividends paid	8	-	(33.8)
Purchase of Marks and Spencer Group plc shares by employee trust		(0.1)	-
Cash received from settlement of derivatives		56.5	-
Movement in parent company loans		-	0.3
<b>Net cash used in financing activities</b>		<b>(634.8)</b>	<b>(629.7)</b>
<b>Net cash (outflow)/inflow from activities</b>		<b>(143.2)</b>	<b>536.4</b>
Effects of exchange rate changes		0.5	(8.2)
Opening net cash		1,197.9	669.7
<b>Closing net cash</b>	26	<b>1,055.2</b>	<b>1,197.9</b>

<sup>1</sup>Last year relates to outflow of £4.0m on the acquisition of 27% of the issued share capital of Nobody's Child Limited.

<sup>2</sup>Last year related to £4.5m outflow on the acquisition of 77.7% of the issued share capital of The Sports Edit Limited.

<sup>3</sup>Includes interest paid on the Partnership liability to the Marks & Spencer UK Pension Scheme of £5.9m (last year: £nil) and interest paid on lease liabilities of £121.5m (last year: £128.3m).

# Marks and Spencer plc

## 1 Accounting Policies

### General information

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

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

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

### Basis of preparation

The financial statements have been prepared for the 52 weeks ended 1 April 2023 (last year: 52 weeks ended 2 April 2022) in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the directors have considered the business activities as set out on pages 1 to 14, the financial position of the Group, its cash flows, liquidity position and borrowing facilities as set out in the Financial Review on pages 5 to 14, the Group's financial risk management objectives and exposures to liquidity and other financial risks as set out in note 20 and the principal risks and uncertainties as set out on pages 15 and 20.

The Group continues to maintain a robust financial position providing it with sufficient access to liquidity, through a combination of cash and committed facilities, to meet its needs in the short and medium term. At 1 April 2023, the Group had available liquidity of £1,930.2m (last year: £2,072.9m), comprising cash and cash equivalents of £1,055.2m, an undrawn committed syndicated bank revolving credit facility ("RCF") of £850.0m (set to mature in June 2026), and undrawn uncommitted facilities amounting to £25.0m.

In December 2022, the Group successfully extended its RCF, which now expires in June 2026. The facility contains a financial covenant, being the ratio of earnings before interest, tax, depreciation and amortisation; to net interest and depreciation on right-of-use assets under IFRS 16. The covenant is measured biannually.

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

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

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

- There will be a period of economic recession in the UK in 2023/24, resulting in a decline in sales of 2.0 – 2.5% and a decline in gross profit margin of 0.5 – 1.0% across both Food and Clothing & Home business units.
- A delay in transformation benefits results in incremental sales expected from the transformation declining by 7.5%, 15% and 30% respectively across the three-year period across all three business units.

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

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

Furthermore, the Board have reviewed the performance of the Group in the period since 1 April 2023 on a regular basis, with actual performance not adverse to the downside scenario.

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

### New accounting standards adopted by the Group

The Group has applied the following new standards and interpretations for the first time for the annual reporting period commencing 3 April 2022:

- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract.
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use.
- Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

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

### New accounting standards in issue but not yet effective

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

- IFRS 17 Insurance Contracts.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 8: Definition of Accounting Estimates.
- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The adoption of the above standards and interpretations is not expected to lead to any changes to the Group's accounting policies or have any other material impact on the financial position or performance of the Group.

### Alternative performance measures

In reporting financial information, the Group presents alternative performance measures ("APMs"), which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and Executive Committee. Some of these measures are also used for the purpose of setting remuneration targets.

The key APMs that the Group uses include: sales; like-for-like sales growth; adjusted operating profit; adjusted operating margin; profit before tax and adjusting items; adjusted basic earnings per share; net debt; net debt excluding lease liabilities; free cash flow; free cash flow from operations; capital expenditure; and return on capital employed. Each of these APMs, and others used by the Group, is set out in the Glossary including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

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

The Group makes certain adjustments to the statutory profit measures in order to derive many of these APMs. The Group's policy is to exclude items that are considered significant in nature and/or quantum over the total expected life of the programme or are consistent with items that were treated as adjusting in prior periods. The Group's definition of adjusting items is consistent with prior periods. Adjusted results are consistent with how business performance is measured internally and presented to aid comparability of performance. On this basis, the following items were included within adjusting items for the 52-week period ended 1 April 2023:

- Net charges associated with the strategic programme in relation to the review of the UK store estate.
- Significant restructuring costs and other associated costs arising from strategy changes that are not considered by the Group to be part of the normal operating costs of the business.
- Impairment charges and provisions that are considered to be significant in nature and/or value to the trading performance of the business.
- Charges and reversals of previous impairments arising from the write-off of assets and other property charges that are considered to be significant in nature and/or value. Impairment charges are recognised in adjusted operating profit where they relate to stores not previously impaired or do not otherwise meet the Group's adjusting items policy.
- Adjustments to income from M&S Bank due to a provision recognised by M&S Bank for the cost of providing redress to customers in respect of possible mis-selling of M&S Bank financial products.
- Directly attributable gains and expenses resulting from the Covid-19 pandemic.

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

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

## Marks and Spencer plc

### Accounting convention

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

### Basis of consolidation

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

### Subsidiaries

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

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

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

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

### Revenue

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

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

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

### Supplier income

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

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

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

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

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

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

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

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



## Marks and Spencer plc

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

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

### M&S Bank

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

### Dividends

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

### Government grants

Government grants are recognised where there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attached to them.

Government grants that compensate the Group for expenses incurred are recognised in profit or loss, as a deduction against the related expense, over the periods necessary to match them with the related costs.

Government grant income is disclosed in note 28.

### Pensions

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

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

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

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

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

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

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

### Intangible assets

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

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

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

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

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

### Property, plant and equipment

The Group's policy is to state property, plant and equipment at cost less accumulated depreciation and any recognised impairment loss. Property is not revalued for accounting purposes. Assets in the course of construction are held at cost less any

## Marks and Spencer plc

recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs. Leasehold buildings with lease premiums and ongoing peppercorn lease payments are considered in-substance purchases and are therefore included within the buildings category of property, plant and equipment.

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

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

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

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

### Leasing

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

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

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

*Subsequent to initial recognition, the lease liability is reduced for payments made and increased to reflect interest on the lease liability (using the effective interest method). The related right-of-use asset is depreciated over the term of the lease or, if shorter, the useful economic life of the leased asset. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.*

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

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

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

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

### Cash and cash equivalents

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

### Inventories

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

## Marks and Spencer plc

### Provisions

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

### Share-based payments

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

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

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

### Foreign currencies

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

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

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

### Taxation

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

Provision is made for uncertain tax positions when it is considered probable that there will be a future outflow of funds to a tax authority. The provision is calculated using the single best estimate where that outcome is more likely than not and a weighted average probability in other circumstances. The position is reviewed on an ongoing basis, to ensure appropriate provision is made for each known tax risk.

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

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

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

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

### Financial instruments

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

## Marks and Spencer plc

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

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

<sup>1</sup>Fair value through profit or loss

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

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

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

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

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

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

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

### Derivative financial instruments and hedging activities

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

The Group designates certain hedging derivatives as either:

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

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

**A. Cash flow hedges** Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income. The element of the change in fair value which relates to the foreign currency basis spread is recognised in the cost of hedging reserve, with the remaining change in fair value recognised in

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

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

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

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

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

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

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

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

#### **Reserves**

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

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

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

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

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

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

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

#### **Critical accounting judgements and key sources of estimation uncertainty**

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

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

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

#### **Critical accounting judgements**

##### **Adjusting items**

The directors believe that the adjusted profit and earnings per share measures provide additional useful information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and Executive Committee. The profit before tax and adjusting items measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies. The classification of adjusting items requires significant management judgement after considering the nature and intentions of a

## Marks and Spencer plc

transaction. The Group's definitions of adjusting items are outlined within both the Group accounting policies and the Glossary. These definitions have been applied consistently year on year.

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

### UK defined benefit pension surplus

Where a surplus on a defined benefit scheme arises, the rights of the Trustees to prevent the Group obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised. The UK defined benefit scheme is in surplus at 1 April 2023. Following consultation with external advisers, the directors have made the judgement that these amounts meet the requirements of recoverability on the basis that paragraph 11(b) of IFRIC 14 applies, enabling a refund of surplus assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme, and a surplus of £482.0m has been recognised.

### Determining the lease term

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

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

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

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

### Determining whether forecast purchases are highly probable

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

The Group has applied judgement in assessing whether forecast purchases are "highly probable". In making this assessment, the Group has considered the most recent budgets and plans. The Group's policy is a "layered" hedging strategy where only a small fraction of the forecast purchase requirements is initially hedged with incremental hedges layered on over time as the buying period for that season approaches and therefore as certainty increases over the forecast purchases. As a result of this progressive strategy, a reduction in the supply pipeline of inventory does not immediately lead to over-hedging and the disqualification of "highly probable". If the forecast transactions were no longer expected to occur, any accumulated gain or loss on the hedging instruments would be immediately reclassified to profit or loss.

### Key sources of estimation uncertainty

#### Climate change impact

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

#### UK store estate programme

The Group is undertaking a significant strategic programme to review its UK store estate resulting in a net charge of £51.3m (last year: £161.4m) in the year. A significant level of estimation has been used to determine the charges to be recognised in the year. The most significant judgement that impacts the charge is that the stores identified as part of the programme are more likely than not to close. Further significant closure costs and impairment charges may be recorded in future years depending on decisions made about further store closures and the successful delivery of the transformation programme.

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

## Marks and Spencer plc

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

The assumptions most likely to have a material impact are closure dates and changes to future sales. See notes 5 and 14 for further detail.

### **Impairment of property, plant and equipment**

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on the higher of value in use and fair value less costs to sell. The value in use method requires the Group to determine appropriate assumptions in relation to the cash flow projections over the three-year strategic plan period (which is a key source of estimation uncertainty), the long-term growth rate to be applied beyond this three-year period and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value. See note 14 for further details on the Group's assumptions and associated sensitivities.

### **Post-retirement benefits**

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

## Marks and Spencer plc

### 2 Segmental Information

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

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

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

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

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

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

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

	52 weeks ended 1 April 2023					52 weeks ended 2 April 2022				
	UK Clothing & Home £m	UK Food £m	International £m	All other segments £m	Group £m	UK Clothing & Home £m	UK Food £m	International £m	All other segments £m	Group £m
Sales <sup>1</sup>	3,715.0	7,133.8	1,055.0	-	11,903.8	3,332.2	6,639.6	937.2	-	10,909.0
Revenue	3,658.3	7,133.8	1,055.0	-	11,847.1	3,308.3	6,639.6	937.2	-	10,885.1
Adjusted operating profit/(loss) <sup>2</sup>	323.8	236.0	84.8	(0.5)	644.1	330.7	277.8	73.6	13.0	695.1
Finance income before adjusting items					62.7					28.3
Finance costs before adjusting items					(202.9)					(214.4)
Profit/(loss) before tax and adjusting items	323.8	236.0	84.8	(0.5)	503.9	330.7	277.8	73.6	13.0	509.0
Adjusting items					(71.3)					(104.3)
Profit/(loss) before tax	323.8	236.0	84.8	(0.5)	432.6	330.7	277.8	73.6	13.0	404.7

<sup>1</sup> Sales is revenue stated prior to adjustments for UK Clothing & Home brand consignment sales of £56.7m (last year: £23.9m).

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

	52 weeks ended 1 April 2023					52 weeks ended 2 April 2022				
	UK Clothing & Home £m	UK Food £m	International £m	All other segments £m	Group £m	UK Clothing & Home £m	UK Food £m	International £m	All other segments £m	Group £m
Additions to property, plant and equipment, and intangible assets (excluding goodwill and right-of-use assets)	170.4	214.8	29.9	-	415.1	139.2	163.7	18.5	-	321.4
Depreciation and amortisation <sup>1,2</sup>	(267.9)	(261.3)	(35.7)	-	(564.9)	(268.1)	(248.8)	(35.0)	-	(551.9)
Impairment charges, impairment reversals and asset write-offs <sup>1</sup>	10.2	5.7	(1.9)	-	14.0	(37.2)	10.7	(8.0)	-	(34.5)

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

<sup>2</sup> Includes £3.1m (last year: £0.2m) depreciation and impairments on investment property.

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



**3 Expense analysis**

	2023 Total £m	2022 Total £m
Revenue	11,847.1	10,885.1
Cost of sales	(7,718.0)	(7,130.3)
Gross profit	4,129.1	3,754.8
Selling and administrative expenses	(3,573.8)	(3,244.1)
Other operating income	17.5	80.1
Operating profit	572.8	590.8

The figures above include £71.3m (last year: £104.3m) adjusting item charges within operating profit (see note 5). These are further analysed against the categories of cost of sales (£nil; last year: £17.0m gain), selling and administrative expenses (£71.3m; last year: £155.9m) and other operating income (£nil; last year: £34.6m).

The selling and administrative expenses are further analysed below:

	2023 Total £m	2022 Total £m
Employee costs <sup>1,2</sup>	1,503.0	1,420.6
Occupancy costs	463.9	344.3
Repairs, renewals and maintenance of property	107.9	122.2
Depreciation, amortisation and asset impairments and write-offs <sup>3</sup>	560.8	586.4
IT costs	228.6	212.1
Marketing costs	220.2	209.4
Other costs <sup>4</sup>	489.4	349.1
Selling and administrative expenses	3,573.8	3,244.1

<sup>1</sup> There are an additional £58.7m (last year: £65.1m) employee costs recorded within cost of sales. These costs are included within the aggregate remuneration disclosures in note 9A.

<sup>3</sup> Includes £0.2m (last year: £0.2m) depreciation and £2.9m (last year: £nil) impairment charged on investment property.

<sup>4</sup> Includes costs such as logistics, professional fees and sundry costs.

Adjusting items categorised as selling and administrative expenses are further analysed as: employee costs of £14.1m (last year: £0.1m); occupancy costs £8.2m (last year: £5.9m); depreciation, amortisation and asset impairments/reversals and write-offs £43.0m (last year: £64.9m); and other costs £6.0m (last year: £85.0m).

**4 Profit before taxation**

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

	2023 £m	2022 £m
Net foreign exchange losses/(gains)	6.1	(14.5)
Cost of inventories recognised as an expense	6,695.5	6,086.3
Write-down of inventories recognised as an expense	266.0	197.6
Depreciation of property, plant and equipment <sup>1</sup>		
- owned assets	303.3	290.5
- right-of-use assets	174.8	167.8
Amortisation of intangible assets	86.6	93.6
Impairments and write-offs of intangible assets and property, plant and equipment <sup>2</sup>	31.3	100.1
Impairment reversals of property, plant and equipment	(40.2)	(62.1)
Impairments of right-of-use assets	14.8	25.4
Impairment reversals of right-of-use assets	(14.9)	(28.9)

<sup>1</sup>Includes £0.2m (last year: £0.2m) depreciation charged on investment property.

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

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

	2023 £m	2022 £m
Annual audit of the Company and the consolidated financial statements	2.0	1.7
Audit of subsidiary companies	0.7	0.6
Total audit fees	2.7	2.3
Audit-related assurance services	0.3	0.2
Total non-audit services fees	0.3	0.2
Total audit and non-audit services	3.0	2.5

## 5 Adjusting items

The total adjusting items reported for the 52-week period ended 1 April 2023 is a net charge of £71.3m (last year: £104.3m). The adjustments made to reported profit before tax to arrive at adjusted profit are:

	Notes	2023 £m	2022 £m
<b>Included in operating profit</b>			
Strategic programmes - UK store estate	14, 21	(51.3)	(161.4)
Strategic programmes – Structural simplification	14, 21	(12.3)	-
Strategic programmes - Organisation	14, 21	(10.7)	14.3
Strategic programmes - UK logistics	14, 21	(10.5)	21.9
Strategic programmes - International store closures and impairments	21	-	0.4
Store impairments, impairment reversals and other property charges	14, 21	15.1	60.0
M&S Bank charges incurred in relation to insurance mis-selling provisions		(2.0)	(16.0)
Franchise restructure		0.4	(41.3)
Directly attributable gains resulting from the Covid-19 pandemic		-	17.8
<b>Adjustments to profit before tax</b>		<b>(71.3)</b>	<b>(104.3)</b>

### Strategic programmes – UK store estate (£51.3m)

In November 2016, the Group announced a strategic programme to transform and rotate the UK store estate with the overall objective to improve our store estate to better meet our customers' needs. The Group incurred charges of £870m up to April 2023 under this programme primarily relating to closure costs associated with stores identified as part of the strategic transformation plans.

The Group has recognised a charge of £51.3m in the period in relation to those stores identified as part of the rotation plans. The charge primarily reflects the latest view of store closure plans and latest assumptions for estimated store closure costs, as well as charges relating to the impairment of buildings and fixtures and fittings, and depreciation as a result of shortening the useful economic life of stores based on the most recent approved exit routes.

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

As at 1 April 2023, the total closure programme now consists of 206 stores, 108 of which have already closed. Further charges of c.£165m are estimated within the next eight financial years, bringing anticipated total programme costs since 2016 to c.£1bn. In addition, where store exit routes in the next eight years lead to the recognition of gains on exit, particularly those relating to asset management, these credits will also be recognised within adjusting items as part of the programme. The anticipated total programme costs to date do not include any costs that may arise in relation to a further c.30 stores currently under consideration for closure within the next eight years. At this stage these c.30 stores remain commercially supportable and in the event of a decision to close the store, the exit routes are not yet certain.

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

### Strategic programmes – Structural simplification (£12.3m)

During 2022/23, the Group committed to a structural reduction of its operating costs and a desire to simplify the organisation and prioritise to mitigate cost increases faced by the business. As part of this objective, a thorough review has been performed to restructure and right size the organisation with an in-year focus on the support functions. As part of the programme, the Group has incurred £1.3m of consultancy costs. The review of structures has resulted in a reduction of c.600 roles versus plan across central support centres, management and stores, with a charge of £12.3m recognised in the period primarily for redundancy and exit costs associated with these changes. The provision is expected to be fully utilised during 2023/24. Further charges of c.£17m are expected in 2023/24 bringing the total programme cost to c.£29.3m.

These costs are considered to be adjusting items as the costs are part of the strategic programme, significant in value and would distort the year-on-year profitability of the business.

### Strategic programmes – Organisation (£10.7m)

During 2016/17, the Group announced a wide-ranging strategic review across a number of areas of the business which included UK organisation and the programme to centralise our London Head Office functions into one building. In the period, an impairment charge of £10.7m has been recognised (last year: £14.3m impairment reversal). This relates to the updating of assumptions and market fluctuations over the life of the sub-let of previously closed offices. Total costs of centralising our London Head Office functions into one building incurred to date are c.£97m. Any future charges/ reversals will relate to the updating of assumptions and market fluctuations over the life of the sub-let lease to September 2040.

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

## Marks and Spencer plc

### Strategic programmes – UK logistics (£10.5m)

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

In January 2023, the closure of a further distribution centre was announced for 2023/24. A net charge of £10.5m has been recognised in the period, reflecting the view of estimated closure costs. Total programme costs to date are £28.4m with further net charges of £30.2m expected over the next two financial years.

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

### Store impairments, impairment reversals and property charges (£15.1m credit)

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

The Group has performed impairment testing based on the latest Board approved budget and three year plan future cash flow projections for UK and International stores (excluding those stores that have been captured as part of the UK store estate programme). As a result, store impairment testing has identified stores where the current and anticipated future performance does not support the carrying value of the stores. A charge of £18.0m (last year: £2.9m) has been incurred primarily in respect of the impairment of assets associated with these stores. In addition, a credit of £33.1m (last year: £63.4m) has been recognised for the reversal of store impairments incurred in previous periods, where revised future cash flow projections more than support the carrying value of the stores, reflecting improved trading expectations compared to those assumed at the prior year end. Refer to note 15 for further details on the impairments.

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

### M&S Bank charges incurred in relation to insurance mis-selling provisions (£2.0m)

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

Since the year ended 31 December 2010, M&S Bank has recognised in its audited financial statements an estimated liability for redress to customers in respect of possible mis-selling of financial products. The Group's profit share and fee income from M&S Bank has been reduced by the deduction of the estimated liability in both the current and prior years. In line with the accounting treatment under the Relationship Agreement, there is a cap on the amount of charges that can be offset against the profit share in any one year, whereby excess liabilities carried forward are deducted from the Group's future profit share from M&S Bank. The deduction in the period is £2.0m (last year: £16.0m).

The treatment of this in adjusting items is in line with previous charges in relation to settlement of PPI claims and although it is recurring, it is significant in quantum in the context of the total charges recognised for PPI mis-selling to date and is not considered representative of the normal operating performance of the Group. As previously noted, while the August 2019 deadline to raise potential mis-selling claims has now passed, costs relating to the estimated liability for redress are expected to continue. The total charges recognised in adjusting items since September 2012 for PPI is £324.7m which exceeds the total offset against profit share of £255.8m to date and this deficit will be deducted from the Group's share of future profits from M&S Bank.

### Franchise restructuring (£0.4m credit)

In September 2021 the Group announced the closure of 11 franchise stores in France in response to increased EU border costs. Consequently, the Group recognised a charge of £10.3m for closure costs in 2021/22. A provision release of £0.4m has been recognised during the period in relation to the stores in France. No future costs are expected.

The costs/credits are considered to be adjusting items as they are one-off in nature and significant in value in total to the results of the Group and to the International segment.

## Marks and Spencer plc

### 6 Finance income/(costs)

	2023 £m	2022 £m
Bank and other interest receivable	22.9	3.7
Other finance income	0.9	5.9
Pension net finance income	28.7	13.2
Interest income of subleases	5.6	5.5
Interest receivable on intercompany loans	4.6	-
<b>Finance income</b>	<b>62.7</b>	<b>28.3</b>
Other finance costs	(6.5)	(0.8)
Interest payable on syndicated bank facility	(4.5)	(4.7)
Interest payable on Medium Term Notes	(65.4)	(79.6)
Interest payable on lease liabilities	(116.3)	(121.1)
Interest payable on intercompany loans	(0.5)	-
Unwind of discount on provisions	(5.4)	(3.8)
Unwind of discount on Partnership liability to the Marks & Spencer UK Pension Scheme (see note 11)	(4.3)	(4.4)
<b>Finance costs</b>	<b>(202.9)</b>	<b>(214.4)</b>
<b>Net finance costs</b>	<b>(140.2)</b>	<b>(186.1)</b>

### 7 Income tax expense

#### A. Taxation charge

	2023 £m	2022 £m
<b>Current tax</b>		
UK corporation tax on profits for the year at 19% (last year: 19%)		
- current year	66.7	65.7
- adjustments in respect of prior years	(3.8)	(1.0)
UK current tax	62.9	64.7
Overseas current taxation		
- current year	9.9	9.6
- adjustments in respect of prior years	(3.6)	2.2
<b>Total current taxation</b>	<b>69.2</b>	<b>76.5</b>
<b>Deferred tax</b>		
- origination and reversal of temporary differences	26.1	14.9
- adjustments in respect of prior years	8.1	0.7
- changes in tax rate	6.5	(10.5)
<b>Total deferred tax (see note 22)</b>	<b>40.7</b>	<b>5.1</b>
<b>Total income tax expense</b>	<b>109.8</b>	<b>81.6</b>

#### B. Taxation reconciliation

The effective tax rate was 25.4% (last year: 20.2%) and is explained below.

	2023 £m	2022 £m
<b>Profit before tax</b>	<b>432.6</b>	<b>404.7</b>
Notional taxation at standard UK corporation tax rate of 19% (last year: 19%)	82.2	76.9
Depreciation and other amounts in relation to fixed assets that do not qualify for tax relief	6.0	7.8
Tax benefit arising from UK super deduction regime	(7.9)	(6.2)
Other income and expenses that are not taxable or allowable for tax purposes	16.2	6.1
Joint venture results accounted for as profit after tax	(0.1)	0.1
Retranslation of deferred tax balances due to the change in statutory UK tax rates	-	(10.5)
Impact of tax rate differential	6.6	-
Overseas profits taxed at rates different to those of the UK	0.4	(0.6)
Movement in unrecognised overseas deferred tax assets	0.3	-
Adjustments to the current and deferred tax charges in respect of prior periods	5.4	1.9
<b>Adjusting items:</b>		
- UK store and strategic programme impairments and other property charges where no tax relief is available	2.7	3.9
- Other strategic programme income and expenses that are not taxable or allowable for tax purposes	2.7	-
- Adjustments to the current and deferred tax charges in respect of prior periods	(4.7)	2.2
<b>Total income tax expense</b>	<b>109.8</b>	<b>81.6</b>

The effective tax rate in respect of the profit before adjusting items was 25.2% (last year: 18.7%).

## Marks and Spencer plc

On 20 December 2021, the OECD published its proposals in relation to Global Anti-Base Erosion Rules, which provide for an internationally co-ordinated system of taxation to ensure that large multinational groups pay a minimum level of corporate income tax in countries where they operate. On 23 March 2023, the UK government introduced draft legislation in Finance (No. 2) Bill 2022-23 to implement Pillar 2 of the OECD/G20 inclusive framework. The new rules are expected to take effect from 2024 onwards.

There remains a considerable amount of uncertainty with respect to the detailed operation of the rules and their impact. Further details and guidance are due in the course of 2023. From an initial review of the Group's business and tax profile, the rules are not expected to have a material impact on the Group's tax rate or tax payments. There is no impact on the Group's results for FY23.

### C. Current tax reconciliation

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

	2023	2022
	£m	£m
<b>Profit before tax</b>	<b>432.6</b>	<b>404.7</b>
Notional taxation at standard UK corporation tax rate of 19% (last year: 19%)	82.2	76.9
Disallowable accounting depreciation and other similar items	54.9	63.7
Deductible capital allowances	(77.0)	(75.7)
Adjustments in relation to employee share schemes	5.8	6.7
Adjustments in relation to employee pension schemes	8.3	(2.5)
Overseas profits taxed at rates different to those of the UK	0.4	(0.6)
Joint venture results accounted for as profit after tax	(0.1)	0.1
Utilisation or increase of unrecognised losses	0.3	-
Other income and expenses that are not taxable or allowable	(3.6)	0.6
Adjusting items:		
- UK store and strategic programme impairments and other property charges where no tax relief is available	2.7	3.9
- Other strategic programme income and expenses that are not taxable or allowable for tax purposes	2.7	2.2
<b>Current year current tax charge</b>	<b>76.6</b>	<b>75.3</b>
<b>Represented by:</b>		
UK current year current tax	66.7	65.7
Overseas current year current tax	9.9	9.6
	76.6	75.3
UK adjustments in respect of prior years	(3.8)	(1.0)
Overseas adjustments in respect of prior years	(3.6)	2.2
<b>Total current taxation (note 7A)</b>	<b>69.2</b>	<b>76.5</b>

### 8 Dividends

The Board of Directors has not proposed a final dividend for 2022/23. However, with the business generating an improved operating performance and having a strengthened balance sheet with credit metrics consistent with investment grade, the Board plans to restore a modest annual dividend to shareholders starting with an interim dividend in November.

# Marks and Spencer plc

## 9 Employees

### A. Aggregate remuneration

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

	2023 Total £m	2022 Total £m
Wages and salaries	1,314.6	1,256.0
Social security costs	93.7	84.6
Pension costs	75.9	69.0
Share-based payments (see note 12)	32.7	30.2
Employee welfare and other personnel costs	45.6	54.1
Capitalised staffing costs	(14.9)	(6.4)
<b>Total aggregate remuneration<sup>1</sup></b>	<b>1,547.6</b>	<b>1,487.5</b>

<sup>1</sup>Excludes amounts recognised within adjusting items of £14.1m (last year: £0.1m) (see notes 3 and 5).

Details of key management compensation are given in note 27.

### B. Average monthly number of employees

	2023	2022
UK stores		
- management and supervisory categories	4,823	4,570
- other	50,019	51,585
UK head office		
- management and supervisory categories	3,737	3,275
- other	765	660
UK operations		
- management and supervisory categories	128	124
- other	1,752	1,667
Overseas	5,172	5,205
<b>Total average number of employees</b>	<b>66,396</b>	<b>67,086</b>

The average number of full-time equivalent employees is 46,638 (last year: 47,108).

	2023 £'000	2022 £'000
Highest paid director	1,413.3	2,629.8
Aggregate emoluments of all other directors	1,799.2	2,892.7

One director (last year: one) accrued retirement benefits under a defined benefit scheme.

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

One director (last year: three) was awarded share options in relation to the Group's long-term incentive plans.

### 10 Retirement benefits

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

The legacy UK DB Pension Scheme operated on a final pensionable salary basis and is governed by a Trustee board which is independent of the Group. The UK DB Pension Scheme closed to future accrual on 1 April 2017. There will be no further service charges relating to the scheme and no future monthly employer contributions for current service. At year end, the UK DB Pension Scheme had no active members (last year: nil), 49,634 deferred members (last year: 51,444) and pensioners 53,634 (last year: 53,270).

The DC plan is a pension plan under which the Group pays contributions to an independently administered fund. Such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with the investment returns earned on the contributions arising from the performance of each individual's investments and how each member chooses to receive their retirement benefits. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee. At the year end, the DC arrangement had some 50,901 active members (last year: 46,560) and some 45,908 deferred members (last year: 45,778).

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

The total Group retirement benefit cost was £36.4m (last year: £55.9m). Of this, income of £24.1m (last year: income of £8.8m) relates to the UK DB Pension Scheme, costs of £57.4m (last year: costs of £62.0m) to the UK DC plan and costs of £3.1m (last year: costs of £2.8m) to other retirement benefit schemes.

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

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

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

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

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

With the pensioner buy-in policies purchased in September 2020, April 2019 and March 2018, the Scheme has now, in total, insured around 80% of the pensioner cash flow liabilities for pensions in payment. The buy-in policies cover specific pensioner liabilities and pass all risks to an insurer in exchange for a fixed premium payment, thus reducing the Group's exposure to changes in longevity, interest rates, inflation and other factors.

## Marks and Spencer plc

### A. Pensions and other post-retirement liabilities

	2023 £m	2022 £m
Total market value of assets	6,781.9	10,090.7
Present value of scheme liabilities	(6,299.9)	(9,046.8)
Net funded pension plan asset	482.0	1,043.9
Unfunded retirement benefits	(2.2)	(2.6)
Post-retirement healthcare	(2.4)	(3.1)
Net retirement benefit surplus	477.4	1,038.2
Analysed in the statement of financial position as:		
Retirement benefit asset	482.0	1,043.9
Retirement benefit deficit	(4.6)	(5.7)
Net retirement benefit surplus	477.4	1,038.2

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

### B. Scheme assets

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

	2023 £m	2022 £m
Fair value of scheme assets at start of year	10,090.7	10,442.9
Interest income based on discount rate	267.0	204.4
Actual return on scheme assets excluding amounts included in net interest income <sup>1</sup>	(3,231.1)	(213.4)
Actuarial loss – asset ceiling	(38.2)	(19.4)
Employer contributions	38.1	41.8
Benefits paid	(344.9)	(359.3)
Administration costs	(4.6)	(4.6)
Exchange movement	4.9	(1.7)
Fair value of scheme assets at end of year	6,781.9	10,090.7

<sup>1</sup> The actual return on scheme assets was a loss of £2,964.1m (last year: loss of £9.0m).

### C. Pensions and other post-retirement liabilities

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

	2023 £m	2022 £m
Present value of obligation at start of year	9,052.5	9,811.5
Current service cost	0.1	0.2
Administration costs	0.2	0.2
Interest cost	238.3	191.2
Benefits paid	(344.9)	(359.3)
Actuarial loss - experience	250.3	153.9
Actuarial (gain)/loss - demographic assumptions	(205.4)	89.0
Actuarial (gain) - financial assumptions	(2,691.4)	(832.7)
Exchange movement	4.8	(1.5)
Present value of obligation at end of year	6,304.5	9,052.5
Analysed as:		
Present value of pension scheme liabilities	6,299.9	9,046.8
Unfunded pension plans	2.2	2.6
Post-retirement healthcare	2.4	3.1
Present value of obligation at end of year	6,304.5	9,052.5

The average duration of the defined benefit obligation at 1 April 2023 is 14.0 years (last year: 17.3 years).

### D. Analysis of assets

The investment strategy of the UK DB Pension Scheme is driven by its liability profile, including its inflation-linked pension benefits. In addition to its interest in the Scottish Limited Partnership (refer to note 11), the scheme invests in different types of bond (including corporate bonds and gilts) and derivative instruments (including inflation, interest rate, cross-currency and total return swaps) in order to align movements in the value of its assets with movements in its liabilities arising from changes in market conditions. Broadly, the scheme has hedging that covers 94% of interest rate movements and 111% of inflation movements, as measured on the Trustee's funding assumptions which use a discount rate derived from gilt yields.



## Marks and Spencer plc

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

	Quoted £m	Unquoted £m	2023 Total £m	Quoted £m	Unquoted £m	2022 Total £m
<b>Debt investments</b>						
- Government bonds net of repurchase agreements <sup>1</sup>	2,023.7	(196.6)	1,827.1	3,482.9	(1,185.2)	2,297.7
- Corporate bonds	12.0	1.2	13.2	6.0	950.0	956.0
- Asset backed securities and structured debt	-	443.6	443.6	-	365.9	365.9
Scottish Limited Partnership Interest (see note 11)	-	122.8	122.8	-	193.5	193.5
<b>Equity investments</b>						
- Developed markets	41.6	-	41.6	550.3	-	550.3
- Emerging markets	109.5	-	109.5	113.7	-	113.7
<b>Growth asset funds</b>						
- Global property	-	287.0	287.0	5.4	308.7	314.1
- Hedge and reinsurance	12.0	316.3	328.3	25.8	324.7	350.5
- Private equity and infrastructure	-	171.9	171.9	5.9	223.6	229.5
<b>Derivatives</b>						
- Interest and inflation rate swaps	7.0	88.6	95.6	15.6	406.9	422.5
- Foreign exchange contracts and other derivatives	-	21.4	21.4	-	(40.0)	(40.0)
<b>Cash and cash equivalents</b>	4.0	206.2	210.2	5.9	168.1	174.0
<b>Other</b>						
- Buy-in insurance	-	2,150.0	2,150.0	-	2,910.0	2,910.0
- Secure income asset funds	-	998.3	998.3	-	1,121.6	1,121.6
- Other	-	-	-	-	150.8	150.8
<b>Total<sup>2</sup></b>	<b>2,209.8</b>	<b>4,610.7</b>	<b>6,820.5</b>	<b>4,211.5</b>	<b>5,898.6</b>	<b>10,110.1</b>

<sup>1</sup>Repurchase agreements were £196.6m (last year: £1,184.0m).

<sup>2</sup>The difference between the total assets of £6,820.5m above compared to £6,781.9m is £38.6m. This relates to the cap applied to the Irish DB scheme and therefore the £38.2m actuarial gain is not recognised and £0.4m net interest income is not recognised as per IFRIC 14.

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

At year end, the UK schemes (UK DB Pension Scheme and post-retirement healthcare) indirectly held nil (last year: 33,210) ordinary shares in Marks and Spencer Group plc through its investment in UK Equity Index Funds.

### E. Financial assumptions

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

	2023 %	2022 %
Rate of increase in pensions in payment for service	2.2 - 3.2	2.3 - 3.6
Discount rate	4.75	2.70
Inflation rate for RPI	3.25	3.70
Long-term healthcare cost increases	7.30	7.70

### F. Demographic assumptions

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

	2023	2022
Current pensioners (at age 65)		
- male	22.0	22.3
- female	24.4	25.1
Future pensioners - currently in deferred status (at age 65)		
- male	23.6	24.0
- female	26.11	26.9

#### G. Sensitivity analysis

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

	2023 £m	2022 £m
Decrease in scheme surplus caused by a decrease in the discount rate of 0.25%	(25.0)	(20.0)
Decrease in scheme surplus caused by a decrease in the discount rate of 0.50%	(45.0)	(30.0)
Decrease in scheme surplus caused by a decrease in the discount rate of 2.50%	(235.0)	(150.0)
Increase in scheme surplus caused by an increase in the discount rate of 2.50%	200.0	100.0
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.25%	(30.0)	(70.0)
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.50%	(60.0)	(130.0)
Increase in scheme surplus caused by a decrease in the average life expectancy of one year	130.0	270.0

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

#### H. Analysis of amounts charged against profits

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

	2023 £m	2022 £m
Current service cost	0.1	0.2
Administration costs	4.8	4.8
Net interest income	(28.7)	(13.2)
<b>Total</b>	<b>(23.8)</b>	<b>(8.2)</b>
<b>Remeasurement on the net defined benefit surplus:</b>		
Actual return on scheme assets excluding amounts included in net interest income	3,231.1	213.4
Actuarial (gain)/loss - demographic assumptions	(205.4)	89.0
Actuarial loss - experience	250.3	153.9
Actuarial gain - financial assumptions	(2,691.4)	(832.7)
Actuarial loss - asset ceiling	38.2	19.4
<b>Components of defined benefit expense/(income) recognised in other comprehensive income</b>	<b>622.8</b>	<b>(357.0)</b>

## 11 Marks and Spencer Scottish Limited Partnership

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

The Partnership holds £1.3bn (last year: £1.3bn) of properties at book value which have been leased back to Marks and Spencer plc. The Group retains control over these properties, including the flexibility to substitute alternative properties into the Partnership. The first limited Partnership interest (held by the Marks & Spencer UK Pension Scheme) entitles the Pension Scheme to receive £73.0m in 2023 and £54.4m in 2024. The second Partnership interest (also held by the Marks & Spencer UK Pension Scheme) entitles the Pension Scheme to receive a further £36.4m annually from June 2017 until June 2031. All profits generated by the Partnership in excess of this are distributable to Marks and Spencer plc.

The Partnership liability in relation to the first interest of £124.8m (last year: £192.3m) is included as a financial liability in the Group's financial statements as it is a transferable financial instrument and measured at amortised cost, being the net present value of the future expected distributions from the Partnership. During the year to 1 April 2023, an interest charge of £4.3m (last year: £4.4m) was recognised in the income statement, representing the unwinding of the discount included in this obligation. The first limited Partnership interest of the Pension Scheme is included within the UK DB Pension Scheme assets, valued at £122.8m (last year: £193.5m).

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

## 12 Share-based payments

This year a charge of £32.7m was recognised for share-based payments (last year: charge of £30.2m). Of the total share-based payments charge, £15.2m (last year: £14.9m) relates to the UK Save As You Earn Share Option scheme, £7.0m (last year: charge of £6.7m) relates to Performance Share Plans, £3.4m (last year: £8.2m) relates to Restricted Share Plans, £6.9m relates to Deferred Share Bonus Schemes (last year: £0.2m) and the remaining charge of £0.2m relates to Republic of Ireland Save As You Earn Share Option Scheme (last year: £0.2m).

In addition, a charge of £5.3m was recognised in relation to Annual Bonus Schemes under the Deferred Share Bonus Scheme. The Annual Bonus for 2022/23 was granted in July 2023. Further details of the operation of the Group share plans are provided in the Remuneration Report of the Marks and Spencer Group plc Annual Report 2023 which does not form part of this report. These shares relate to the shares in the parent company, Marks and Spencer Group plc, rather than the Company.

### A. Save As You Earn scheme - £15.2m

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

	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of the year	110,562,961	100.9p	119,151,406	99.4p
Granted	14,349,909	99.0p	11,526,149	189.0p
Exercised	(690,665)	111.1p	(208,238)	138.2p
Forfeited	(14,390,102)	124.9p	(12,207,656)	102.6p
Expired	(2,779,680)	220.0p	(7,698,700)	206.5p
Outstanding at end of year	107,052,423	94.3p	100,562,961	100.9p
Exercisable at end of year	6,309,033	144.2p	11,945	186.8p

For SAYE share options exercised during the period, the weighted average share price at the date of exercise was 144.1p (last year: 206.3p).

## Marks and Spencer plc

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

	2023	2022
	3-year plan	3-year plan 2021 modified <sup>1</sup>
Grant date	Dec 22	Dec 21
Share price at grant date	123p	123p
Exercise price	99p	189p
Option life in years	3 years	3 years
Risk-free rate	3.3%	3.3%
Expected volatility	51.0%	51.0%
Expected dividend yield	0.0%	0.0%
Fair value of option	43p	26p
Incremental fair value of option	n/a	17p

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

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

The resulting fair value is expensed over the service period of three years on the assumption that 27% (last year: 10%) of options will lapse over the service period as employees leave the Group.

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

	Number of options		Weighted average remaining contractual life (years)		
Options granted <sup>1</sup>	2023	2022	2023	2022	Option price
January 2018	—	5,441	—	(0.8)	251p
January 2019	13,016	2,399,413	(0.8)	0.2	238p
January 2020	5,732,723	8,006,941	0.3	1.3	151p
February 2021	81,037,194	89,284,282	1.3	2.3	82p
February 2022	6,333,538	10,866,884	2.3	3.3	189p
February 2023	13,935,952	—	3.3	—	99p
	107,052,423	110,562,961	1.6	2.3	94p

<sup>1</sup>For the purpose of the above table the option granted date is the contract start date.

**B. Performance Share Plan\* - £7.0m**

The Performance Share Plan ("PSP") is the primary long-term incentive plan for approximately 165 of the most senior managers within the Group. It was first approved by shareholders at the 2005 AGM and again at the 2020 AGM. Under the plan, annual awards, based on a percentage of salary, may be offered. The extent to which an award vests is measured over a three-year period against financial targets which for 2022/23 included Earnings Per Share ("EPS"), Return on Capital Employed ("ROCE"), Total Shareholder Return ("TSR") and strategic measures of Marks and Spencer Group plc. The value of any dividends earned on the vested shares during the three years may also be paid on vesting. Awards under this plan have been made in each year since 2005. More information is available in relation to this plan within the Remuneration Report of the Marks and Spencer Group plc Annual Report 2023 which does not form part of this report.

During the year, 22,255,397 shares (last year: 19,374,217) were awarded under the plan. The weighted average fair value of the shares awarded was 139.6p (last year: 155.1p). As at 1 April 2023, 47,289,649 shares (last year: 44,534,437) were outstanding under the plan.

**C. Deferred Share Bonus Plan\* - £12.2m**

The Deferred Share Bonus Plan ("DSBP") was first introduced in 2005/06 as part of the Annual Bonus Scheme and was reapproved by shareholders at the 2020 AGM. It may be operated for approximately 5,000 employees within the Group. As part of the plan, the employees are required to defer a proportion of any bonus paid into shares which will be held for three years. There are no further performance conditions on these shares, other than continued employment within the Group and the value of any dividends earned on the vested shares during the deferred period may also be paid on vesting. More information is available in relation to this plan within the Remuneration Report of the Marks and Spencer Group plc Annual Report 2023 which does not form part of this report.

During the year 29,630,372 shares (last year: no shares) have been awarded under the plan in relation to the annual bonus. As at 1 April 2023, 26,794,048 shares (last year: 190,596) were outstanding under the plan.

**D. Restricted Share Plan\* - £3.4m**

The Restricted Share Plan ("RSP") was established in 2000 as part of the reward strategy for retention and recruitment of senior managers who are vital to the success of the business and the plan was reapproved by shareholders at the 2020 AGM. The plan operates for the senior management team. Awards vest at the end of the restricted period (typically between one and three years) subject to the participant still being in employment of the Company on the relevant vesting date. The value of any dividends earned on the vested shares during the restricted period may also be paid on vesting. More information is available in relation to this plan within the Remuneration Report of the Marks and Spencer Group plc Annual Report 2023 which does not form part of this report.

During the year, 2,624,496 shares (last year: 2,441,809) have been awarded under the plan. The weighted average fair value of the shares awarded was 76.9p (last year: 158.7p). As at 1 April 2023, 5,557,542 shares (last year: 10,368,217) were outstanding under the plan.

**E. Republic of Ireland Save As You Earn scheme - £0.2m**

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

During the year, no options were granted (last year: no options granted). As at 1 April 2023, 1,264,131 options (last year: 1,439,954) were outstanding under the scheme.

**F. Marks and Spencer Employee Benefit Trust**

The Marks and Spencer Employee Benefit Trust (the "Trust") holds 166,057 (last year: 264,779) shares with a book value of £0.0m (last year:

£0.0m) and a market value of £0.3m (last year: £0.4m). These shares were acquired by the Trust through a combination of market purchases and new issues and are recognised as other financial assets (see note 15). Awards are granted to employees at the discretion of Marks and Spencer plc and the Trust agrees to satisfy the awards in accordance with the wishes of Marks and Spencer plc under the senior executive share plans described above. Dividends are waived on all of these shares.

**G. ShareBuy**

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

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

## 13 Intangible assets

	Goodwill £m	Brands £m	Computer software £m	Computer software under development £m	Total £m
<b>At 3 April 2021</b>					
Cost	135.7	118.6	1,539.6	56.9	1,850.8
Accumulated amortisation, impairments and write-offs	(112.0)	(112.5)	(1,362.2)	(32.1)	(1,618.8)
<b>Net book value</b>	<b>23.7</b>	<b>6.1</b>	<b>177.4</b>	<b>24.8</b>	<b>232.0</b>
<b>Year ended 2 April 2022</b>					
Opening net book value	23.7	6.1	177.4	24.8	232.0
Additions	4.8	0.1	0.9	63.8	69.6
Transfers and reclassifications	-	-	29.6	(44.6)	(15.0)
Asset write-offs	-	-	(0.6)	-	(0.6)
Amortisation charge	-	(0.6)	(93.0)	-	(93.6)
Exchange difference	0.1	-	-	-	0.1
<b>Closing net book value</b>	<b>28.6</b>	<b>5.6</b>	<b>114.3</b>	<b>44.0</b>	<b>192.5</b>
<b>At 2 April 2022</b>					
Cost	140.6	118.7	1,570.1	76.1	1,905.5
Accumulated amortisation, impairments and write-offs	(112.0)	(113.1)	(1,455.8)	(32.1)	(1,713.0)
<b>Net book value</b>	<b>28.6</b>	<b>5.6</b>	<b>114.3</b>	<b>44.0</b>	<b>192.5</b>
<b>Year ended 1 April 2023</b>					
Opening net book value	28.6	5.6	114.3	44.0	192.5
Additions	-	-	5.3	79.1	84.4
Transfers and reclassifications	-	-	35.6	(64.2)	(28.6)
Asset write-offs	-	-	(0.7)	-	(0.7)
Amortisation charge	-	(0.6)	(86.0)	-	(86.6)
Exchange difference	(0.2)	-	-	-	(0.2)
<b>Closing net book value</b>	<b>28.4</b>	<b>5.0</b>	<b>68.5</b>	<b>58.9</b>	<b>160.8</b>
<b>At 1 April 2023</b>					
Cost	140.6	118.7	1,611.4	91.0	1,961.7
Accumulated amortisation, impairments and write-offs	(112.2)	(113.7)	(1,542.9)	(32.1)	(1,800.9)
<b>Net book value</b>	<b>28.4</b>	<b>5.0</b>	<b>68.5</b>	<b>58.9</b>	<b>160.8</b>

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

	per una £m	India £m	Sports Edit £m	Other £m	Total goodwill £m
Net book value at 2 April 2022	16.5	6.6	4.8	0.7	28.6
Exchange difference	-	(0.2)	-	-	(0.2)
<b>Net book value at 1 April 2023</b>	<b>16.5</b>	<b>6.4</b>	<b>4.8</b>	<b>0.7</b>	<b>28.4</b>

**Goodwill impairment testing**

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

The goodwill balance relates to the goodwill recognised on the acquisition of per una £16.5m (last year: £16.5m), India £6.4m (last year: £6.6m), Sports Edit £4.8m (last year: £4.8m) and other £0.7m (last year: £0.7m).

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

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

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

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

Management estimates discount rates that reflect the current market assessment of the time value of money and the risks specific to each asset or CGU. The pre-tax discount rates are derived from the Group's post-tax weighted average cost of capital ("WACC") which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The post-tax WACC is subsequently grossed up to a pre-tax rate and was 13.4% for per una (last year: 10.8%) and 15.4% for India (last year: 11.3%).

## Marks and Spencer plc

The immediately quantifiable impacts of climate change and costs expected to be incurred in connection with our net zero commitments, are included within the Group's budget and three-year plan which have been used to support the impairment reviews, with no material impact on cash flows.

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

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

## Marks and Spencer plc

### 14 Property, plant and equipment

The Group's property, plant and equipment of £4,983.0m (last year: £4,902.3m) consists of owned assets of £3,555.7m (last year: £3,486.5m) and right-of-use assets of £1,427.3m (last year: £1,415.8m).

#### Property, plant and equipment - owned

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
<b>At 3 April 2021</b>				
Cost	2,809.9	5,450.2	67.5	8,327.6
Accumulated depreciation, impairments and write-offs	(787.5)	(3,959.3)	(18.2)	(4,765.0)
<b>Net book value</b>	<b>2,022.4</b>	<b>1,490.9</b>	<b>49.3</b>	<b>3,562.6</b>
<b>Year ended 2 April 2022</b>				
Opening net book value	2,022.4	1,490.9	49.3	3,562.6
Additions	0.9	17.7	238.0	256.6
Transfers and reclassifications	3.0	175.8	(164.3)	14.5
Disposals	(15.9)	(1.9)	-	(17.8)
Impairment reversals	34.5	27.6	-	62.1
Impairment charge	(57.6)	(31.4)	-	(89.0)
Asset write-offs	0.9	(11.4)	-	(10.5)
Depreciation charge	(34.2)	(256.1)	-	(290.3)
Exchange difference	(1.7)	-	-	(1.7)
<b>Closing net book value</b>	<b>1,952.3</b>	<b>1,411.2</b>	<b>123.0</b>	<b>3,486.5</b>
<b>At 2 April 2022</b>				
Cost	2,764.8	5,275.7	141.2	8,181.7
Accumulated depreciation, impairments and write-offs	(812.5)	(3,864.5)	(18.2)	(4,695.2)
<b>Net book value</b>	<b>1,952.3</b>	<b>1,411.2</b>	<b>123.0</b>	<b>3,486.5</b>
<b>Year ended 1 April 2023</b>				
Opening net book value	1,952.3	1,411.2	123.0	3,486.5
Additions	2.1	32.1	296.5	330.7
Transfers and reclassifications	15.0	292.3	(280.7)	26.6
Disposals	(2.2)	(2.2)	-	(4.4)
Impairment reversals	25.8	14.4	-	40.2
Impairment charge	(22.5)	(9.3)	-	(31.8)
Asset write-offs	2.3	1.8	-	4.1
Depreciation charge	(58.3)	(244.8)	-	(303.1)
Exchange difference	5.4	1.5	-	6.9
<b>Closing net book value</b>	<b>1,919.9</b>	<b>1,497.0</b>	<b>138.8</b>	<b>3,555.7</b>
<b>At 1 April 2023</b>				
Cost	2,763.6	5,489.1	157.0	8,409.8
Accumulated depreciation, impairments and write-offs	(843.7)	(3,992.1)	(18.2)	(4,854.1)
<b>Net book value</b>	<b>1,919.9</b>	<b>1,497.0</b>	<b>138.8</b>	<b>3,555.7</b>

Asset write-offs in the year include assets with gross book value of £240.9m (last year: £383.3m) and £nil (last year: £nil) net book value that are no longer in use and have therefore been retired.



# Marks and Spencer plc

## Right-of-use assets

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

### Right-of-use assets

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
<b>As at 3 April 2021</b>	<b>1,444.7</b>	<b>51.3</b>	<b>1,496.0</b>
Additions	72.7	17.9	90.6
Transfers and reclassifications	0.5	-	0.5
Disposals	(7.7)	(0.2)	(7.9)
Impairment reversals	28.9	-	28.9
Impairment charge	(25.4)	-	(25.4)
Depreciation charge	(146.2)	(21.6)	(167.8)
Exchange difference	0.9	-	0.9
<b>As at 2 April 2022</b>	<b>1,368.4</b>	<b>47.4</b>	<b>1,415.8</b>
Additions	198.0	23.0	221.0
Transfers and reclassifications	2.1	-	2.1
Disposals	(27.8)	(10.5)	(38.3)
Impairment reversals	14.9	-	14.9
Impairment charge	(14.8)	-	(14.8)
Depreciation charge	(157.8)	(17.0)	(174.8)
Exchange difference	1.3	0.1	1.4
<b>As at 1 April 2023</b>	<b>1,384.3</b>	<b>43.0</b>	<b>1,427.3</b>

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

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

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

The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows, covering a three-year period, which have regard to historic performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed initiatives. The cash flows include ongoing capital expenditure required to maintain the store network, but exclude any growth capital initiatives not committed. Cash flows beyond this three-year period are extrapolated using a long-term growth rate based on management's future expectations, with reference to forecast GDP growth. These growth rates do not exceed the long-term growth rate for the Group's retail businesses in the relevant territory. If the CGU relates to a store which the Group has identified as part of the UK store estate programme, the value in use calculated has been modified by estimation of the future cash flows up to the point where it is estimated that trade will cease and then estimation of the timing and amount of costs associated with closure as detailed fully in note 5.

The immediately quantifiable impacts of climate change and costs expected to be incurred in connection with our net zero commitments, are included within the Group's budget and three-year plan which have been used to support the impairment reviews, with no material impact on cash flows. We also expect any potential store refurbishments to be phased over multiple years and therefore any changes required due to climate change would not have a material impact in any given year and the warehouse and support centres are located in areas which we would not expect to be physically impacted by climate change. As a consequence there has been no material impact in the forecast cash flows used for impairment testing.

The key assumptions in the value in use calculations are the growth rates of sales and gross profit margins, changes in the operating cost base, long-term growth rates and the risk-adjusted pre-tax discount rate. The pre-tax discount rates are derived from the Group's weighted average cost of capital, which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The pre-tax discount rates range from 12.5% to 18.1% (last year: 9.8% to 15.8%). If the CGU relates to a store which the Group has identified as part of the UK store estate programme, the additional key assumptions in the value in use calculations are costs associated with closure, the disposal proceeds from store exits and the timing of the store exits.

### Impairments – UK stores excluding the UK store estate programme

During the year, the Group has recognised an impairment charge of £17.3m and impairment reversals of £33.1m as a result of UK store impairment testing unrelated to the UK store estate programme (last year: impairment charge of £6.9m and impairment reversals of £63.4m). Impairment charges of £17.3m and impairment reversals of £33.1m have been recognised within adjusting items (see note 5). The impaired stores were impaired to their value-in-use recoverable amount of £109.8m, which is their carrying value at year end. The stores with impairment reversals were written back to the lower of their value-in-use recoverable amount, and the carrying value if the impairment had not occurred, of £159.7m.

For UK stores, when considering both impairment charges and reversals, cash flows beyond the three-year period are extrapolated using the Group's current view of achievable long-term growth of 2.0%, adjusted to 0% where management believes the current trading performance and future expectations of the store do not support the growth rate of 2.0%. The rate used to discount the forecast cash flows for UK stores is 12.5% (last year: 9.8%).

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

## Marks and Spencer plc

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

A reduction in sales of 5% from the three-year plan in year 3 would increase the impairment charge by £24.2m and a 25 basis points reduction in the gross profit margin from year 3 onwards would increase the impairment charge by £1.8m. In combination a 5% reduction in sales and a 25 basis point reduction in gross profit margin would increase the impairment charge by £30.3m. A 250 basis points increase in the discount rate would increase the impairment charge by £28.8m.

A reduction in sales of 5% from the three-year plan in year 3 would reduce the reversal by £7.0m and a 25 basis points reduction in the gross profit margin from year 3 would reduce the reversal by £1.1m. In combination a 5% reduction in sales and a 25 basis point reduction in gross profit margin would reduce the reversal by £8.0m. A 250 basis points increase in the discount rate would reduce the reversal by £7.6m.

### Impairments – UK store estate programme

During the year, the Group has recognised an impairment charge of £28.6m and impairment reversals of £22.0m relating to the ongoing UK store estate programme. These stores were impaired to their value-in-use recoverable amount of £307.2m, which is their carrying value at year end. The impairment charge relates to the store closure programme and has been recognised within adjusting items (see note 5). Impairment reversals predominantly reflect changes to expected store closure dates and improved trading expectations compared to those assumed at the end of the prior year end.

Where the planned closure date for a store is outside the three-year plan period, no growth rate is applied. The rate used to discount the forecast cash flows for UK stores is 12.5% (last year: 9.8%).

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

A delay of 12 months in the date of each store exit would result in a decrease in the impairment charge of £70.9m. A 5% reduction in planned sales in years 2 and 3 (where relevant) would result in an increase in the impairment charge of £12.2m.

Neither a 250 basis point increase in the discount rate, a 25 basis point reduction in management gross profit margin during the period of trading, nor a 2% increase in the costs associated with exiting a store, would result in a significant increase to the impairment charge, individually or in combination with the other reasonably possible scenarios considered.

### Impairments – International stores

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

#### 15 Other financial assets

	2023 £m	2022 £m
<b>Non-current</b>		
Other investments <sup>1</sup>	8.2	4.9
Amounts owed by parent company	2,541.0	2,541.2
	2,549.2	2,546.1
<b>Current</b>		
Other investments <sup>2</sup>	13.0	17.6
	13.0	17.6

<sup>1</sup> Includes £0.3m shares in Marks and Spencer Group plc held for issue against employee schemes (last year: £0.4m) and £7.3m (last year: £3.1m) of venture capital investments managed by True Capital Limited.

<sup>2</sup> Includes £5.6m (last year: £8.8m) of money market deposits held by the Company in an escrow account.

#### 16 Trade and other receivables

	2023 £m	2022 £m
<b>Non-current</b>		
Trade receivables	–	0.1
Lease receivables – net of provision for impairment	64.6	74.7
Other receivables	2.5	3.3
Amount due from fellow subsidiaries of the parent company	215.6	–
Prepayments	201.6	192.5
	484.3	270.6
<b>Current</b>		
Trade receivables	105.2	103.0
Less: provision for impairment of receivables	(5.3)	(4.8)
Trade receivables – net	99.9	98.2
Lease receivables – net of provision for impairment	0.9	0.8
Other receivables	35.3	27.2
Prepayments	89.2	76.8
Accrued income	18.5	14.1
	243.8	217.1

## Marks and Spencer plc

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The Group's assessment of any expected credit losses is included in note 20. Included in accrued income is £8.8m (last year: £7.7m) of accrued supplier income relating to rebates that have been earned but not yet invoiced. An amount of supplier income that has been invoiced but not yet settled against future trade creditor balances is included within trade creditors, where there is a right to offset.

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

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

	2023 £m	2022 £m
<b>Timing of cash flows</b>		
Within one year	4.7	4.8
Between one and two years	4.7	4.7
Between two and three years	6.1	4.7
Between three and four years	7.8	6.1
Between four and five years	7.8	7.8
More than five years	113.3	121.1
<b>Total undiscounted cash flows</b>	<b>144.4</b>	<b>149.2</b>
Effect of discounting	(68.2)	(73.7)
<b>Present value of lease payments receivable</b>	<b>76.2</b>	<b>75.5</b>
Less: provision for impairment of receivables	(10.7)	-
<b>Net investment in the lease</b>	<b>65.5</b>	<b>75.5</b>

Included within trade and other receivables is £0.4m (last year: £1.1m) which, due to non-recourse factoring arrangements in place, are held within a "hold to collect and sell" business model and are measured at FVOCI.

### 17 Cash and cash equivalents

Cash and cash equivalents are £1,055.2m (last year: £1,197.9m). The carrying amount of these assets approximates their fair value.

The effective interest rate on short-term bank deposits is 4.1% (last year: 0.7%). These deposits have an average maturity of 18 days (last year: 39 days).

### 18 Trade and other payables

	2023 £m	2022 £m
<b>Current</b>		
Trade payables	790.8	732.8
Other payables	550.5	523.5
Social security and other taxes	75.3	59.1
Accruals	527.7	595.2
Deferred income	47.3	50.3
Amounts owed to fellow subsidiaries of the parent company	96.5	5.7
	<b>2,088.1</b>	<b>1,966.6</b>
<b>Non-current</b>		
Other payables	1.4	1.8
Deferred income	14.7	13.8
	<b>16.1</b>	<b>15.6</b>

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

	2023 £m	2022 £m
Opening balance	189.6	198.1
Issues	415.9	404.2
Released to the income statement	(416.3)	(412.7)
<b>Closing balance</b>	<b>189.2</b>	<b>189.6</b>

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

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

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

## Marks and Spencer plc

At 1 April 2023, £303.9m (last year: £330.0m) of trade payables were amounts owed under these arrangements. During the year the maximum facility available at any one time under the arrangements was £442.6m (last year: £404.1m).

### 19 Borrowings and other financial liabilities

	2023 £m	2022 £m
<b>Current</b>		
Lease liabilities	206.0	200.2
3.00% £300m Medium Term Notes 2023 <sup>1</sup>	185.3	-
Interest accrued on Medium Term Notes	42.0	47.0
	<b>433.3</b>	<b>247.2</b>
<b>Non-current</b>		
3.00% £300m Medium Term Notes 2023 <sup>1</sup>	-	299.1
4.75% £400m Medium Term Notes 2025 <sup>1,2</sup>	330.0	409.4
3.75% £300m Medium Term Notes 2026 <sup>1</sup>	298.9	298.6
3.25% £250m Medium Term Notes 2027 <sup>1</sup>	248.6	248.3
7.125% US\$300m Medium Term Notes 2037 <sup>3,4</sup>	251.8	192.3
Revaluation of Medium Term Notes <sup>5</sup>	(10.2)	34.8
Lease liabilities	2,046.5	2,078.5
	<b>3,165.6</b>	<b>3,561.0</b>
<b>Total</b>	<b>3,598.9</b>	<b>3,808.2</b>

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

<sup>2</sup> The Group occasionally enters into interest rate swaps to manage interest rate exposure. At year end, £6.1m (last year: £10.5m) of fair value adjustment for terminated hedges to be amortised over the remaining debt maturity.

<sup>3</sup> Interest on these bonds is payable biannually.

<sup>4</sup> US\$300m Medium Term Note exposure swapped to sterling (fixed-to-fixed cross currency interest rate swaps).

<sup>5</sup> Revaluation consists of foreign exchange gain on revaluation of the 7.125% US\$300m Medium Term Notes 2037 of £10.2m (last year: £34.8m loss).

### Leases

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

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

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

	2023 £m	2022 £m
Opening lease liabilities	2,278.7	2,405.9
Additions	235.2	100.6
Interest expense relating to lease liabilities	120.6	124.1
Payments	(347.0)	(344.3)
Disposals	(39.0)	(8.1)
Exchange difference	4.0	0.5
	<b>2,252.5</b>	<b>2,278.7</b>
<b>Current</b>	<b>206.0</b>	<b>200.2</b>
<b>Non-current</b>	<b>2,046.5</b>	<b>2,078.5</b>

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

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

The Group holds certain leases that contain break clause options to provide operational flexibility. In accordance with IFRS 16, the Group has calculated the full lease term, beyond break, to represent the reasonably certain lease term (except for those stores identified as part of the UK store estate programme) within the total £2,252.5m of lease liabilities held on the balance sheet.

The following amounts were recognised in profit or loss:

	2023 £m	2022 £m
Expenses relating to short-term leases	12.9	5.9
Expenses relating to low-value assets	-	1.4
Expenses relating to variable consideration	4.9	4.4

## Marks and Spencer plc

### 20 Financial instruments

#### Treasury policy

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

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

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

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

#### Financial risk management

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

##### A. Liquidity & funding risk

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

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

The Group has a committed syndicated bank revolving credit facility of £850m with a current maturity date of 13 June 2026. The facility contains a financial covenant, being the ratio of earnings before interest, tax, depreciation and amortisation; to net interest and depreciation on right-of-use assets under IFRS 16. The covenant is measured biannually. The Group was not in breach of this metric at the reporting date.

The revolving credit facility includes four sustainability metrics where the margin payable on the facility is adjusted to reflect the Group's performance against ESG targets material to the Group's "Plan A" objectives.

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

In addition to the existing borrowings, the Group has a Euro Medium Term Note programme of £3bn, of which £1.1bn (last year: £1.3bn) was in issuance as at the balance sheet date. The initial rate of interest is fixed at the date of issue and the Notes are referred to as fixed rate borrowings throughout the Annual Report as the coupon does not change with movements in benchmark interest rates. However, the rate of interest on certain Notes varies both up and down in response to third-party credit ratings (to above/below Baa3 or above/below BBB-) that reflects the relative deterioration or improvement in the Group's cost of credit, and the interest payable on these Notes increases or decreases from the next interest payment date following a relevant credit rating downgrade or upgrade. As the original contractual terms of these Notes provide for changes in cash flows to be reset to reflect the relative deterioration or improvement in the Group's cost of credit, the Group considers these Notes to be floating rate instruments when determining amortised cost under IFRS 9 and consequently the Group applied IFRS 9 paragraph B5.4.5, which requires no adjustment to the carrying amount of the liabilities or immediate impact on profit and loss. If the Group had determined these Notes to be fixed rate instruments, the Notes would be remeasured to reflect the revised cash flows discounted at the original effective rate. This would result in initially a higher interest expense to profit or loss, offset by lower interest charges subsequently, when compared to the Group's treatment.

The table below summarises the contractual maturity of the Group's non-derivative financial liabilities and derivatives, excluding trade payables, other payables and accruals. The carrying value of all trade payables, other payables and accruals of £1,870.4m (last year: £1,853.3m) is equal to their contractual undiscounted cash flows (see note 18) which are due within one year.

	Medium Term Notes £m	Lease Liabilities <sup>1</sup> £m	Partnership liability to the Marks & Spencer UK Pension Scheme (note 11) £m	Total borrowings and other financial liabilities £m	Cash inflow on derivatives <sup>2</sup> £m	Cash outflow on derivatives <sup>2</sup> £m	Total derivative liabilities £m
<b>Timing of cash flows</b>							
Within one year	(75.5)	(313.2)	(71.9)	(460.6)	330.2	(333.6)	(3.4)
Between one and two years	(375.5)	(279.3)	(73.0)	(727.8)	30.9	(31.1)	(0.2)
Between two and five years	(864.3)	(786.0)	(54.4)	(1,704.7)	-	-	-
More than five years	(668.4)	(3,082.1)	-	(3,750.5)	-	-	-
	(1,983.7)	(4,460.6)	(199.3)	(6,643.6)	361.1	(364.7)	(3.6)
Effect of discounting	454.2	2,181.9	7.0	2,643.1			
<b>At 2 April 2022</b>	<b>(1,529.5)</b>	<b>(2,278.7)</b>	<b>(192.3)</b>	<b>(4,000.5)</b>			
<b>Timing of cash flows</b>							
Within one year	£ (252.7)	(307.2)	(73.0)	(632.9)	1,062.3	(1,120.6)	(58.3)
Between one and two years	£ (59.3)	(311.1)	(54.4)	(424.8)	145.8	(147.4)	(1.6)
Between two and five years	£ (1,002.2)	(795.8)	-	(1,798.0)	26.0	(26.0)	-
More than five years	£ (415.6)	(2,981.5)	-	(3,397.1)	207.8	(214.7)	(6.9)
Total undiscounted cash flows	£ (1,729.8)	(4,395.6)	(127.4)	(6,252.8)	1,441.9	(1,508.7)	(66.8)
Effect of discounting	£ 383.4	2,143.0	2.6	2,529.0			
<b>At 1 April 2023</b>	<b>£ (1,346.4)</b>	<b>(2,252.6)</b>	<b>(124.8)</b>	<b>(3,723.8)</b>			

<sup>1</sup>Total undiscounted lease payments of £750.6m relating to the period post-break clause, and the earliest contractual lease exit point, are included in lease liabilities. These undiscounted lease payments should be excluded when determining the Group's contractual indebtedness under these leases, where there is a contractual right to break. Furthermore, £60.8m of these payments relate to leases where, following the break clause, the Group will have the ability to exit the lease at any point before the lease expiry with a maximum of six months' notice.

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

## B. Counterparty risk

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

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

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

	Credit rating of counterparty								Total
	AAA £m	AA+ £m	AA £m	AA- £m	A+ £m	A £m	A- £m	BBB+ £m	£m
Other investments <sup>1</sup>	-	-	-	158.5	288.6	462.0	89.0	-	998.1
Derivative assets <sup>2</sup>	-	-	-	-	31.9	24.4	8.7	-	65.0
<b>At 2 April 2022</b>	-	-	-	158.5	320.5	486.4	97.7	-	1,063.1
	AAA £m	AA+ £m	AA £m	AA- £m	A+ £m	A £m	A- £m	BBB+ £m	Total £m
Other investments <sup>1</sup> £	99.4	-	-	95.5	360.2	287.4	65.0	-	907.5
Derivative assets <sup>2</sup> £	-	-	-	-	10.0	7.4	5.0	0.3	22.7
<b>At 1 April 2023</b> £	<b>99.4</b>	<b>-</b>	<b>-</b>	<b>95.5</b>	<b>370.2</b>	<b>294.8</b>	<b>70.0</b>	<b>0.3</b>	<b>930.2</b>

<sup>1</sup>Includes cash on deposit and money market funds held by Marks and Spencer Scottish Limited Partnership, Marks and Spencer plc and Marks and Spencer General Insurance. Excludes cash in hand and in transit of £173.4m (last year: £217.4m).

<sup>2</sup>Standard & Poor's equivalent rating shown as reference to the majority credit rating of the counterparty from either Standard & Poor's, Moody's or Fitch where applicable.

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

The maximum exposure to credit risk at the balance sheet date was as follows: trade receivables £102.4m (last year: £103.1m), lease receivables £65.5m (last year: £75.5m), other receivables (including loans to related parties) £252.9m (last year: £30.5m), cash and cash equivalents £1,055.2m (last year: £1,197.9m) and derivatives £22.7m (last year: £65.0m).

## Impairment of financial assets

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

## Marks and Spencer plc

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

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

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

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

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

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

As at 2 April 2022	Current £m	Up to 30 days past due £m	31-60 days past due £m	61-90 days past due £m	91-180 days past due £m	181 days or more past due £m	Total £m
Gross carrying amount - trade receivables	76.7	15.8	-	1.9	7.5	1.1	103.0
Expected loss rate	2.9%	4.9%	0.0%	5.7%	7.8%	100.0%	4.6%
Lifetime expected credit loss	2.2	0.8	-	0.1	0.6	1.1	4.8
Net carrying amount	74.5	15.0	-	1.8	6.9	-	98.2

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

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

	2023 £m	2022 £m
Trade receivables expected loss provision	4.8	3.7
Opening loss allowance	5.4	1.5
Increase in loss allowance recognised in profit and loss during the year	(4.9)	(0.4)
Receivables written off during the year as uncollectable	5.3	4.8
Closing loss allowance		

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

	2023 £m	2022 £m
Lease receivables expected loss provision	-	11.9
Opening loss allowance	10.7	(11.9)
Increase/(decrease) in loss allowance recognised in profit and loss during the year <sup>1</sup>	10.7	-
Closing loss allowance		

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

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

## Marks and Spencer plc

### C. Foreign currency risk

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

Group Treasury hedges these exposures principally using forward foreign exchange contracts progressively based on dynamic forecasts from the business. Hedging begins around 14 months ahead of the start of the season, with between 80% and 100% of the risk hedged eight months before the start of the season. In accordance with the Group's treasury policy, hedges are entered into by business line and by season.

Other exposures arising from the export of goods to overseas subsidiaries are also hedged progressively over the course of the year before they are incurred. As at the balance sheet date, the gross notional value in sterling terms of forward foreign exchange sell or buy contracts amounted to £1,785.7m (last year: £1,865.7m) with a weighted average maturity date of six months (last year: six months).

Gains and losses in equity on forward foreign exchange contracts designated in cash flow hedge relationships as at 1 April 2023 will be reclassified to the income statement at various dates over the following 14 months (last year: 15 months) from the balance sheet date.

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

The Group regularly reviews the foreign exchange hedging portfolio to confirm whether the underlying transactions remain highly probable. Any identified instance of over-hedging or ineffectiveness would result in immediate recycling to the income statement. A change in the timing of a forecast item does not disqualify a hedge relationship nor the assertion of "highly probable" as there remains an economic relationship between the underlying transaction and the derivative.

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

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

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

The Group also hedges foreign currency intercompany loans where these exist. Forward foreign exchange contracts in relation to the hedging of the Group's foreign currency intercompany loans are classified as fair value through profit and loss. The corresponding fair value movement of the intercompany loan balance resulted in a £1.8m loss (last year: £0.3m gain) in the income statement. As at the balance sheet date, the gross notional value of intercompany loan hedges was £125.8m (last year: £166.8m).

After taking into account the hedging derivatives entered into by the Group, the currency and interest rate exposure of the Group's financial liabilities, excluding short-term payables and the liability to the Marks & Spencer UK Pension Scheme, is set out below:

	2023			2022		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Currency						
Sterling	3,391.9	–	3,391.9	3,610.6	–	3,610.6
Euro	105.5	–	105.5	104.3	–	104.3
Other	101.6	–	101.6	93.3	–	93.3
	3,599.0	–	3,599.0	3,808.2	–	3,808.2

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

### D. Interest rate risk

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

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



## Marks and Spencer plc

At the balance sheet date, fixed rate borrowings amounted to £3,599.0m (last year: £3,808.2m) representing the public bond issues and lease liabilities, amounting to 100% (last year: 100%) of the Group's gross borrowings.

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

	2023 %	2022 %
Committed and uncommitted borrowings	N/A <sup>1</sup>	N/A
Medium Term Notes	5.1%	5.1%
Leases	5.1%	5.4%

### Derivative financial instruments

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

	2 April 2022			
	Current		Non-Current	
	Forward foreign exchange (FX) contracts £m	Forward foreign exchange (FX) contracts £m	Cross-currency swaps £m	Forward foreign exchange (FX) contracts £m
Hedging risk strategy	Cash flow hedges	FVTPL	Cash flow hedges	Cash flow hedges
Notional / currency legs	1,536.9	166.8	193.5	162.0
Carrying amount assets	43.0	0.6	18.5	2.9
Carrying amount (liabilities)	(2.3)	(0.9)	-	(0.4)
Maturity date	to Sep 2022	to May 2022	to Dec 2037	to Apr 2023
Hedge ratio	100%	n/a	100%	100%
Description of hedged item	Highly probable transactional FX exposures	Intercompany loans/deposits	USD fixed rate borrowing	Highly probable transactional FX exposures
Change in fair value of hedging instrument <sup>1</sup>	60.1	11.1	26.7	4.8
Change in fair value of hedged item used to determine hedge effectiveness	(60.1)	(10.8)	(25.4)	(4.8)
Weighted average hedge rate for the year	GBP/USD 1.37; GBP/EUR 1.18	-	GBP/USD 1.55	GBP/USD 1.34; GBP/EUR 1.17
Amounts recognised within finance costs in profit and loss	-	0.3	(0.1)	-
Balance on cash flow hedge reserve at 3 April 2021	(32.0)	-	9.5	2.5
Balance on cost of hedging reserve at 3 April 2021	-	-	(5.0)	-

	1 April 2023			
	Current		Non-Current	
	Forward foreign exchange (FX) contracts £m	Forward foreign exchange (FX) contracts £m	Cross-currency swaps £m	Forward foreign exchange (FX) contracts £m
	Cash flow hedges	FVTPL	Cash flow hedges	Cash flow hedges
Hedging risk strategy	1,504.7	125.8	252.9	155.2
Notional / currency legs	22.6	–	0.1	–
Carrying amount assets	(56.0)	(2.1)	(5.3)	(1.8)
Carrying amount (liabilities)	to Jul 2023	to Jun 2023	to Dec 2037	to May 2024
Maturity date	100%	n/a	100%	100%
Hedge ratio	Highly probable transactional FX exposures	Inter-company loans/deposits	USD fixed rate borrowing	Highly probable transactional FX exposures
Description of hedged item	49.6	(2.1)	30.9	(4.3)
Change in fair value of hedging instrument	(49.6)	0.3	(30.0)	4.3
Change in fair value of hedged item used to determine hedge effectiveness	GBP/USD 1.20; GBP/EUR 1.14	–	GBP/USD 1.19	GBP/USD 1.22; GBP/EUR 1.12
Weighted average hedge rate for the year	–	(1.8)	0.9	–
Amounts recognised within finance costs in profit and loss	47.3	–	(7.0)	1.8
Balance on cash flow hedge reserve at 1 April 2023	–	–	(5.8)	–
Balance on cost of hedging reserve at 1 April 2023				

	1 April 2023				2 April 2022			
	Notional Value		Fair Value		Notional Value		Fair Value	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
<b>Current</b>								
Forward foreign exchange contracts - cash flow hedges	559.2	945.6	22.6	(56.0)	1,348.8	188.1	43.0	(2.3)
- FVTPL	8.0	117.7	–	(2.1)	37.2	129.6	0.6	(0.9)
	567.2	1,063.3	22.6	(58.1)	1,386.0	317.7	43.6	(3.2)
<b>Non-current</b>								
Cross-currency swaps - cash flow hedges	125.0	127.9	0.1	(5.3)	193.5	–	18.5	–
Forward foreign exchange contracts - cash flow hedges	18.1	137.1	–	(1.8)	131.1	30.9	2.9	(0.4)
	143.1	265.0	0.1	(7.1)	324.6	30.9	21.4	(0.4)

## Marks and Spencer plc

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

	Cost of hedging reserve CCIRS <sup>1</sup>	Deferred tax	Total cost of hedging reserve	Hedge reserve FX derivatives	Hedge reserve CCIRS	Hedge reserve gilt locks	Deferred tax	Total hedge reserve
	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance 4 April 2021	(5.8)	1.2	(4.6)	42.7	25.4	0.1	(13.4)	54.8
Add: Change in fair value of hedging instrument recognised in OCI <sup>2</sup>	-	-	-	(65.7)	(26.4)	-	-	(92.1)
Add: Costs of hedging deferred and recognised in OCI	0.8	-	0.8	-	-	-	-	-
Less: Reclassified to the cost of inventory	-	-	-	(6.5)	-	-	-	(6.5)
Less: Reclassified from OCI to profit or loss	-	-	-	-	10.5	-	-	10.5
Less: Deferred tax	-	0.2	0.2	-	-	-	15.7	15.7
Closing balance 2 April 2022	(5.0)	1.4	(3.6)	(29.5)	9.5	0.1	2.3	(17.6)
Opening balance 3 April 2022	(5.0)	1.4	(3.6)	(29.5)	9.5	0.1	2.3	(17.6)
Add: Change in fair value of hedging instrument recognised in OCI	-	-	-	(45.3)	(30.9)	-	-	(76.2)
Add: Costs of hedging deferred and recognised in OCI	(0.8)	-	(0.8)	-	-	-	-	-
Less: Reclassified to the cost of inventory	-	-	-	123.9	-	-	-	123.9
Less: Reclassified from OCI to profit or loss	-	-	-	-	14.4	-	-	14.4
Less: Deferred tax	-	0.2	0.2	-	-	-	(12.6)	(12.6)
Closing balance 1 April 2023	(5.8)	1.6	(4.2)	49.1	(7.0)	0.1	(10.3)	31.9

<sup>1</sup> Cross-currency interest rate swaps

<sup>2</sup> Other comprehensive income

The Group holds a number of cross-currency interest rate swaps to designate its USD to GBP fixed debt. These are reported as cash flow hedges. The ineffective portion recognised in profit or loss that arises from the cash flow hedge amounts to a £0.9m gain (last year: £1.3m gain) as the loss on the hedged items was £30.0m (last year: £25.4m loss) and the movement on the hedging instruments was a £30.9m gain (last year: £26.7m gain).

### Movement in hedged items and hedging instruments

	2023 £m	2022 £m
Net gain in fair value of cross-currency interest rate swap	30.9	26.7
Net loss on hedged items	(30.0)	(25.4)
Ineffectiveness	0.9	1.3

### Sensitivity analysis

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

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

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

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

	2% decrease in interest rates	2% increase in interest rates	20% weakening in sterling	20% strengthening in sterling
	£m	£m	£m	£m
<b>At 2 April 2022</b>				
Impact on income statement: (loss)/gain	(19.2)	19.2	-	-
Impact on other comprehensive income: (loss)/gain	(4.2)	3.3	243.5	(243.5)
<b>At 1 April 2023</b>				
Impact on income statement: (loss)/gain	(17.2)	17.2	-	-
Impact on other comprehensive income: (loss)/gain	3.0	(2.3)	227.9	(227.9)

### Offsetting of financial assets and liabilities

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

	Gross financial assets/ (liabilities) £m	Gross financial (liabilities)/ assets set off £m	Net financial assets/ (liabilities) per statement of financial position £m	Related amounts not set off in the statement of financial position £m	Net £m
<b>At 2 April 2022</b>					
Trade and other receivables	27.9	(25.0)	2.9	-	2.9
Derivative financial assets	65.0	-	65.0	(3.4)	61.6
	92.9	(25.0)	67.9	(3.4)	64.5
Trade and other payables	(284.8)	25.0	(259.8)	-	(259.8)
Derivative financial liabilities	(3.6)	-	(3.6)	3.4	(0.2)
	(288.4)	25.0	(263.4)	3.4	(260.0)

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

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

**Fair value hierarchy**

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities. The Group had no level 1 investments or financial instruments.
- Level 2: not traded in an active market but the fair values are based on quoted market prices or alternative pricing sources with reasonable levels of price transparency. The Group's level 2 financial instruments include interest rate and foreign exchange derivatives. Fair value is calculated using discounted cash flow methodology, future cash flows are estimated based on forward exchange rates and interest rates (from observable market curves) and contract rates, discounted at a rate that reflects the credit risk of the various counterparties, for those with a long maturity.
- Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

	2023				2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets measured at fair value</b>								
Financial assets at fair value through profit or loss (FVTPL)								
- derivatives held at FVTPL	-	-	-	-	-	0.6	-	0.6
- other investments <sup>1</sup>	-	12.3	8.6	20.9	-	17.6	4.5	22.1
Derivatives used for hedging	-	22.7	-	22.7	-	64.4	-	64.4
<b>Liabilities measured at fair value</b>								
Financial liabilities at fair value through profit or loss (FVTPL)								
- derivatives held at FVTPL	-	(2.1)	-	(2.1)	-	(0.9)	-	(0.9)
Derivatives used for hedging	-	(63.1)	-	(63.1)	-	(2.7)	-	(2.7)

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

<sup>1</sup> Within Level 3 other investments, the Group holds £7.3m of venture capital investments, managed by True Capital Limited, measured at FVTPL (last year: £3.1m) (see note 15) which are Level 3 instruments. The fair value of these investments has been determined in accordance with the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines. Where investments are either recently acquired or there have been recent funding rounds with third parties, the primary input when determining the valuation is the latest transaction price.

The Marks & Spencer UK Pension Scheme holds a number of financial instruments which make up the pension asset of £6,781.9m (last year: £10,090.7m). Level 1 and Level 2 financial assets measured at fair value through other comprehensive income amounted to £2,754.7m (last year: £4,945.8m<sup>1</sup>). Additionally, the scheme assets include £4,027.2m (last year: £5,144.9m<sup>1</sup>) of Level 3 financial assets. See note 10 for information on the Group's retirement benefits.

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

	2023 £m	2022 £m
Opening balance	( 5,144.9 )	4,996.9
Fair value (loss)/gain recognised in other comprehensive income <sup>1</sup>	( 401.8 )	191.6
Cash withdrawals	( 715.9 )	(43.6)
Closing balance	( 4,027.2 )	5,144.9

<sup>1</sup> Last year restated to reflect the deferred payment due from the Marks and Spencer Scottish Limited Partnership (see note 11).

**Fair value of financial instruments**

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

The carrying value of the Group's fixed rate bond debt (level 1 equivalent) was £1,346.4m (last year: £1,529.5m); the fair value of this debt was £1,264.3m (last year: £1,549.6m) which has been calculated using quoted market prices and includes accrued interest. The carrying value of the Partnership liability to the Marks & Spencer UK Pension Scheme (level 2 equivalent) is £124.8m (last year: £192.3m) and the fair value of this liability is £121.9m (last year: £187.9m).

## Marks and Spencer plc

### Capital policy

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

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

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

## 21 Provisions

	Property £m	Restructuring £m	Other £m	Total £m
At 4 April 2021	76.7	28.5	12.1	117.3
Provided in the year - charged to profit or loss	23.5	38.0	6.2	67.7
Provided in the year - charged to property, plant and equipment	5.3	-	-	5.3
Released in the year	(8.4)	(2.8)	(3.0)	(14.2)
Utilised during the year	(5.1)	(28.2)	(0.9)	(34.2)
Exchange differences	-	(0.1)	(0.2)	(0.3)
Discount rate unwind	3.8	-	-	3.8
At 2 April 2022	95.8	35.4	14.2	145.4
Analysed as:				
Current				53.6
Non-current				91.8
	Property £m	Restructuring £m	Other £m	Total £m
At 3 April 2022	95.8	35.4	14.2	145.4
Provided in the year - charged to profit or loss	25.2	9.9	8.9	44.0
Released in the year	(46.0)	(0.2)	(0.6)	(46.8)
Utilised during the year	(3.5)	(28.6)	(1.4)	(33.5)
Exchange differences	-	-	0.1	0.1
Discount rate unwind	5.4	-	-	5.4
At 1 April 2023	76.9	16.5	21.2	114.6
Analysed as:				
Current				41.1
Non-current				73.5

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

Movements in restructuring provisions relate to the utilisation and finalisation of costs associated with the strategic programme to transition to a single-tier UK distribution network; the strategic programme to reduce roles across central support centres, regional management and our UK and Republic of Ireland stores; the historical International exit strategy; and the restructure of certain International franchise operations. Closing provisions relate primarily to the strategic programme to transition to a single-tier UK distribution network, expected to be utilised over the period of closure of sites, and the restructure of certain International franchise operations, expected to be utilised within the next year.

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

Provisions related to adjusting items were £95.6m at 1 April 2023 (last year: £124.9m), with a net credit in the year of £3.6m (last year: charge of £48.2m) (see note 5).

## Marks and Spencer plc

### 22 Deferred tax

Deferred tax is provided under the balance sheet liability method using the tax rate at which the balances are expected to unwind of 25% (last year: 19% and 25% as applicable) for UK differences and local tax rates for overseas differences. Details of the changes to the UK corporation tax rate and the impact on the Group are described in note 7.

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

Deferred tax assets/(liabilities)								
	Land and buildings temporary differences	Capital allowances in excess of depreciation	Pension temporary differences	IFRS 16 adjustment	Other short-term temporary differences	Total UK deferred tax	Overseas deferred tax	Total
	£m	£m	£m		£m	£m	£m	£m
At 4 April 2021	(50.3)	22.6	(148.7)	104.9	30.6	(40.9)	(1.4)	(42.3)
Credited/(charged) to income statement	(15.4)	3.7	(14.7)	12.6	7.7	(6.1)	1.0	(5.1)
Credited/(charged) to equity/other comprehensive income	-	-	(128.7)	-	(14.1)	(142.8)	3.0	(139.8)
At 2 April 2022	(65.7)	26.3	(292.1)	117.5	24.2	(189.8)	2.6	(187.2)
At 3 April 2022	(65.7)	26.3	(292.1)	117.5	24.2	(189.8)	2.6	(187.2)
Credited/(charged) to income statement	3.7	(37.0)	(6.4)	(5.7)	4.9	(40.5)	(0.2)	(40.7)
Credited/(charged) to equity/other comprehensive income	-	-	158.0	-	17.6	175.6	(0.6)	175.0
At 1 April 2023	(62.0)	(10.7)	(140.5)	111.8	46.7	(54.7)	1.8	(52.9)

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

The deferred tax liability on land and buildings temporary differences is reduced by the benefit of capital losses with a gross value of £230.5m (last year: £236.6m) and a tax value of £57.6m (last year: £58.6m). The gross carried forward capital losses are £348.0m (last year: £364.7m) with a tax value of £87.0m (last year: £91.2m) and are inclusive of the gross £230.5m of losses used to reduce the deferred tax liability on land and buildings.

Due to uncertainty over their future use, no benefit has been recognised in respect of trading losses carried forward in overseas jurisdictions with a gross value of £5.2m (last year: £5.6m) and a tax value of £1.3m (last year: £1.4m).

No deferred tax is recognised in respect of undistributed earnings of overseas subsidiaries and joint ventures with a gross value of £46.1m (last year: £34.2m) unless a material liability is expected to arise on distribution of these earnings under applicable tax legislation. There is a potential tax liability in respect of undistributed earnings of £4.4m (last year: £3.1m) however this has not been recognised on the basis that the distribution can be controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

### 23 Ordinary share capital

	Shares	2023 £m	Shares	2022 £m
Issued and fully paid ordinary shares of 25p each	2,850,039,477	712.5	2,850,039,477	712.5

### 24 Contingencies and commitments

#### A. Capital commitments

	2023 £m	2022 £m
Commitments in respect of properties in the course of construction	96.8	59.8
Software capital commitments	6.1	6.1
	102.9	65.9

Last year, the Group committed to invest up to £25.0m, over a three-year period to 2024/25, in an innovation and consumer growth fund managed by True Capital Limited. The fund can drawdown amounts at any time over the three-year period to make specific investments. At 1 April 2023, the Group had invested £7.5m (last year: £3.3m) of this commitment, which is held as a non-current other investment and measured at fair value through profit or loss (see note 15).

#### B. Other material contracts

In the event of termination of our trading arrangements with certain warehouse operators, the Group has a number of options and commitments to purchase some property, plant and equipment, at values ranging from historical net book value to market value, which are currently owned and operated by the warehouse operators on the Group's behalf. These options and commitments would have an immaterial impact on the Group's Statement of Financial Position.

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



## Marks and Spencer plc

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

#### Cash flows from operating activities

	2023 £m	2022 £m
Profit on ordinary activities after taxation	322.8	323.1
Income tax expense	109.8	81.6
Finance costs	202.9	214.4
Finance income	(62.7)	(28.3)
<b>Operating profit</b>	<b>572.8</b>	<b>590.8</b>
Increase in inventories	(59.0)	(46.5)
Increase in receivables	(35.5)	(2.9)
Increase in payables	142.8	289.1
Depreciation, amortisation and write-offs	509.3	510.7
Non-cash pension expense	4.6	-
Non-cash share based payment expense	38.0	38.8
Defined benefit pension funding	(36.8)	(36.8)
Adjusting items net cash outflows <sup>1,2</sup>	(55.3)	(45.8)
Adjusting items M&S Bank <sup>3</sup>	(2.0)	(16.0)
Adjusting operating profit items	71.3	104.3
<b>Cash generated from operations</b>	<b>1,150.2</b>	<b>1,385.7</b>

<sup>1</sup>Excludes £11.5m (last year: £5.6m) of surrender payments included within repayment of lease liabilities in the consolidated statement of cash flows relating to leases within the UK store estate programme.

<sup>2</sup>Adjusting items net cash outflows relate to strategic programme costs associated with the UK store estate, UK logistics, UK structural simplification programme, and the utilisation of the provisions for International store closures and impairments.

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

### 26 Analysis of net debt

#### A. Reconciliation of movement in net debt

	At 4 April 2021 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasuremen ts £m	Exchange and other non-cash movements <sup>1</sup> £m	At 2 April 2022 £m
<b>Net debt</b>						
Bank loans and overdrafts (see note 19)	(4.7)	4.7	-	-	-	-
Cash and cash equivalents (see note 17)	674.4	531.7	-	-	(8.2)	1,197.9
<b>Net cash per statement of cash flows</b>	<b>669.7</b>	<b>536.4</b>	<b>-</b>	<b>-</b>	<b>(8.2)</b>	<b>1,197.9</b>
Current other financial assets (see note 15)	18.4	(0.8)	-	-	-	17.6
<b>Liabilities from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Medium Term Notes (see note 19)	(1,682.1)	244.0	-	-	(91.4)	(1,529.5)
Lease liabilities (see note 19)	(2,405.9)	344.3	-	(100.6)	(116.5)	(2,278.7)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 11)	(185.5)	-	-	-	(2.4)	(187.9)
Derivatives held to hedge Medium Term Notes	(8.1)	-	26.6	-	-	18.5
<b>Liabilities from financing activities</b>	<b>(4,281.6)</b>	<b>588.3</b>	<b>26.6</b>	<b>(100.6)</b>	<b>(210.3)</b>	<b>(3,977.6)</b>
Less: Cash flows related to interest and derivative instruments	77.6	(208.7)	(26.6)	-	221.0	63.3
<b>Net debt</b>	<b>(3,515.9)</b>	<b>915.2</b>	<b>-</b>	<b>(100.6)</b>	<b>2.5</b>	<b>(2,698.8)</b>

## Marks and Spencer plc

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

<sup>1</sup>Exchange and other non-cash movements includes interest paid on Medium Term Notes of £65.4m (last year: £79.6m), interest paid on lease liabilities of £116.3m (last year: £121.1m) and interest paid on the Partnership liability to the Marks & Spencer UK Pension Scheme of £4.3m (last year: £4.4m).

### B. Reconciliation of net debt to statement of financial position

	2023 £m	2022 £m
<b>Statement of financial position and related notes</b>		
Cash and cash equivalents (see note 17)	1,055.2	1,197.9
Current other financial assets (see note 15)	13.0	17.6
Medium Term Notes – net of foreign exchange revaluation (see note 19)	(1,356.6)	(1,494.7)
Lease liabilities (see note 19)	(2,252.5)	(2,278.7)
Partnership liability to the Marks & Spencer UK Pension Scheme (see notes 11 and 20)	(124.8)	(192.3)
	(2,665.7)	(2,750.2)
Interest payable included within related borrowing and the Partnership liability to the Marks & Spencer UK Pension Scheme	44.4	51.4
<b>Net debt</b>	<b>(2,621.3)</b>	<b>(2,698.8)</b>

### 27 Related party transactions

#### A. Subsidiaries

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

#### B. Joint ventures and associates

##### *Nobody's Child Limited*

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

During the year, the Group made purchases of goods amounting to £6.3m (last year: £1.2m)

At 1 April 2023, there was no balance included within trade and other payables (last year: £0.2m) owed to Nobody's Child Limited, and a £0.7m balance included within other financial assets (last year: £0.7m) owed from Nobody's Child Limited.

#### C. Marks & Spencer UK Pension Scheme

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

#### D. Key management compensation

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

	2023 £m	2022 £m
Salaries and short-term benefits	10.3	12.0
Share-based payments	4.8	2.1
<b>Total</b>	<b>15.1</b>	<b>14.1</b>

## Marks and Spencer plc

### E. Other related party transactions

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

		Sales of goods and services £m	Purchases of goods and services £m	Amounts owed by other related parties £m	Amounts owed to other related parties £m
Ocado Retail Limited	2023	35.7	0.1	2.9	-
	2022	36.1	0.2	1.9	-
Fellow subsidiaries of the parent company	2023	-	208.9	-	40.9
	2022	-	-	-	5.7

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

		Interest received £m	Interest paid £m	Amounts owed by other related parties £m	Amounts owed to other related parties £m
Fellow subsidiaries of the parent company	2023	5.4	0.5	215.6	55.6
	2022	-	-	-	-

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

### F. Transactions with parent company

During the year, the Company paid dividends to its parent company, Marks and Spencer Group plc of £nil (last year: £33.8m) and has decreased its loan to its parent company by £0.2m (last year: decrease of £0.6m). The outstanding balance was £2,541.0m (last year: £2,541.2m) and was non-interest bearing.

## 28 Government support

The Group benefited from business rates relief of £nil in the year (last year: £62.2m (including UK: £59.8m)).

There are no unfulfilled conditions or contingencies attached to these grants.

## 29 Contingent assets

The Group is currently seeking damages from an independent third party following their involvement in anti-competitive behaviour that adversely impacted the Group. The Group expects to receive an amount from the claim (either in settlement or from the legal proceedings), a position reinforced by recent court judgements in similar claims. The value of the claim is confidential and is therefore not disclosed.

## 30 Subsequent events

In June 2023, following a tender offer, the Company repurchased £276.8m of its Medium Term Notes.

In June 2021, the Group proposed future redevelopment plans for the Marble Arch store and surrounding M&S land ownership. The planning application was called in for determination by the Secretary of State on the 20 June 2022 and a 10 day public inquiry took place on the 25 October 2022 at City Hall Westminster. Following the conclusion of that inquiry, the Secretary of State refused planning permission on 20 July 2023, contrary to the planning inspectors' recommendation to approve the M&S scheme.

As a result, the Group is in the process of assessing the financial implications of the decision so cannot estimate the financial impact yet. The Group has considered the impact of the Secretary of State's decision and concluded that this represents a non-adjusting post balance sheet event for both the Group and Company.

## Company statement of financial position

	Notes	As at 1 April 2023 £m	As at 2 April 2022 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	C7	116.7	148.8
Property, plant and equipment	C8	4,060.1	3,954.4
Investments in group undertakings	C9	900.8	897.1
Investment in joint ventures		12.9	12.9
Other financial assets	C10	0.9	1.9
Retirement benefit asset	C4	846.4	1,367.3
Trade and other receivables	C11	3,149.0	2,933.8
Derivative financial instruments	C15	0.1	21.4
		9,086.9	9,337.6
<b>Current assets</b>			
Inventories		670.5	660.2
Other financial assets	C10	6.3	8.8
Trade and other receivables	C11	217.1	192.2
Derivative financial instruments	C15	26.5	44.4
Cash and cash equivalents	C12	986.5	1,113.7
		1,906.9	2,019.3
<b>Total assets</b>		<b>10,993.8</b>	<b>11,356.9</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	C13	3,732.8	3,474.8
Borrowings and other financial liabilities	C14	461.9	218.9
Derivative financial instruments	C15	58.5	5.8
Provisions	C16	29.9	42.7
Current tax liabilities		8.5	3.6
		4,291.6	3,745.8
<b>Non-current liabilities</b>			
Retirement benefit deficit	C4	4.4	5.4
Trade and other payables	C13	4.7	5.8
Borrowings and other financial liabilities	C14	3,843.8	4,372.3
Derivative financial instruments	C15	7.1	0.4
Provisions	C16	70.2	85.7
Deferred tax liabilities	C17	144.6	251.6
		4,074.8	4,721.2
<b>Total liabilities</b>		<b>8,366.4</b>	<b>8,467.0</b>
<b>Net assets</b>		<b>2,627.4</b>	<b>2,889.9</b>
<b>Equity</b>			
Issued share capital	C18	712.5	712.5
Share premium account		386.1	386.1
Capital redemption reserve		8.0	8.0
Hedging reserve	C15	(23.6)	21.4
Retained earnings		1,544.4	1,761.9
<b>Total equity</b>		<b>2,627.4</b>	<b>2,889.9</b>

The Company's profit for the year was £165.0m (last year: £16.8m).

The financial statements were approved by the Board and authorised for issue on 4 September 2023. The financial statements also comprise the notes on pages 94 to 127.



Jeremy Townsend, Chief Finance Officer

Registered number: 00214436

## Company statement of changes in shareholders' equity

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Cost of Hedging Reserve £m	Retained earnings £m	Total £m
At 4 April 2021	712.5	386.1	8.0	(59.1)	4.6	1,555.5	2,607.6
Profit for the year	-	-	-	-	-	16.8	16.8
Other comprehensive income/(expense):							
Remeasurements of retirement benefit schemes	-	-	-	-	-	309.7	309.7
Tax charge on retirement benefit schemes	-	-	-	-	-	(122.5)	(122.5)
Loss on disposal of investments held at FVOCI	-	-	-	-	-	(3.7)	(3.7)
Cash flow hedges							
- fair value movement in other comprehensive income	-	-	-	89.6	(0.8)	-	88.8
- reclassified and reported in profit or loss	-	-	-	(10.5)	-	-	(10.5)
Tax on cash flow hedges	-	-	-	(15.0)	0.2	-	(14.8)
Loss on fair value through other comprehensive income equity investments	-	-	-	-	-	(0.7)	(0.7)
Other comprehensive income/(expense)	-	-	-	64.1	(0.6)	182.8	246.3
Total comprehensive income/(expense)	-	-	-	64.1	(0.6)	199.6	263.1
Cash flow hedges recognised in inventories	-	-	-	15.3	-	-	15.3
Tax on cash flow hedges recognised in inventories	-	-	-	(2.9)	-	-	(2.9)
Transactions with owners:							
Dividends	-	-	-	-	-	(33.8)	(33.8)
Transactions with non-controlling shareholders	-	-	-	-	-	(1.7)	(1.7)
Credit for share-based payments	-	-	-	-	-	38.7	38.7
Deferred tax on share schemes	-	-	-	-	-	3.6	3.6
At 2 April 2022	712.5	386.1	8.0	17.4	4.0	1,761.9	2,889.9
At 3 April 2022	712.5	386.1	8.0	17.4	4.0	1,761.9	2,889.9
Profit for the year	-	-	-	-	-	165.0	165.0
Other comprehensive income/(expense):							
Remeasurements of retirement benefit schemes	-	-	-	-	-	(566.9)	(566.9)
Tax credit on retirement benefit schemes	-	-	-	-	-	141.8	141.8
Cash flow hedges							
- fair value movement in other comprehensive income	-	-	-	82.5	0.8	-	83.3
- reclassified and reported in profit or loss	-	-	-	(14.4)	-	-	(14.4)
Tax on cash flow hedges	-	-	-	(18.6)	(0.2)	-	(18.8)
Other comprehensive income/(expense)	-	-	-	49.5	0.6	(425.1)	(375.0)
Total comprehensive income/(expense)	-	-	-	49.5	0.6	(260.1)	(210.0)
Cash flow hedges recognised in inventories	-	-	-	(126.8)	-	-	(126.8)
Tax on cash flow hedges recognised in inventories	-	-	-	31.7	-	-	31.7
Transactions with owners:							
Credit for share-based payments	-	-	-	-	-	37.8	37.8
Deferred tax on share schemes	-	-	-	-	-	4.8	4.8
At 1 April 2023	712.5	386.1	8.0	(28.2)	4.6	1,544.4	2,627.4

## Company statement of cash flows

	Notes	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	C20	940.7	1,055.3
Income tax paid		(58.1)	(5.5)
<b>Net cash inflow from operating activities</b>		<b>882.6</b>	<b>1,049.8</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(297.7)	(181.2)
Proceeds from sale of property, plant and equipment		1.1	1.9
Purchase of intangible assets		(82.1)	(63.7)
Purchase of current financial assets		2.8	-
Purchase of non-current financial assets		-	(4.0)
Acquisition of subsidiary		-	(4.0)
Proceeds on disposal of non-current financial assets		0.2	5.2
Loans to related parties		-	(1.0)
Interest received		30.5	6.8
<b>Net cash used in investing activities</b>		<b>(345.2)</b>	<b>(240.0)</b>
<b>Cash flows from financing activities</b>			
Interest paid <sup>1</sup>		(269.0)	(260.2)
Redemption of Medium Term Notes		(189.9)	(163.6)
Movement in intercompany loans treated as financing		54.0	400.5
Repayment of lease liabilities		(259.8)	(260.0)
Equity dividends paid		-	(33.8)
Purchase of shares in ultimate parent company held in employee trust		0.1	-
<b>Net cash used in financing activities</b>		<b>(664.6)</b>	<b>(317.1)</b>
<b>Net cash inflow/(outflow) from activities</b>		<b>(127.2)</b>	<b>492.7</b>
Opening net cash		1,113.7	621.0
<b>Closing net cash</b>	C12	<b>986.5</b>	<b>1,113.7</b>

<sup>1</sup>Includes interest paid on lease liabilities of £167.5m (last year: £171.9m).

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

### C1 ACCOUNTING POLICIES

#### General information

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

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

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

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

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

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

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

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

#### New accounting standards adopted by the Company

The Company has applied the following new standards and interpretations for the first time for the annual reporting period commencing 3 April 2022:

- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract.
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use.
- Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

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

#### New accounting standards in issue but not yet effective

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

- IFRS 17 Insurance Contracts.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 8: Definition of Accounting Estimates.
- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The adoption of the above standards and interpretations is not expected to lead to any changes to the Company's accounting policies or have any other material impact on the financial position or performance of the Company.

#### Critical accounting judgements and key sources of estimation uncertainty

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

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

The Company's critical accounting judgements and estimates are aligned with those disclosed in note 1 of the Group financial statements. Additional key sources of estimation uncertainty are noted below.

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### *Impairment of investments in subsidiary undertakings*

Investments in subsidiaries are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is estimated based on the fair value of each of the subsidiaries as determined by their individual net asset values. In estimating the recoverable amount, the Company makes assumptions and judgements on the value of these investments using inherently subjective underlying property valuations. Whilst the Company considers the assumptions adopted represent the best estimate, because of the inherent uncertainty of valuation, it is reasonably possible that outcomes within the next financial year may differ significantly from the assumptions. Refer to note C9 for further details.

## C2 DIVIDENDS

The Board of Directors did not propose an interim dividend for 2022/23 (last year: £33.8m) and have not proposed a final dividend for 2022/23 (last year: £nil).

## C3 EMPLOYEES

### A. AGGREGATE REMUNERATION

The aggregate remuneration and associated costs of Marks and Spencer plc employees were:

	2023 Total £m	2022 Total £m
Wages and salaries	1,183.9	1,141.6
Social security costs	82.5	74.6
Other pension costs	70.0	62.3
Share based payments	32.5	30.0
Employee welfare and other personnel costs	38.4	46.9
Capitalised staffing costs	(14.9)	(6.5)
<b>Total aggregate remuneration</b>	<b>1,392.4</b>	<b>1,348.9</b>

### B. AVERAGE MONTHLY NUMBER OF EMPLOYEES

	2023	2022
<b>Stores</b>		
- management and supervisory categories	4,823	4,570
- other	50,019	51,585
<b>Head office</b>		
- management and supervisory categories	3,737	3,275
- other	765	660
<b>Operations</b>		
- management and supervisory categories	128	124
- other	1,752	1,667
<b>Total average number of employees</b>	<b>61,224</b>	<b>61,881</b>

The average number of full-time equivalent employees is 41,924 (last year 42,550).



## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C4 RETIREMENT BENEFITS

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

The legacy UK DB pension scheme operated on a final pensionable salary basis and is governed by a Trustee board which is independent of the Group. The UK DB scheme closed to future accrual on 1 April 2017. There will be no further service charge relating to the scheme and no future monthly employer contributions for current service. At year end the UK DB pension scheme had no active members (last year nil), 49,634 deferred members (last year 51,444) and 53,634 pensioners (last year 53,270).

The DC plan is a pension plan under which the Group pays contributions to an independently administered fund. Such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with the investment returns earned on the contributions arising from the performance of each individual's investments and how each member chooses to receive their retirement benefits. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee. At the year end, the defined contribution arrangement had some 50,901 active members (last year 46,560) and some 45,908 deferred members (last year 45,778).

Other retirement benefits also include a UK post-retirement healthcare scheme and unfunded retirement benefits.

The total Company retirement benefit cost was £8.3m (last year: £29.8m). Of this, income of £46.1m (last year: £27.9m) relates to the UK DB pension scheme, costs of £53.6m (last year: £57.8m) to the UK DC plan and costs of £0.8m (last year: income of £0.1m) to other retirement benefit schemes.

The most recent actuarial valuation of the Marks and Spencer UK Pension Scheme was carried out as at 31st March 2021 and showed a funding surplus of £687m. This is an improvement on the previous position at 31 March 2018 (statutory surplus of £652m), primarily due to lower assumed life expectancy. The Company and Trustee have confirmed, in line with the current funding arrangement, that no further contributions will be required to fund past service as a result of this valuation (other than those already contractually committed under the existing Marks and Spencer Scottish Limited Partnership arrangements – see note C5).

## A. PENSIONS AND OTHER POST-RETIREMENT LIABILITIES

	2023 £m	2022 £m
Total market value of assets	7,066.4	10,295.8
Present value of scheme liabilities	(6,220.0)	(8,928.5)
Net funded pension plan asset	846.4	1,367.3
Unfunded retirement benefit	(2.0)	(2.3)
Post-retirement healthcare	(2.4)	(3.1)
Net retirement benefit asset	842.0	1,361.9

	2023 £m	2022 £m
Analysed in the statement of financial position as:		
Retirement benefit asset	846.4	1,025.8
Retirement benefit deficit	(4.4)	(6.5)
	842.0	1,019.3

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

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## B. SCHEME ASSETS

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

	2023 £m	2022 £m
Fair value of scheme assets at start of year	10,295.8	10,700.5
Interest income based on discount rate	286.5	222.0
Actual return on scheme assets excluding amounts included in net interest income <sup>1</sup>	(3,172.7)	(272.8)
Employer contributions	1.4	5.0
Benefits paid	(340.0)	(354.3)
Administration costs	(4.6)	(4.6)
Fair value of scheme assets at end of year	7,066.4	10,295.8

<sup>1</sup> The actual return on scheme assets was a loss of £2,886.2m (last year: loss of £50.8m).

## C. PENSIONS AND OTHER POST-RETIREMENT LIABILITIES

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

	2023 £m	2022 £m
Present value of obligation at start of year	8,933.9	9,681.2
Interest cost	235.9	189.5
Benefits paid	(339.6)	(354.3)
Actuarial loss – experience	255.3	154.1
Actuarial (gain)/loss – demographic assumptions	(205.4)	89.0
Actuarial gain– financial assumptions	(2,655.7)	(825.6)
Present value of obligation at end of year	6,224.4	8,933.9
Analysed as:		
Present value of pension scheme liabilities	6,220.0	8,928.5
Unfunded pension plans	2.0	2.3
Post-retirement healthcare	2.4	3.1
Present value of obligation at end of year	6,224.4	8,933.9

The average duration of the defined benefit obligation at 1 April 2023 is 14.0 years (last year: 17.3 years).

## D. ANALYSIS OF ASSETS

The investment strategy of the UK defined benefit pension scheme is driven by its liability profile, in particular its inflation-linked pension benefits.

In addition to its interest in the Scottish Limited Partnership (refer to note C5), the scheme invests in different types of bonds (including corporate bonds and gilts) and derivative instruments (including inflation, interest rate, cross-currency and total return swaps) in order to align movements in the value of its assets with movements in its liabilities arising from changes in market conditions. Broadly the scheme has hedging that covers 94% of interest rate movements and 111% of inflation movements, as measured on the Trustee's funding assumptions which use a discount rate derived from gilt yields.

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

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

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

In addition, the Company is exposed to additional risks through its obligation to the UK DB Pension Scheme via its interest in the Scottish Limited Partnership (see note C5). In particular, under the legal terms of the Partnership, a default by the Company on the rental payments to the Partnership or a future change in legislation could trigger earlier or higher payments to the pension scheme, or an increase in the collateral to be provided by the Company.

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

	2023			2022		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
<b>Debt investments</b>						
– Government Bonds net of repurchase agreements <sup>1</sup>	1,993.6	(196.6)	1,797.0	3,474.9	(1,185.2)	2,289.7
– Corporate Bonds	-	1.2	1.2	-	950.0	950.0
– Asset backed securities and structured debt	-	443.6	443.6	-	365.9	365.9
Scottish Limited Partnership Interest (see note C5)	-	487.3	487.3	-	516.9	516.9
<b>Equity investments</b>						
– Developed markets	-	-	-	485.5	-	485.5
– Emerging markets	109.5	-	109.5	113.7	-	113.7
<b>Growth Asset Funds</b>						
– Global Property	-	281.5	281.5	-	308.7	308.7
– Hedge and Reinsurance	-	316.2	316.2	-	324.7	324.7
– Private Equity and Infrastructure	-	165.6	165.6	-	223.6	223.6
<b>Derivatives</b>						
– Interest and inflation rate swaps	-	88.6	88.6	-	406.9	406.9
– Foreign exchange contracts and other derivatives	-	21.4	21.4	-	(40.0)	(40.0)
<b>Cash and Cash equivalents</b>	-	206.2	206.2	-	168.1	168.1
<b>Other</b>						
– Buy In Insurance	-	2,150.0	2,150.0	-	2,910.0	2,910.0
– Secure Income Asset Funds	-	998.4	998.4	-	1,121.6	1,121.6
– Other	-	-	-	-	150.5	150.5
	2,103.1	4,963.4	7,066.4	4,074.1	6,221.7	10,295.8

<sup>1</sup> Repurchase agreements were £196.6m (last year £1,433.5m)

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

At year end, the UK schemes (UK DB Pension Scheme and post-retirement healthcare) indirectly held nil (last year: 33,210) ordinary shares in Marks and Spencer Group plc through its investment in UK Equity Index Funds.

## E. FINANCIAL ASSUMPTIONS

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

	2023 %	2022 %
Rate of increase in pensions in payment for service	2.2 - 3.2	2.3 - 3.6
Discount rate	4.75	2.70
Inflation rate for RPI	3.25	3.70
Long-term healthcare cost increases	7.30	7.70

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## F. DEMOGRAPHIC ASSUMPTIONS

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

		2023	2022
Current pensioners (at age 65)	- males	22.0	22.3
	- females	24.4	25.1
Future pensioners – currently in deferred status (at	- males	23.6	24.0
	- females	26.1	26.9

## G. SENSITIVITY ANALYSIS

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

	2023 £m	2022 £m
Decrease in scheme surplus caused by a decrease in the discount rate of 0.25%	(25.0)	(20.0)
Decrease in scheme surplus caused by a decrease in the discount rate of 0.50%	(45.0)	(30.0)
Decrease in scheme surplus caused by a decrease in the discount rate of 2.50%	(235.0)	(150.0)
Increase in scheme surplus caused by an increase in the discount rate of 2.50%	200.0	100.0
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.25%	(30.0)	(70.0)
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.50%	(60.0)	(130.0)
Increase in scheme surplus caused by decrease in the average life expectancy of one year	130.0	270.0

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

## H. ANALYSIS OF AMOUNT CHARGED AGAINST PROFITS

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

	2023 £m	2022 £m
Administration costs	4.6	4.6
Past service costs	-	-
Net interest income	(50.6)	(32.5)
<b>Total</b>	<b>(46.0)</b>	<b>(27.9)</b>
<b>Remeasurement on the net defined benefit surplus:</b>		
Actual return on scheme assets excluding amounts included in net interest income	3,172.7	272.8
Actuarial (gain)/loss – demographic assumptions	(205.4)	89.0
Actuarial loss – experience	255.3	154.1
Actuarial (gain) – financial assumptions	(2,655.7)	(825.6)
<b>Components of defined benefit expense/(income) recognised in other comprehensive income</b>	<b>566.9</b>	<b>(309.7)</b>

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### C5 MARKS & SPENCER UK PENSION SCHEME INTEREST IN THE SCOTTISH LIMITED PARTNERSHIP

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

The Partnership holds £1.3bn (last year: £1.3bn) of properties which have been leased back to Marks and Spencer plc. The Company retains control over these properties, including the flexibility to substitute alternative properties into the Partnership. The first limited partnership interest (held by the Marks & Spencer UK Pension Scheme) previously entitled the Pension Scheme to receive an annual distribution of £73.0m in 2023 and £54.4m in 2024. The second limited partnership interest (also held by the Marks and Spencer UK Pension Scheme), entitles the Pension Scheme to receive a further annual distribution of £36.4m from June 2017 until June 2031. All profits generated by the Partnership in excess of these amounts are distributable to the Company.

The partnership liability in relation to the first interest of £124.8m (last year: £192.3m) is valued at the net present value of the future expected distributions from the Partnership and is included as a liability in the Company's financial statements as it is a transferable financial instrument and measured at amortised cost, being the net present value of the future expected distributions from the Partnership. During the period to 1 April 2023 an interest charge of £4.3m (last year: £4.4m) was recognised in the income statement representing the unwinding of the discount included in this obligation. The first limited partnership interest of the Pension Scheme is included within the UK DB Pension Scheme assets, valued at £122.8m (last year: £193.5m).

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

### C6 SHARE-BASED PAYMENTS

Disclosures for the Company are not provided here as the impact on the income statement, and the assets and liabilities of the Company are not materially dissimilar to that of note 12 in the Company's consolidated financial statements.

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C7 INTANGIBLE ASSETS

	Computer software £m	Computer software under development £m	Total £m
<b>At 3 April 2021</b>			
Cost	1,441.6	44.2	1,485.8
Accumulated amortisation, impairments and write-offs	(1,284.4)	(8.2)	(1,292.6)
<b>Net book value</b>	<b>157.2</b>	<b>36.0</b>	<b>193.2</b>
<b>Year ended 2 April 2022</b>			
Opening net book value	157.2	36.0	193.2
Additions	-	63.7	63.7
Transfers	29.6	(44.8)	(15.2)
Asset write-offs	(0.6)	-	(0.6)
Amortisation charge	(92.3)	-	(92.3)
<b>Closing net book value</b>	<b>93.9</b>	<b>54.9</b>	<b>148.8</b>
<b>At 2 April 2022</b>			
Cost	1,471.2	63.1	1,534.3
Accumulated amortisation, impairments and write-offs	(1,377.3)	(8.2)	(1,385.5)
<b>Net book value</b>	<b>93.9</b>	<b>54.9</b>	<b>148.8</b>
<b>Year ended 1 April 2023</b>			
Opening net book value	93.9	54.9	148.8
Additions	3.0	79.1	82.1
Transfers	35.5	(64.3)	(28.8)
Asset write-offs	(0.7)	-	(0.7)
Amortisation charge	(84.7)	-	(84.7)
<b>Closing net book value</b>	<b>47.0</b>	<b>69.7</b>	<b>116.7</b>
<b>At 1 April 2023</b>			
Cost	1,509.7	77.9	1,587.6
Accumulated amortisation, impairments and write-offs	(1,462.7)	(8.2)	(1,470.9)
<b>Net book value</b>	<b>47.0</b>	<b>69.7</b>	<b>116.7</b>

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C8 PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment of £4,060.1m (last year: £3,949.4m) consists of owned assets of £2,333.9m (last year: £2,225.4m) and right-of-use assets of £1,726.2m (last year: £1,724.0m).

## Property, plant and equipment – owned

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
<b>At 3 April 2021</b>				
Cost	963.5	4,881.7	73.9	5,919.1
Accumulated depreciation, impairments and write-offs	(339.4)	(3,319.5)	(4.3)	(3,663.2)
<b>Net book value</b>	<b>624.1</b>	<b>1,562.2</b>	<b>69.6</b>	<b>2,255.9</b>
<b>Year ended 2 April 2022</b>				
Opening net book value	624.1	1,562.2	69.6	2,255.9
Additions	-	11.6	233.0	244.6
Transfers and reclassifications	2.9	173.4	(161.7)	14.6
Disposals	(1.2)	(1.4)	-	(2.6)
Impairment reversals	8.3	34.4	-	42.7
Impairment charge	(50.2)	(34.8)	-	(85.0)
Asset write-offs	0.4	(7.2)	-	(6.8)
Depreciation charge	(40.0)	(247.7)	-	(287.7)
Intercompany	15.4	-	-	15.4
<b>Closing net book value</b>	<b>559.7</b>	<b>1,490.5</b>	<b>140.9</b>	<b>2,191.1</b>
<b>At 2 April 2022</b>				
Cost	954.1	4,762.7	145.2	5,862.0
Accumulated depreciation, impairments and write-offs	(394.4)	(3,272.2)	(4.3)	(3,670.9)
<b>Net book value</b>	<b>559.7</b>	<b>1,490.5</b>	<b>140.9</b>	<b>2,191.1</b>
<b>Year ended 1 April 2023</b>				
Opening net book value	559.7	1,490.5	140.9	2,191.1
Additions	0.8	23.0	284.9	308.7
Transfers and reclassifications	15.0	281.5	(269.8)	26.7
Disposals	-	-	-	-
Impairment reversals	64.2	75.0	-	139.2
Impairment charge	(38.0)	(28.9)	-	(66.9)
Asset write-offs	0.3	(2.6)	-	(2.3)
Depreciation charge	(27.0)	(235.6)	-	(262.6)
Intercompany	-	-	-	-
<b>Closing net book value</b>	<b>575.0</b>	<b>1,602.9</b>	<b>156.0</b>	<b>2,333.9</b>
<b>At 1 April 2023</b>				
Cost	969.9	5,067.2	160.3	6,197.4
Accumulated depreciation, impairments and write-offs	(394.9)	(3,464.3)	(4.3)	(3,863.5)
<b>Net book value</b>	<b>575.0</b>	<b>1,602.9</b>	<b>156.0</b>	<b>2,333.9</b>

Asset write-offs in the year include assets with gross book value of £235.9m (last year: £376.7m) and £nil (last year: £nil) net book value that are no longer in use and have therefore been retired.

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C8 PROPERTY, PLANT AND EQUIPMENT CONTINUED

## Right-of-use assets

The Company adopted IFRS 16 Leases from 31 March 2019. Refer to note 1 of the Group financial statements for the accounting policy. The right-of-use assets recognised on adoption of IFRS 16 are reflected in the underlying asset classes of property, plant and equipment.

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

## Right-of-use assets

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
As at 3 April 2021	1,872.6	51.3	1,923.9
Additions	13.3	17.0	30.3
Transfers and reclassifications	0.5	-	0.5
Disposals	(0.5)	-	(0.5)
Impairment reversals	46.1	-	46.1
Impairment charge	(24.7)	-	(24.7)
Depreciation charge	(191.6)	(20.7)	(212.3)
As at 2 April 2022	1,715.7	47.6	1,763.3
Additions	164.9	20.8	185.7
Transfers and reclassifications	2.1	-	2.1
Disposals	(27.0)	(12.3)	(39.3)
Impairment reversals	67.1	-	67.1
Impairment charge	(34.5)	-	(34.5)
Depreciation charge	(202.3)	(15.9)	(218.2)
As at 1 April 2023	1,686.0	40.2	1,726.2

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

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

Each CGU is tested for impairment at the balance sheet date if any indicators of impairment and impairment reversals have been identified. Stores identified within the Company's UK store estate programme are automatically tested for impairment.

The value in use of each CGU is calculated based on the Company's latest budget and forecast cash flows, covering a three-year period, which have regard to historic performance and knowledge of the current market, together with the Company's views on the future achievable growth and the impact of committed initiatives. The cash flows include ongoing capital expenditure required to maintain the store network, but exclude any growth capital initiatives not committed. Cash flows beyond this three-year period are extrapolated using a long-term growth rate based on management's future expectations, with reference to forecast GDP growth. These growth rates do not exceed the long-term growth rate for the Company's retail businesses in the relevant territory. If the CGU relates to a store which the Company has identified as part of the UK store estate programme, the value in use calculated has been modified by estimation of the future cash flows up to the point where it is estimated that trade will cease and then estimation of the timing and amount of costs associated with closure.

The key assumptions in the value in use calculations are the growth rates of sales and gross profit margins, changes in the operating cost base, long-term growth rates and the risk-adjusted pre-tax discount rate. The pre-tax discount rates are derived from the Company's weighted average cost of capital, which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Company size premium and a risk adjustment (beta). The pre-tax discount rates range from 12.5% to 18.1% (last year: 9.8% to 15.8%). If the CGU relates to a store which the Group has identified as part of the UK store estate programme, the additional key assumptions in the value in use calculations are costs associated with closure, the disposal proceeds from store exits and the timing of the store exits.

## Impairments – UK stores excluding the UK store estate programme

During the year, the Company has recognised an impairment charge of £15.5m and impairment reversals of £174.9m as a result of UK store impairment testing unrelated to the UK store estate programme (last year: impairment charge of £6.9m and impairment reversals of £55.5m). The impaired stores were impaired to their value in use recoverable amount of £31.3m, which is their carrying value at year end.

For UK stores, when considering both impairment charges and reversals, cash flows beyond the three-year period are extrapolated using the Company's current view of achievable long-term growth of 2.0%, adjusted to 0% where management believes the current trading performance and future expectations of the store do not support the growth rate of 2.0%. The rate used to discount the forecast cash flows for UK stores is 12.5% (last year: 9.8%).



## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

As disclosed in the accounting policies (note C1), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to further impairments. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions across the UK store portfolio.

A reduction in sales of 5% from the three-year plan in year 3 would result in an increase in the impairment charge of £2.6m and a 25 basis point reduction in gross profit margin from year 3 onwards would result in an increase in the charge of £0.3m. In combination, a 5% fall in sales and a 25 basis point fall in gross profit margin would increase the impairment charge by £4.3m. A 250 basis point increase in the discount rate would increase the impairment charge by £1.5m. Reducing the long-term growth rate to 0% across all stores, would not result in a significant increase to the impairment charge, either individually or in combination.

A reduction in sales of 5% from the three-year plan in year 3 would result in a reduction in the reversal of £8.7m and a 25 basis point reduction in gross profit margin from year 3 onwards would result in a reduction in the reversal of £1.6m. In combination, a 5% fall in sales and a 25 basis point fall in gross profit margin would reduce the reversal by £20.5m. A 250 basis point increase in the discount rate would reduce the reversal by £8.0m. Reducing the long-term growth rate to 0% across all stores, would not result in a significant decrease to the reversal, either individually or in combination.

### **Impairments – UK store estate programme**

During the year, the Company has recognised an impairment charge of £85.9m and impairment reversals of £31.4m relating to the ongoing UK store estate programme (last year: impairment charge of £102.8m and impairment reversals of £33.3m). These stores were impaired to their 'value in use' recoverable amount of £263.6m, which is their carrying value at year end. Impairment reversals predominantly reflect improved trading expectations compared to those assumed at the end of the prior year.

Where the planned closure date for a store is outside the three-year plan period, no growth rate is applied. The rate used to discount the forecast cash flows for UK stores is 12.5% (last year: 9.8%).

As disclosed in the accounting policies (note C1), the cash flows used within the impairment models for the UK store estate programme are based on assumptions which are sources of estimation uncertainty, and small movements in these assumptions could lead to further impairments. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions across the UK store estate programme.

A 5% reduction in planned sales in years 2 and 3 (where relevant) would result in an increase in the impairment charge by £6.2m. A 250 basis point increase in the discount rate would result in an increase in the impairment charge by £6.5m. A 25 basis point reduction in management gross margin during the period of trading would result in an increase in the impairment charge by £1.8m. A 2% increase in the costs associated with exiting a store would result in an increase in the impairment charge by £0.4m.

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C9 INVESTMENTS

## A. INVESTMENTS IN GROUP UNDERTAKINGS

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
<b>At 3 April 2021</b>			
Cost	1,199.9	0.5	1,200.4
Provision for impairment	(337.5)	-	(337.5)
<b>Net book value</b>	<b>862.4</b>	<b>0.5</b>	<b>862.9</b>
<b>Year ended 2 April 2022</b>			
Opening net book value	862.4	0.5	862.9
Additions	4.5	-	4.5
Provision for impairment charge	(8.0)	-	(8.0)
Provision for impairment reversal	37.7	-	37.7
<b>Closing net book value</b>	<b>896.6</b>	<b>0.5</b>	<b>897.1</b>
<b>At 2 April 2022</b>			
Cost	1,204.4	0.5	1,204.9
Provision for impairment	(307.8)	-	(307.8)
<b>Net book value</b>	<b>896.6</b>	<b>0.5</b>	<b>897.1</b>
<b>Year ended 1 April 2023</b>			
Opening net book value	896.6	0.5	897.1
Additions	0.5	-	0.5
Provision for impairment charge	(3.6)	-	(3.6)
Provision for impairment reversal	6.8	-	6.8
<b>Closing net book value</b>	<b>900.3</b>	<b>0.5</b>	<b>900.8</b>
<b>At 1 April 2023</b>			
Cost	1,204.9	0.5	1,205.4
Provision for impairment	(304.6)	-	(304.6)
<b>Net book value</b>	<b>900.3</b>	<b>0.5</b>	<b>900.8</b>

For impairment testing purposes the carrying value of the investment held by the Company is compared to the net assets of the subsidiary companies adjusted for impairments of fixed assets held by the subsidiaries calculated on the same basis as note C8.

## B. SUBSIDIARY UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation and the effective percentage of equity owned, as at 1 April 2023 is disclosed below.

Name	Registered address	Country of incorporation	Share Class	Proportion of shares held by:	
				Company	A subsidiary
Amethyst Leasing (Holdings) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Amethyst Leasing (Properties) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	-	100%
Aprell Limited	24-29 Mary Street, Dublin 2, Ireland	Republic of Ireland	€1.25 Ordinary	-	100%
Busyexport Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Founders Factory Retail Limited	Founders Factory (Level 7), Arundel Street Building 180 Strand, 2 Arundel Street, London, WC2R 3DA	United Kingdom	£0.0001 Ordinary	0.004%	-
			£0.0001 preferred	100%	-
Hedge End Park Limited	33 Holborn, London, EC1N 2HT	United Kingdom	£1 Ordinary A	-	-
			£1 Ordinary B	100%	-

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C9 INVESTMENTS CONTINUED

## B. SUBSIDIARY UNDERTAKINGS

Ignazia Limited	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	£1 Ordinary	-	100%
Marks and Spencer (Jaeger) Limited	Waterside House, 35 North Wharf Road, London, United Kingdom, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Nobody's Child Limited	10-11 Greenland Place, Camden, London, NW1 0AP	United Kingdom	£0.01 Ordinary	-	-
			£0.01 Preference	100%	-
The Sports Edit Limited	Waterside House, 35 North Wharf Road, London, United Kingdom, W2 1NW	United Kingdom	£0.01 A Ordinary	100%	-
			£0.01 B Ordinary	100%	-
			£0.01 C Ordinary	-	-
M&S Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer Services S.R.O	Jemnická 1138/1, Michle, Praha 4, 140 00, Czech Republic	Czech Republic	CZK NPV	-	100%
Manford (Textiles) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks & Spencer (Portugal) Lda.	Avenida da Liberdade 249, 8°, 1250-143, Lisbon, Portugal	Portugal	€1 Ordinary	-	100%
Marks & Spencer Company Archive CIC	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	Membership	- <sup>1</sup>	-
Marks & Spencer Outlet Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Sparks Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer (Australia) Pty Limited	Minter Ellison Governor Macquarie Tower, Level 40 1 Farrer Place Sydney NSW 2000 Australia	Australia	AUD 2 Ordinary	100%	-
Marks and Spencer (Bradford) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer (Hong Kong) Investments Limited	Suites 807-13, 8/F, South Tower, World Finance Centre, Harbour City, Kowloon, Hong Kong	Hong Kong	No Par Value Ordinary	-	100%
Marks and Spencer (India) Pvt Limited	Plot No 64, 2nd Floor, Holly Hocks, Sector 44, Gurgaon – 122 002, Haryana, India	India	INR10 Ordinary	0.002%	99.998%
Marks and Spencer (Ireland) Limited	24/27 Mary Street, Co. Dublin, Dublin 1, D01 YE83, Ireland	Republic of Ireland	€1.25 Ordinary	-	100%
Marks and Spencer Pensions Trust (Ireland) Company Limited By Guarantee	24/27 Mary Street, Co. Dublin, Dublin 1, D01 YE83, Ireland	Republic of Ireland	NA <sup>2</sup>	-	-
Marks and Spencer (Nederland) B.V.	Basisweg 10, 1043 AP, Amsterdam, Netherlands	The Netherlands	€450 Ordinary	-	100%
Marks and Spencer (Northern Ireland) Limited	C/O Pricewaterhousecoopers, Waterfront Plaza, 8 Laganbank Road, Belfast, BT1 3LR	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer (Property Ventures) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C9 INVESTMENTS CONTINUED

## B. SUBSIDIARY UNDERTAKINGS

Marks and Spencer (Investment Holdings) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer (Shanghai) Limited	Unit 03-04 16/F, Eco City 1788, 1788 West Nan Jing Road, Shanghai, China	China	USD NPV	-	100%
Marks and Spencer (Singapore) Investments Pte. Ltd	77 Robinson Road, Singapore #13-00 Robinson 77, Singapore 068896, Singapore	Singapore	No Par Value Ordinary	-	100%
Marks and Spencer 2005 (Brooklands Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Chester Satellite Store) Limited (in liquidation)	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Chester Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Fife Road Kingston Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Glasgow Sauchiehall Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Hedge End Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Kensington Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Kingston-on-Thames Satellite Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Kingston-on-Thames Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Parman House Kingston Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Pudsey Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer 2005 (Warrington Gemini Store) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-
Marks and Spencer Chester Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	-	100%
Marks and Spencer Clothing Textile Trading J.S.C.	Havalani Karsisi Istanbul Dunya Ticaret Merkezi A3 Blok, Kat:11 Yesilkoy, Bakirkoy, Istanbul Turkey	Turkey	TRL 25.00 Ordinary	-	100%
Marks and Spencer Czech Republic a.s	Jemnická 1138/1, Michle, Praha 4, 140 00, Czech Republic	Czech Republic	CZK 1,000 Ordinary	0.001%	99.999%
			CZK 100,000 Ordinary	-	100%
			CZK 1,000,000 Ordinary	-	100%
Marks and Spencer Guernsey Investments LLP	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	Partnership interest	-	100% <sup>3</sup>
Marks and Spencer Hungary Limited (in liquidation)	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	-	100%
Marks and Spencer International Holdings Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	-

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C9 INVESTMENTS CONTINUED

## B. SUBSIDIARY UNDERTAKINGS

Marks and Spencer Investments	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	–	100%
Marks and Spencer BV	Basisweg 10, 1043 AP, Amsterdam, Netherlands	The Netherlands	€100 Ordinary	–	100%
Marks & Spencer Marinopoulos Greece SA	33-35 Ermou Street, Athens 10563, Greece	Greece	€3 Ordinary	–	80% <sup>a</sup>
			€3 Preference	–	100%
Marks and Spencer Romania SA (in liquidation)	84 GEN. H. M. BERTHELOT Street, Space B, Room 5, Ground floor, 1st District, Bucharest, Romania	Romania	RON 18.30 Ordinary	–	100%
Marks and Spencer Property Developments Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	–	100%
Marks and Spencer (Property Investments) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer Property Holdings Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer Reliance India Pvt Limited	4th Floor, Court House, Lokmanya Tilak Marg, Dhobi Talao, Mumbai, 400 002, India	India	INR 10 Class A	–	51%
			INR 10 Class B	–	100%
			INR 5 Class C	–	– <sup>4</sup>
Marks and Spencer Scottish Limited Partnership	2-28 St Nicholas Street, Aberdeen, AB10 1BU	United Kingdom	Partnership interest	– <sup>5</sup>	–
Marks and Spencer Simply Foods Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer Stores B.V.	Basisweg 10, 1043 AP, Amsterdam, Netherlands	The Netherlands	€450 Ordinary	–	100%
M.S. General Insurance L.P.	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	Partnership interest	–	100%
Marks and Spencer (SA) (Pty) Limited	Woolworths House, 93 Longmarket Street, Cape Town, 8001, South Africa	South Africa	ZAR 2 Ordinary	100%	–
M & S Mode International B.V.	Basisweg 10, 1043 AP, Amsterdam, Netherlands	The Netherlands	€100 Ordinary	–	100%
Marks and Spencer France Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	€1.14 Ordinary	100%	–
Marks and Spencer Pearl (1) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer Pearl (Daventry) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Ruby Properties (Cumbernauld) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Ruby Properties (Hardwick) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Ruby Properties (Long Eaton) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Ruby Properties (Thornccliffe) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Ruby Properties (Tunbridge) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C9 INVESTMENTS CONTINUED

## B. SUBSIDIARY UNDERTAKINGS

Simply Food (Property Investments)	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	–	100%
Simply Food (Property Ventures) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
St Michael Finance Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
St. Michael (Textiles) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	–	100%
Teranis Limited	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	£1 Ordinary	–	100%

1. The company is a Community Interest Company, not established or conducted for private gain. It is limited by guarantee of its members and does not have any share capital. Marks and Spencer plc is the sole member.
2. No share capital as the company is limited by guarantee.
3. The members of the LLP were Teranis Limited, Ignazia Limited and Aprell Limited.
4. INR 5 Class C shares 100% owned by JV partner.
5. Marks and Spencer plc is the General Partner.
6. 20% of ordinary shares are owned by JV partner.

## C10 OTHER FINANCIAL ASSETS

	2023 £m	2022 £m
<b>Non-current</b>		
Other investments <sup>1</sup>	0.9	1.9
	0.9	1.9
<b>Current</b>		
Short-term investments	6.3	8.8

<sup>1</sup>Non-current other investments includes £0.3m (last year £0.4m) shares in Marks and Spencer Group plc held for employee share schemes.

Other financial assets are measured at fair value with changes in their value taken to the income statement.

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C11 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
<b>Non-current</b>		
Prepayments	122.2	113.4
Lease receivables – net of provision for impairment	65.5	75.3
Amounts owed by parent company	2,541.0	2,541.2
Amounts owed by subsidiary companies	420.3	203.9
	3,149.0	2,933.8
<b>Current</b>		
Trade receivables	89.2	91.5
Less: Provision for impairment of receivables	(5.3)	(4.2)
Trade receivables – net	83.9	87.3
Other receivables	14.1	12.7
Prepayments and accrued income	100.2	84.2
Amounts owed by subsidiary companies	18.9	8.0
	217.1	192.2

As at 1 April 2023, £321.7m (last year: £140.0m) of the amounts owed by group companies is interest bearing. Overall, the interest receivable during the year was £10.0m (last year: £2.8m). Interest rates are set within individual company loan agreements and reference SONIA plus an applicable margin. The remaining £2,658.5m (last year: £2,613.1m) of the amounts owed by group companies are interest-free. Amounts owed by group companies are repayable on demand.

The directors consider that the carrying amount of trade and other receivables approximates their fair value. These balances are subject to an assessment of expected credit loss (see note C15). Included in prepayments is £8.8m (last year: £7.7m) of accrued supplier income relating to rebates that have been earned but not yet invoiced. An amount of supplier income that has been invoiced but not yet settled against future trade creditor balances is included within trade creditors, where there is a right to offset.

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

	2023 £m	2022 £m
<b>Timing of cash flows</b>		
Within one year	4.7	4.8
Between one and two years	4.7	4.7
Between two and three years	6.1	4.7
Between three and four years	7.8	6.1
Between four and five years	7.8	7.8
More than five years	113.3	120.8
<b>Total undiscounted cash flows</b>	<b>144.4</b>	<b>148.9</b>
Effect of discounting	(68.2)	(73.6)
<b>Present value of lease payments receivable</b>	<b>76.2</b>	<b>75.3</b>
Less: provision for impairment of receivables	(10.7)	-
<b>Net investment in the lease</b>	<b>65.5</b>	<b>75.3</b>

## C12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are £986.5m (last year: £1,113.7m). The carrying amount of these assets approximates their fair value.

The effective interest rate on short-term bank deposits is 4.1% (last year: 0.7%). These deposits have an average maturity of 19 days (last year: 23 days).

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2023 £m	2022 £m
Cash at bank and in hand	986.5	1,113.7

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C13 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
<b>Current</b>		
Trade and other payables	1,345.9	1,281.0
Social security and other taxes	59.2	43.1
Accruals	515.2	582.1
Deferred income	43.8	47.0
Amounts owed to subsidiaries	1,768.7	1,521.6
	3,732.8	3,474.8
<b>Non-current</b>		
Other payables	1.4	2.4
Deferred income	3.3	3.4
Other payables and deferred income	4.7	5.8

As at 1 April 2023, £1,347.7m (last year: £673.8m) of the amounts owed to subsidiaries is interest bearing. Overall, the interest payable during the year was £19.1m (last year: £1.0m). Interest rates are set within individual company loan agreements and reference SONIA plus an applicable margin. The remaining £455.0m (last year: £839.9m) of the amounts owed to subsidiaries are interest-free. Amounts owed to subsidiaries are repayable on demand.

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

	2023 £m	2022 £m
Opening balance	185.1	193.6
Issues	408.1	397.4
Released to the income statement	(408.7)	(405.9)
Closing balance	184.5	185.1

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

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

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

At 1 April 2023, £303.9m (last year: £330.0m) of trade payables were amounts owed under these arrangements. During the year, the maximum facility available at any one time under the arrangements was £442.6m (last year: £404.1m).



## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C14 BORROWINGS AND OTHER FINANCIAL LIABILITIES

	2023 £m	2022 £m
<b>Current</b>		
Lease liabilities	234.6	171.9
3.00% £300m Medium Term Notes 2023 <sup>1</sup>	185.3	-
Interest accrued on Medium Term Notes	42.0	47.0
	461.9	218.9
<b>Non-current</b>		
3.00% £300m Medium Term Notes 2023 <sup>1</sup>	-	299.1
4.75% £400m Medium Term Notes 2025 <sup>1,2</sup>	330.0	409.4
3.75% £300m Medium Term Notes 2026 <sup>1</sup>	298.9	298.6
3.25% £250m Medium Term Notes 2027 <sup>1</sup>	248.6	248.3
7.125% US\$300m Medium Term Notes 2037 <sup>3,4</sup>	251.8	192.3
Revaluation of Medium Term Notes <sup>5</sup>	(10.2)	34.8
Lease liabilities	2,724.7	2,889.8
	3,843.8	4,372.3
<b>Total</b>	<b>4,305.7</b>	<b>4,591.2</b>

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

<sup>2</sup>The Company occasionally enters into interest rate swaps to manage interest rate exposure. At year end, £6.1m (last year: £10.5m) of fair value adjustment for terminated hedges to be amortised over the remaining debt maturity.

<sup>3</sup>Interest on these bonds is payable biannually.

<sup>4</sup>US\$300m Medium Term Note exposure swapped to sterling (fixed-to-fixed cross currency interest rate swaps).

<sup>5</sup>Revaluation consists of foreign exchange gain on revaluation of the 7.125% US\$300m Medium Term Notes 2037 of £10.2m (last year: £34.8m loss).

**Leases**

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

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

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

	2023 £m	2022 £m
<b>Opening lease liabilities</b>	<b>3,061.7</b>	<b>3,327.1</b>
Additions	196.9	165.8
Interest expense relating to lease liabilities	163.8	173.5
Payments	(427.3)	(431.9)
Disposals	(35.6)	(171.8)
Exchange and other movements	(0.2)	(1.0)
	2,959.3	3,061.7
<b>Current</b>	<b>234.6</b>	<b>171.9</b>
<b>Non-current</b>	<b>2,724.7</b>	<b>2,889.8</b>

The maturity analysis of lease liabilities are disclosed in note C15.

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

The Company holds certain leases that contain break clause options to provide operational flexibility. In accordance with IFRS 16, the Company has calculated the full lease term, beyond break, to represent the reasonably certain lease term (except for those stores identified as part of the UK store estate programme) within the total £2,959.3m of lease liabilities held on the balance sheet.

The following amounts were recognised in profit or loss:

	2023 £m	2022 £m
Expenses relating to short-term leases	10.0	5.1
Expenses relating to low-value assets	-	-
Expenses relating to variable consideration	3.2	2.8

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### C15 FINANCIAL INSTRUMENTS

#### Treasury policy

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

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

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

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

#### Financial risk management

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

##### A. Liquidity & funding risk

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

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

The Company has a committed syndicated bank revolving credit facility of £850m with a current maturity date of 13 June 2026. The facility contains a financial covenant, being the ratio of earnings before interest, tax, depreciation and amortisation; to net interest and depreciation on right-of-use assets under IFRS 16. The covenant is measured biannually. The Company was not in breach of this metric at the reporting date.

The revolving credit facility includes four sustainability metrics where the margin payable on the facility is adjusted to reflect the Company's performance against ESG targets material to the Company's "Plan A" objectives.

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

In addition to the existing borrowings, the Company has a Euro Medium Term Note programme of £3bn, of which £1.1bn (last year: £1.3bn) was in issuance as at the balance sheet date. The initial rate of interest is fixed at the date of issue and the Notes are referred to as fixed rate borrowings throughout the Annual Report as the coupon does not change with movements in benchmark interest rates. However, the rate of interest on certain Notes varies both up and down in response to third-party credit ratings (to above/below Baa3 or above/below BBB-) that reflects the relative deterioration or improvement in the Company's cost of credit, and the interest payable on these Notes increases or decreases from the next interest payment date following a relevant credit rating downgrade or upgrade. As the original contractual terms of these Notes provide for changes in cash flows to be reset to reflect the relative deterioration or improvement in the Company's cost of credit, the Company considers these Notes to be floating rate instruments when determining amortised cost under IFRS 9 and consequently the Company applied IFRS 9 paragraph B5.4.5, which requires no adjustment to the carrying amount of the liabilities or immediate impact on profit and loss. If the Company had determined these Notes to be fixed rate instruments, the Notes would be remeasured to reflect the revised cash flows discounted at the original effective rate. This would result in initially a higher interest expense to profit or loss, offset by lower interest charges subsequently, when compared to the Company's treatment.

The table below summarises the contractual maturity of the Company's non-derivative financial liabilities and derivatives, excluding trade payables, other payables and accruals. The carrying value of all trade payables, other payables and accruals of £1,862.5m (last year: £1,865.5m) is equal to their contractual undiscounted cash flows (see note C13) which are due within one year.

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Medium Term Notes £m	Lease liabilities <sup>1</sup> £m	Total borrowings and other financial liabilities £m	Cash inflow on derivatives <sup>2</sup> £m	Cash outflow on derivatives <sup>2</sup> £m	Total derivative liabilities £m
<b>Timing of cash flows</b>						
Within one year	(75.5)	(396.4)	(471.9)	523.1	(530.0)	(6.9)
Between one and two years	(375.5)	(364.6)	(740.1)	30.9	(31.1)	(0.2)
Between two and five years	(864.3)	(1,087.5)	(1,951.8)	-	-	-
More than five years	(668.4)	(3,594.1)	(4,262.5)	-	-	-
Total undiscounted cash flows	(1,983.7)	(5,442.6)	(7,426.3)	554.0	(561.1)	(7.1)
Effect of discounting	454.2	2,381.0	2,835.2			
At 2 April 2022	(1,529.5)	(3,061.6)	(4,591.1)			
<b>Timing of cash flows</b>						
Within one year	(252.7)	(391.0)	(643.7)	1,169.3	(1,228.1)	(58.8)
Between one and two years	(59.3)	(397.5)	(456.8)	145.8	(147.4)	(1.6)
Between two and five years	(1,002.2)	(1,098.0)	(2,100.2)	26.0	(26.0)	-
More than five years	(415.6)	(3,361.4)	(3,777.0)	207.8	(214.7)	(6.9)
Total undiscounted cash flows	(1,729.8)	(5,247.9)	(6,977.7)	1,548.9	(1,616.2)	(67.3)
Effect of discounting	383.4	2,288.6	2,672.0			
At 1 April 2023	(1,346.4)	(2,959.3)	(4,305.7)			

<sup>1</sup>Total undiscounted lease payments of £569.5m relating to the period post-break clause, and the earliest contractual lease exit point, are included in lease liabilities. These undiscounted lease payments should be excluded when determining the Company's contractual indebtedness under these leases, where there is a contractual right to break.

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

**B. Counterparty risk**

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

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

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

	Credit rating of counterparty								
	AAA £m	AA+ £m	AA £m	AA- £m	A+ £m	A £m	A- £m	BBB+ £m	Total £m
Other investments <sup>1</sup>	-	-	-	147.0	273.9	452.0	89.0	-	961.9
Derivative assets <sup>2</sup>	-	-	-	-	31.8	24.4	8.7	-	64.9
At 2 April 2022	-	-	-	147.0	305.7	476.4	97.7	-	1,026.8
	AAA £m	AA+ £m	AA £m	AA- £m	A+ £m	A £m	A- £m	BBB+ £m	Total £m
Other investments <sup>1</sup>	99.4	-	-	84.2	346.6	249.3	65.0	-	844.5
Derivative assets <sup>2</sup>	-	-	-	-	10.0	7.4	5.0	-	22.4
At 1 April 2023	99.4	-	-	84.2	356.6	256.7	70.0	-	866.9

<sup>1</sup>Includes cash on deposit and money market funds held by Marks and Spencer plc and Marks and Spencer General Insurance. Excludes cash in hand and in transit of £164.3m (last year: £217.4m).

<sup>2</sup>Standard & Poor's equivalent rating shown as reference to the majority credit rating of the counterparty from either Standard & Poor's, Moody's or Fitch where applicable.

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

The maximum exposure to credit risk at the balance sheet date was as follows: trade receivables £89.2m (last year: £91.5m), lease receivables £65.5m (last year: £75.3m), other receivables £14.1m (last year: £12.7m), amounts owed by group companies £2,980.2m (last year: £2,753.1m), cash and cash equivalents £986.5m (last year: £1,113.7m) and derivatives £22.4m (last year: £64.9m).

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**Impairment of financial assets**

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

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

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

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

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

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

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

As at 2 April 2022	Current £m	Up to 30 days past due £m	31-60 days past due £m	61-90 days past due £m	91-180 days past due £m	181 days or more past due £m	Total £m
Gross carrying amount - trade receivables	65.8	15.5	-	1.7	7.5	1.0	91.5
Expected loss rate	3.8%	0.7%		5.9%	6.7%	100.0%	4.6%
Lifetime expected credit loss	2.5	0.1	-	0.1	0.5	1.0	4.2
Net carrying amount	63.3	15.4	-	1.6	7.0	-	87.3

As at 1 April 2023	Current £m	Up to 30 days past due £m	31-60 days past due £m	61-90 days past due £m	91-180 days past due £m	181 days or more past due £m	Total £m
Gross carrying amount - trade receivables	67.6	14.7	2.5	1.7	1.2	1.5	89.2
Expected loss rate	1.2%	4.8%	28.0%	35.3%	66.7%	100.0%	5.7%
Lifetime expected credit loss	0.8	0.7	0.7	0.6	0.8	1.5	5.1
Net carrying amount	66.8	14.0	1.8	1.1	0.4	-	84.1

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

	2023 £m	2022 £m
Trade receivables expected loss provision		
Opening loss allowance	4.2	3.4
Increase in loss allowance recognised in profit and loss during the year	5.8	1.2
Receivables written off during the year as uncollectable	(4.9)	(0.4)
Closing loss allowance	5.1	4.2

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

	2023 £m	2022 £m
Lease receivables expected loss provision		
Opening loss allowance	-	11.9
Increase/(decrease) in loss allowance recognised in profit and loss during the year <sup>1</sup>	10.7	(11.9)
Closing loss allowance	10.7	-

<sup>1</sup> Relates to the sub-let of previously closed offices associated with the strategic programme to centralise the Company's London Head Office functions.

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

## C. Foreign currency risk

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

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

At the balance sheet date the gross notional value in sterling terms of forward foreign exchange contracts amounted to £2,011.2m (last year: £2,099.0m) with a weighted average maturity date of eight months (last year: six months).

Gains and losses in equity on forward foreign exchange contracts designated in cash flow hedge relationships as at 1 April 2023 will be released to the income statement at various dates over the following 14 months (last year: 15 months) from the balance sheet date.

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

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

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

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

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

The Company also hedges foreign currency intercompany loans where these exist. Forward foreign exchange contracts in relation to the hedging of the Company's foreign currency intercompany loans are classified as fair value through profit and loss. The corresponding fair value movement of the intercompany loan balance resulted in a £0.3m gain (last year: £0.6m loss) in the income statement. As at the balance sheet date, the gross notional value of intercompany loan hedges was £125.8m (last year: £166.8m).

After taking into account the hedging derivatives entered into by the Company, the currency and interest rate exposure of the Company's financial liabilities, excluding short-term payables, is set out below:

	2023			2022		
	Fixed rate £m	Floating rate £m	Total £m	Fixed rate £m	Floating rate £m	Total £m
Currency						
Sterling	3,297.6	-	3,297.6	3,504.8	-	3,504.8
	3,297.6	-	3,297.6	3,504.8	-	3,504.8

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

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## D. Interest rate risk

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

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

At the balance sheet date, fixed rate borrowings amounted to £3,297.6m (last year: £3,504.8m) representing the public bond issues and lease liabilities, amounting to 100% (last year: 100%) of the Company's gross borrowings.

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

	2023 %	2022 %
Committed and uncommitted borrowings	N/A	N/A
Medium Term Notes	5.1%	5.1%
Leases	5.3%	5.3%

## Derivative financial instruments

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

	2 April 2022			
	Current		Non-Current	
Hedging risk strategy	Forward foreign exchange contracts £m	Forward foreign exchange contracts £m	Cross-currency swaps £m	Forward foreign exchange contracts £m
Notional / currency legs	Cash flow hedges	FVTPL	Cash flow hedges	Cash flow hedges
	1,770.2	166.8	193.5	162.0
Carrying amount assets	44.3	0.6	18.5	2.9
Carrying amount (liabilities)	(5.0)	(0.9)	-	(0.4)
	to Sep 2022	to May 2022	to Dec 2037	to Apr 2023
Maturity date	100%	n/a	100%	100%
Hedge ratio	Highly probable transactional FX exposures	Inter-company loans/deposits & subsidiary FX exposures	USD fixed rate borrowing	Highly probable transactional FX exposures
Description of hedged item				
Change in fair value of hedging instrument	57.6	11.1	26.7	4.8
Change in fair value of hedged item used to determine hedge effectiveness	(57.6)	(11.7)	(25.4)	(4.8)
	GBP/USD 1.37, GBP/EUR1.18	-	GBP/USD 1.55	GBP/USD 1.34, GBP/EUR1.17
Weighted average hedge rate for the year				
Amounts recognised within finance costs in profit and loss	-	(0.6)	(0.1)	-
Balance on cash flow hedge reserve at 2 April 2022	(30.6)	-	9.5	2.5
Balance on cost of hedging reserve at 2 April 2022	-	-	(5.0)	-

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	1 April 2023			
	Current		Non-Current	
	Forward foreign exchange contracts £m	Forward foreign exchange contracts £m	Cross-currency swaps £m	Forward foreign exchange contracts £m
	Cash flow hedges	FVTPL	Cash flow hedges	Cash flow hedges
Hedging risk strategy	1,730.2	125.8	252.9	155.2
Notional / currency legs –				
Carrying amount assets	25.8	-	0.1	-
Carrying amount (liabilities)	(56.4)	(2.1)	(5.3)	(1.8)
Maturity date	to Jul 2023	to Jun 2023	to Dec 2037	to May 2024
Hedge ratio	100%	n/a	100%	100%
	Highly probable transactional FX exposures	Inter-company loans/ deposits & subsidiary FX exposures	USD fixed rate borrowing	Highly probable transactional FX exposures
Description of hedged item				
Change in fair value of hedging instrument	55.9	(2.1)	30.9	(4.3)
Change in fair value of hedged item used to determine hedge effectiveness	(55.9)	0.3	(30.0)	4.3
	GBP/USD 1.20, GBP/EUR1.14	-	GBP/USD 1.19	GBP/USD 1.22, GBP/EUR1.12
Weighted average hedge rate for the year				
Amounts recognised within finance costs in profit and loss	-	(1.8)	0.9	-
Balance on cash flow hedge reserve at 1 April 2023	45.3	-	(7.0)	1.8
Balance on cost of hedging reserve at 1 April 2023	-	-	(5.8)	-

	1 April 2023				2 April 2022			
	Notional Value		Fair Value		Notional Value		Fair Value	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
<b>Current</b>								
Forward foreign exchange contracts - cash flow hedges	712.1	1,018.1	25.8	(56.4)	1,429.4	340.8	44.3	(5.0)
- FVTPL	8.0	117.7	-	(2.1)	37.2	129.6	0.6	(0.9)
	720.1	1,135.8	25.8	(58.5)	1,466.6	470.4	44.9	(5.9)
<b>Non-current</b>								
Cross-currency swaps - cash flow hedges	125.0	127.9	0.1	(5.3)	193.5	-	18.5	-
Forward foreign exchange contracts - cash flow hedges	18.1	137.1	-	(1.8)	131.1	30.9	2.9	(0.4)
	143.1	265.0	0.1	(7.1)	324.6	30.9	21.4	(0.4)

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

	Cost of hedging reserve CCIRS <sup>1</sup>	Deferred tax	Total cost of hedging reserve	Hedge reserve FX derivatives	Hedge reserve CCIRS	Hedge reserve gilt locks	Deferred tax	Total hedge reserve
	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance 4 April 2021	(5.8)	1.2	(4.6)	48.1	25.4	0.1	(14.5)	59.1
Add: Change in fair value of hedging instrument recognised in OCI	-	-	-	(63.2)	(26.4)	-	-	(89.6)
Add: Costs of hedging deferred and recognised in OCI	0.8	-	0.8	-	-	-	-	-
Less: Reclassified to the cost of inventory	-	-	-	(15.3)	-	-	-	(15.3)
Less: Reclassified from OCI to profit or loss	-	-	-	-	10.5	-	-	10.5
Less: Deferred tax	-	(0.2)	(0.2)	-	-	-	17.9	17.9
Closing balance 2 April 2022	(5.0)	1.0	(4.0)	(30.4)	9.5	0.1	3.4	(17.4)
Opening balance 3 April 2022	(5.0)	1.0	(4.0)	(30.4)	9.5	0.1	3.4	(17.4)
Add: Change in fair value of hedging instrument recognised in OCI	-	-	-	(51.6)	(30.9)	-	-	(82.5)
Add: Costs of hedging deferred and recognised in OCI	(0.8)	-	(0.8)	-	-	-	-	-
Less: Reclassified to the cost of inventory	-	-	-	126.8	-	-	-	126.8
Less: Reclassified from OCI to profit or loss	-	-	-	-	14.4	-	-	14.4
Less: Deferred tax	-	0.2	0.2	-	-	-	(13.1)	(13.1)
Closing balance 1 April 2023	(5.8)	1.2	(4.6)	44.8	(7.0)	0.1	(9.7)	28.2

<sup>1</sup> Cross-currency interest rate swaps

<sup>2</sup> Other comprehensive income

The Company holds a number of cross-currency interest rate swaps to designate its USD to GBP fixed debt. These are reported as cash flow hedges. The ineffective portion recognised in profit or loss that arises from the cash flow hedge amounts to a £0.9m gain (last year: £1.3m gain) as the loss on the hedged items was £30.0m (last year: £25.4m loss) and the movement on the hedging instruments was a £30.9m gain (last year: £26.7m gain).

#### Movement in hedged items and hedging instruments

	2023 £m	2022 £m
Net gain in fair value of cross-currency interest rate swap	30.9	26.7
Net loss on hedged items	(30.0)	(25.4)
Ineffectiveness	0.9	1.3

#### Sensitivity analysis

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

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

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

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



## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2% decrease in interest rates £m	2% increase in interest rates £m	20% weakening in sterling £m	20% strengthening in sterling £m
<b>At 2 April 2022</b>				
Impact on income statement: (loss)/gain	(19.2)	19.2	-	-
Impact on other comprehensive income: (loss)/gain	(4.2)	3.3	283.6	(283.6)
<b>At 1 April 2023</b>				
Impact on income statement: (loss)/gain	(16.9)	16.9	-	-
Impact on other comprehensive income: (loss)/gain	3.0	(2.3)	267.3	(267.3)

**Offsetting of financial assets and liabilities**

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

	Gross financial assets/ (liabilities) £m	Gross financial (liabilities)/ assets set off £m	Net financial assets/ (liabilities) per statement of financial position £m	Related amounts not set off in the statement of financial position £m	Net £m
<b>At 2 April 2022</b>					
Trade and other receivables	27.9	(25.0)	2.9	-	2.9
Derivative financial assets	66.3	-	66.3	(4.8)	61.5
	94.2	(25.0)	69.2	(4.8)	64.4
Trade and other payables	(284.8)	25.0	(259.8)	-	(259.8)
Derivative financial liabilities	(6.2)	-	(6.2)	4.8	(1.4)
	(291.0)	25.0	(266.0)	4.8	(261.2)

	Gross financial assets/ (liabilities) £m	Gross financial (liabilities)/ assets set off £m	Net financial assets/ (liabilities) per statement of financial position £m	Related amounts not set off in the statement of financial position £m	Net £m
<b>At 1 April 2023</b>					
Trade and other receivables	19.2	(16.5)	2.7	-	2.7
Derivative financial assets	26.0	-	26.0	(18.5)	7.5
	45.2	(16.5)	28.7	(18.5)	10.2
Trade and other payables	(317.3)	16.5	(300.8)	-	(300.8)
Derivative financial liabilities	(65.6)	-	(65.6)	18.5	(47.1)
	(382.9)	16.5	(366.4)	18.5	(347.9)

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

**Fair value hierarchy**

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities. The Company had no level 1 investments or financial instruments.

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

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

	2023				2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets measured at fair value</b>								
Financial assets at fair value through profit or loss (FVTPL)								
– other investments	0.3	-	-	0.3	0.4	-	-	0.4
– derivatives held at FVTPL	-	-	-	-	-	0.6	-	0.6
Derivatives used for hedging	-	25.9	-	25.9	-	65.7	-	65.7
Short-term investments	-	6.3	-	6.3	-	8.8	-	8.8
<b>Liabilities measured at fair value</b>								
Financial liabilities at fair value through profit or loss (FVTPL)								
– derivatives held at FVTPL	-	(2.1)	-	(2.1)	-	(0.9)	-	(0.9)
Derivatives used for hedging	-	(63.5)	-	(63.5)	-	(5.4)	-	(5.4)

The Marks & Spencer UK Pension Scheme holds a number of financial instruments which make up the pension asset of £7,066.4m (last year: £10,295.8m). Level 1 and Level 2 financial assets measured at fair value through other comprehensive income amounted to £3,039.2m (last year: £5,150.9m<sup>1</sup>). Additionally, the scheme assets include £4,027.2m (last year: £5,144.9m<sup>1</sup>) of Level 3 financial assets. See note C4 for information on the Company's retirement benefits.

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

	2023 £m	2022 £m
Opening balance	5,144.9	4,996.9
Fair value (loss)/gain recognised in other comprehensive income <sup>1</sup>	(401.8)	191.6
Cash withdrawals	(715.9)	(43.6)
Closing balance	4,027.2	5,144.9

<sup>1</sup> Last year restated to reflect the deferred payment due from the Marks and Spencer Scottish Limited Partnership (see note C5).

#### Fair value of financial instruments

With the exception of the Company's fixed rate bond debt, there were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values as at the balance sheet date.

The carrying value of the Company's fixed rate bond debt (level 1 equivalent) was £1,346.4m (last year: £1,529.5m); the fair value of this debt was £1,264.3m (last year: £1,549.6m) which has been calculated using quoted market prices and includes accrued interest.

#### Capital policy

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

In doing so, the Company's strategy is to sustain a capital structure that supports an investment grade credit rating and to retain appropriate levels of liquidity headroom to ensure financial stability and flexibility. To achieve this strategy, the Company regularly monitors key credit metrics such as the gearing ratio, cash flow to net debt and fixed charge cover to maintain this position. In addition, the Company ensures a combination of appropriate committed short-term liquidity headroom with a diverse and balanced long-term debt maturity profile. As at the balance sheet date, the Company's average debt maturity profile was five years (last year: five years). During the year, the Company maintained credit ratings of Ba1 (stable) with Moody's and BB+ (stable) with Standard & Poor's.

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

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C16 PROVISIONS

	Property £m	Restructuring £m	Other £m	Total £m
<b>At 4 April 2021</b>	71.1	11.1	5.4	87.6
Provided in the year – charged to profit or loss	23.7	38.1	4.9	66.7
Provided in the year - charged to property, plant and equipment	3.5	-	-	3.5
Released in the year	(5.1)	(13.3)	(3.4)	(21.8)
Utilised during the year	(7.1)	(1.0)	(3.0)	(11.1)
Discount rate unwind	3.5	-	-	3.5
<b>At 2 April 2022</b>	89.6	34.9	3.9	128.4
Analysed as:				
Current				42.7
Non-current				85.7
	Property £m	Restructuring £m	Other £m	Total £m
<b>At 3 April 2022</b>	89.6	34.9	3.9	128.4
Provided in the year – charged to profit or loss	25.3	9.9	8.0	43.2
Provided in the year - charged to property, plant and equipment	-	-	-	-
Released in the year	(44.2)	(0.4)	(0.1)	(44.7)
Utilised during the year	(2.0)	(28.5)	(1.4)	(31.9)
Discount rate unwind	5.1	-	-	5.1
<b>At 1 April 2023</b>	73.8	15.9	10.4	100.1
Analysed as:				
Current				29.9
Non-current				70.2

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

Movements in restructuring provisions relate to the utilisation and finalisation of costs associated with the strategic programme to transition to a single-tier UK distribution network; the strategic programme to reduce roles across central support centres, regional management and our UK stores; historical International exit strategy and the restructure of certain International franchise operations. Closing provisions relates primarily to the strategic programme to transition to a single-tier UK distribution network, expected to be utilised over the period of closure of sites.

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

Provisions related to adjusting items were £92.2m at 1 April 2023 (last year: £118.3m), with a net charge in the year of £3.2m (last year: £128.4m).

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C17 DEFERRED TAX

Deferred tax is provided under the balance sheet liability method using the tax rate at which the balances are expected to unwind of 25% (last year: 19% and 25% as applicable) for UK differences. Details of the changes to the UK corporation tax rate and the impact on the Group are described in note 7.

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

## Deferred tax (liabilities)/assets

	Land and buildings temporary differences £m	Capital allowances in excess of depreciation £m	Pension temporary differences £m	Other short-term temporary differences £m	Total UK deferred tax £m
At 4 April 2021	(48.7)	22.5	(193.8)	124.3	(95.7)
Credited/(charged) to the income statement	(15.4)	0.5	(24.3)	19.9	(19.3)
Credited/(charged) to equity	-	-	(122.5)	(14.1)	(136.6)
At 2 April 2022	(64.1)	23.0	(340.6)	130.1	(251.6)
At 3 April 2022	(64.1)	23.0	(340.6)	130.1	(251.6)
Credited/(charged) to the income statement	3.2	(42.5)	(11.8)	(1.4)	(52.5)
Credited/(charged) to equity	-	-	141.8	17.7	159.5
At 1 April 2023	(60.9)	(19.5)	(210.6)	146.4	(144.6)

Other short-term differences relate mainly to employee share options, financial instruments and IFRS 16.

The deferred tax liability on land and buildings temporary differences is reduced by the benefit of capital losses with a gross value of £230.5m (last year: £236.6m) and a tax value of £57.6m (last year: £58.6m). The gross carried forward capital losses are £348.0m (last year: £364.7m) with a tax value of £87.0m (last year: £91.2m) and are inclusive of the gross £230.5m of losses used to reduce the deferred tax liability on land and buildings.

## C18 ORDINARY SHARE CAPITAL

	2023		2022	
	Shares	£m	Shares	£m
Issued and fully paid ordinary shares of 25p each	2,850,039,477	712.5	2,850,039,477	712.5

## C19 CONTINGENCIES AND COMMITMENTS

## A. Capital commitments

	2023 £m	2022 £m
Commitments in respect of properties in the course of construction	96.0	58.8
Software capital commitments	6.1	5.9
	102.1	64.7

## B. Other material contracts

In the event of a material change in the trading arrangements with certain warehouse operators, the Company has a commitment to purchase property, plant and equipment, at values ranging from historical net book value to market value, which are currently owned and operated by the warehouse operators on the Company's behalf. These options and commitments would have an immaterial impact on the Company's Statement of Financial Position.

See note C5 for details on the partnership arrangement with the Marks & Spencer UK Pension Scheme.

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C20 ANALYSIS OF CASH FLOWS GIVEN IN THE STATEMENT OF CASH FLOWS

## Cash flows from operating activities

	2023 £m	2022 £m
Profit on ordinary activities after taxation	165.0	16.8
Income tax expense	83.7	60.9
Finance costs	237.3	259.4
Finance income	(62.0)	(42.5)
<b>Operating profit</b>	<b>424.0</b>	<b>294.6</b>
(Increase) in inventories	(11.1)	(61.6)
(Increase) in receivables	(23.4)	(45.9)
Increase in payables	171.4	278.4
Depreciation, amortisation and asset impairments	457.6	544.5
Shares in Group undertakings impairment (reversal)/charge	(3.2)	(29.7)
Non-cash pensions expense	4.6	-
Non-cash share-based payment charges	37.8	38.6
Defined benefit pension funding	(36.8)	(36.3)
Adjusting items net cash outflows <sup>1,2</sup>	(53.0)	(30.7)
Adjusting items M&S Bank <sup>3</sup>	(2.0)	(16.0)
Adjusting operating profit items	(25.2)	119.4
<b>Cash generated from operations</b>	<b>940.7</b>	<b>1,055.3</b>

1 Excludes £11.5m (last year: £5.6m) of surrender payments included within repayment of lease liabilities in the company statement of cash flows relating to leases within the UK store estate programme.

2 Adjusting items net cash outflows relate to strategic programme costs associated with the UK store estate, UK logistics and utilisation of provisions for exit of overseas franchise arrangements.

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

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## C21 ANALYSIS OF NET DEBT

## A. Reconciliation of movement in net debt

	At 4 April 2021 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash Movements <sup>1</sup> £m	At 2 April 2022 £m
<b>Net debt</b>						
Bank loans and overdrafts (see note C14)	(4.7)	4.7	-	-	-	-
Cash and cash equivalents (see note C12)	625.7	488.0	-	-	-	1,113.7
<b>Net cash per statement of cash flows</b>	<b>621.0</b>	<b>492.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,113.7</b>
Current other financial assets (see note C10)	9.2	(0.4)	-	-	-	8.8
<b>Liabilities from financing activities</b>						
Medium Term Notes (see note C14)	(1,682.1)	244.0	-	-	(91.4)	(1,529.5)
Lease liabilities (see note C14)	(3,327.1)	344.3	-	165.8	(244.7)	(3,061.7)
Derivatives held to hedge Medium Term Notes	(8.1)	-	26.6	-	-	18.5
<b>Liabilities from financing activities</b>	<b>(5,017.3)</b>	<b>588.3</b>	<b>26.6</b>	<b>165.8</b>	<b>(336.1)</b>	<b>(4,572.7)</b>
Less: Cash flows related to interest and derivative instruments	77.5	(208.7)	(26.6)	-	221.1	63.3
<b>Net debt</b>	<b>(4,309.6)</b>	<b>871.9</b>	<b>-</b>	<b>165.8</b>	<b>(115.1)</b>	<b>(3,386.9)</b>

	At 3 April 2022 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash Movements <sup>1</sup> £m	At 1 April 2023 £m
<b>Net debt</b>						
Bank loans and overdrafts (see note C14)	-	-	-	-	-	-
Cash and cash equivalents (see note C12)	1,113.7	(127.2)	-	-	-	986.5
<b>Net cash per statement of cash flows</b>	<b>1,113.7</b>	<b>(127.2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>986.5</b>
Current other financial assets (see note C10)	8.8	(2.5)	-	-	-	6.3
<b>Liabilities from financing activities</b>						
Medium Term Notes (see note C14)	(1,529.5)	262.3	-	-	(79.2)	(1,346.4)
Lease liabilities (see note C14)	(3,061.7)	427.3	-	(196.9)	(128.0)	(2,959.3)
Derivatives held to hedge Medium Term Notes	18.5	(57.4)	33.7	-	-	(5.2)
<b>Liabilities from financing activities</b>	<b>(4,572.7)</b>	<b>632.2</b>	<b>33.7</b>	<b>(196.9)</b>	<b>(207.2)</b>	<b>(4,310.9)</b>
Less: Cash flows related to interest and derivative instruments	63.3	(213.6)	(33.7)	-	221.0	37.0
<b>Net debt</b>	<b>(3,386.9)</b>	<b>288.9</b>	<b>-</b>	<b>(196.9)</b>	<b>13.8</b>	<b>3,281.1</b>

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## B. Reconciliation of net debt to statement of financial position

	2023 £m	2022 £m
Statement of financial position and related notes		
Cash and cash equivalents (see note C12)	986.5	1,113.7
Current other financial assets (see note C10)	6.3	8.8
Bank loans and overdrafts (see note C14)	-	-
Medium Term Notes – net of foreign exchange revaluation (see note C14)	(1,356.6)	(1,494.7)
Lease liabilities (see note C14)	(2,959.3)	(3,061.7)
	(3,323.1)	(3,433.9)
Interest payable included within related borrowing	42.0	47.0
Total net debt	(3,281.1)	(3,386.9)

<sup>1</sup>Exchange and other non-cash movements includes interest charge on Medium Term Notes of £65.4m (last year: £79.6m) and interest charge on lease liabilities of £163.8m (last year: £173.5m).

## C22 RELATED PARTY TRANSACTIONS

## A. Marks and Spencer Group plc

During the year, the Company paid no dividend to its parent company, Marks and Spencer Group plc (last year: nil) and has decreased its loan to its parent company by £0.2m (last year decrease of £0.6m). The outstanding balance was £2,541.0m (last year £2,541.2m) and was non-interest bearing.

The following transactions were carried out with Ocado Retail Limited, an associate of the ultimate parent company, Marks and Spencer Group plc:

	2023 £m	2022 £m
Sales of goods and services	35.7	36.1
Purchase of goods and services	0.1	0.2

The following transactions were carried out with fellow subsidiaries of the ultimate parent company, Marks and Spencer Group plc:

	2023 £m	2022 £m
Purchase of goods and services	208.9	-
Interest received	5.4	-
Interest paid	0.5	-

Transactions between the Company and its subsidiaries, which are related parties, are summarised below:

	2023 Transactions £m	2022 Transactions £m
Trading sales	(434.4)	(359.4)
IFRS 16 depreciation	72.5	75.7
IFRS 16 interest	60.9	66.6
Loan interest	4.2	(1.7)

## B. Marks &amp; Spencer Pension Scheme

Details of other transactions and balances held with the Marks & Spencer UK Pension Scheme are set out in notes C4 and C5.

## C. Key management compensation

Payments and benefits relating to key management are set out in note 27 of the Group financial statements.

## COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### C23 GOVERNMENT SUPPORT

The Company has not benefitted from government grant income in the year.

The Company benefited from business rates relief of £nil in the year (last year: £59.8m).

There are no unfulfilled conditions or contingencies attached to these grants.

### C24 CONTINGENT ASSETS

The Company is currently seeking damages from an independent third party following their involvement in anti-competitive behaviour that adversely impacted the Company. The Company expects to receive an amount from the claim (either in settlement or from the legal proceedings), a position reinforced by recent court judgements in similar claims. The value of the claim is confidential and is therefore not disclosed.

### C25 ULTIMATE PARENT COMPANY

The immediate and ultimate parent undertaking and controlling party is Marks and Spencer Group plc.

Marks and Spencer Group plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 1 April 2023. The consolidated financial statements of Marks and Spencer Group plc are available from Waterside House, 35 North Wharf Road, London, W2 1NW.

### C26 SUBSEQUENT EVENTS

In June 2023, following a tender offer, the Company repurchased £276.8m of its Medium Term Notes.

In June 2021, the Group proposed future redevelopment plans for the Marble Arch store and surrounding M&S land ownership. The planning application was called in for determination by the Secretary of State on the 20 June 2022 and a 10 day public inquiry took place on the 25 October 2022 at City Hall Westminster. Following the conclusion of that inquiry, the Secretary of State refused planning permission on 20 July 2023, contrary to the planning inspectors' recommendation to approve the M&S scheme.

As a result, the Group is in the process of assessing the financial implications of the decision so cannot estimate the financial impact yet. The Group has considered the impact of the Secretary of State's decision and concluded that this represents a non-adjusting post balance sheet event for both the Group and Company.



## Marks and Spencer plc

### Glossary

The Group tracks a number of alternative performance measures in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group believes that these alternative performance measures, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These alternative performance measures are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these alternative performance measures are also used for the purpose of setting remuneration targets.

These alternative performance measures should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial information relating to the Group, which are prepared in accordance with IFRS. The Group believes that these alternative performance measures are useful indicators of its performance. However, they may not be comparable with similarly-titled measures reported by other companies due to differences in the way they are calculated.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose																																																
<b>Income statement measures</b>																																																			
Sales	Revenue	Consignment sales	Sales includes the gross value of consignment sales (excluding VAT). Where third-party branded goods are sold on a consignment basis, only the commission receivable is included in statutory revenue. The measure has been introduced given the Group's focus on launching and growing third-party brands and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.																																																
Clothing & Home store / Clothing & Home online sales	None	Not applicable	<p>The growth in sales on a year-on-year basis is a good indicator of the performance of the stores and online channels.</p> <table> <tr> <th></th><th>2022/23</th><th>2022/22</th><th></th></tr> <tr> <th></th><th>£m</th><th>£m</th><th>%</th></tr> <tr> <td><b>UK Clothing &amp; Home</b></td><td></td><td></td><td></td></tr> <tr> <td>Store sales<sup>1</sup></td><td>2,538.6</td><td>2,209.5</td><td>14.9</td></tr> <tr> <td>Consignment sales</td><td>(21.4)</td><td>(8.6)</td><td></td></tr> <tr> <td>Store revenue</td><td>2,517.2</td><td>2,200.9</td><td>14.4</td></tr> <tr> <td> Online sales<sup>1</sup></td><td> 1,176.4</td><td> 1,122.7</td><td> 4.8</td></tr> <tr> <td>Consignment sales</td><td>(35.3)</td><td>(15.3)</td><td></td></tr> <tr> <td>Online revenue</td><td>1,141.4</td><td>1,107.4</td><td>3.0</td></tr> <tr> <td> UK Clothing &amp; Home sales</td><td> 3,715.0</td><td> 3,332.2</td><td> 11.5</td></tr> <tr> <td>Consignment sales</td><td>(56.7)</td><td>(23.9)</td><td></td></tr> <tr> <td><b>Total UK Clothing &amp; Home revenue</b></td><td><b>3,658.3</b></td><td><b>3,308.3</b></td><td><b>10.6</b></td></tr> </table> <p><sup>1</sup> UK Clothing &amp; Home store sales excludes revenue from "shop your way" and click &amp; collect, which are included in UK Clothing &amp; Home online sales.</p> <p>There is no material difference between sales and revenue for UK Food and International.</p>		2022/23	2022/22			£m	£m	%	<b>UK Clothing &amp; Home</b>				Store sales <sup>1</sup>	2,538.6	2,209.5	14.9	Consignment sales	(21.4)	(8.6)		Store revenue	2,517.2	2,200.9	14.4	 Online sales <sup>1</sup>	 1,176.4	 1,122.7	 4.8	Consignment sales	(35.3)	(15.3)		Online revenue	1,141.4	1,107.4	3.0	 UK Clothing & Home sales	 3,715.0	 3,332.2	 11.5	Consignment sales	(56.7)	(23.9)		<b>Total UK Clothing &amp; Home revenue</b>	<b>3,658.3</b>	<b>3,308.3</b>	<b>10.6</b>
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APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose																																				
Like-for-like sales growth	Movement in revenue per the income statement	Revenue from non like-for-like stores  Consignment sales	<p>The period-on-period change in revenue (excluding VAT) from stores which have been trading and where there has been no significant change (greater than 10%) in footage for at least 52 weeks and online sales. The measure is used widely in the retail industry as an indicator of sales performance. It excludes the impact of new stores, closed stores or stores with significant footage change.</p> <table> <tr> <th></th><th>2022/23 £m</th><th>2021/22 £m</th><th>%</th></tr> <tr> <td><i>UK Food</i></td><td></td><td></td><td></td></tr> <tr> <td>Like-for-like</td><td>6,872.2</td><td>6,519.2</td><td>5.4</td></tr> <tr> <td>Net new space</td><td>261.6</td><td>120.4</td><td></td></tr> <tr> <td><b>Total UK Food sales</b></td><td><b>7,133.8</b></td><td><b>6,639.6</b></td><td><b>7.4</b></td></tr> <tr> <td><i>UK Clothing &amp; Home</i></td><td></td><td></td><td></td></tr> <tr> <td>Like-for-like</td><td>3,647.0</td><td>3,280.4</td><td>11.2</td></tr> <tr> <td>Net new space</td><td>68.0</td><td>51.8</td><td></td></tr> <tr> <td><b>Total UK Clothing &amp; Home sales</b></td><td><b>3,715.0</b></td><td><b>3,332.2</b></td><td><b>11.5</b></td></tr> </table>		2022/23 £m	2021/22 £m	%	<i>UK Food</i>				Like-for-like	6,872.2	6,519.2	5.4	Net new space	261.6	120.4		<b>Total UK Food sales</b>	<b>7,133.8</b>	<b>6,639.6</b>	<b>7.4</b>	<i>UK Clothing &amp; Home</i>				Like-for-like	3,647.0	3,280.4	11.2	Net new space	68.0	51.8		<b>Total UK Clothing &amp; Home sales</b>	<b>3,715.0</b>	<b>3,332.2</b>	<b>11.5</b>
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<i>UK Clothing &amp; Home</i>																																							
Like-for-like	3,647.0	3,280.4	11.2																																				
Net new space	68.0	51.8																																					
<b>Total UK Clothing &amp; Home sales</b>	<b>3,715.0</b>	<b>3,332.2</b>	<b>11.5</b>																																				
M&S.com sales / Online sales	None	Not applicable	<p>Total sales through the Group's online platforms. These sales are reported within the relevant UK Clothing &amp; Home, UK Food and International segment results. The growth in sales on a year-on-year basis is a good indicator of the performance of the online channel and is a measure used within the Group's incentive plans. Refer to the Remuneration Report of the Marks and Spencer Group plc Annual Report 2023 for an explanation of why this measure is used within incentive plans.</p>																																				
International online	None	Not applicable	<p>International sales through International online platforms. These sales are reported within the International segment results. The growth in sales on a year-on-year basis is a good indicator of the performance of the online channel. This measure has been introduced given the Group's focus on online sales.</p> <table> <tr> <th></th><th>2022/23 £m</th><th>2021/22 £m</th><th>%</th></tr> <tr> <td><b>International revenue</b></td><td></td><td></td><td></td></tr> <tr> <td>Stores</td><td>874.5</td><td>764.7</td><td>14.4</td></tr> <tr> <td>Online</td><td>180.5</td><td>172.5</td><td>4.6</td></tr> <tr> <td><b>At reported currency</b></td><td><b>1,055.0</b></td><td><b>937.2</b></td><td><b>12.6</b></td></tr> </table>		2022/23 £m	2021/22 £m	%	<b>International revenue</b>				Stores	874.5	764.7	14.4	Online	180.5	172.5	4.6	<b>At reported currency</b>	<b>1,055.0</b>	<b>937.2</b>	<b>12.6</b>																
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APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose																				
Sales growth at constant currency	None	Not applicable	<p>The period-on-period change in sales retranslating the previous year sales at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.</p> <table> <tr> <th></th><th>2022/23 £m</th><th>2021/22 £m</th><th>%</th></tr> <tr> <td><b>International revenue</b></td><td></td><td></td><td></td></tr> <tr> <td>At constant currency</td><td>1,055.0</td><td>948.3</td><td>11.2</td></tr> <tr> <td>Impact of FX retranslation</td><td>-</td><td>(11.1)</td><td></td></tr> <tr> <td><b>At reported currency</b></td><td><b>1,055.0</b></td><td><b>937.2</b></td><td><b>12.6</b></td></tr> </table>		2022/23 £m	2021/22 £m	%	<b>International revenue</b>				At constant currency	1,055.0	948.3	11.2	Impact of FX retranslation	-	(11.1)		<b>At reported currency</b>	<b>1,055.0</b>	<b>937.2</b>	<b>12.6</b>
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Impact of FX retranslation	-	(11.1)																					
<b>At reported currency</b>	<b>1,055.0</b>	<b>937.2</b>	<b>12.6</b>																				
Adjusting items	None	Not applicable	<p>Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Executive Committee.</p>																				
Adjusted operating profit	Operating profit	Adjusting items (See note 5)	Operating profit before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.																				
Operating profit before adjusting items																							
Adjusted operating margin	None	Not applicable	Adjusted operating profit as a percentage of sales.																				
Operating margin before adjusting items																							
Finance income before adjusting items	Finance income	Adjusting items (See note 5)	Finance income before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.																				
Finance costs before adjusting items	Finance costs	Adjusting items (See note 5)	Finance costs before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.																				
Net interest payable on leases	Finance income/costs	Finance income/costs (See note 6)	The net of interest income on subleases and interest payable on lease liabilities. This measure has been introduced as it allows the Board and Executive Committee to assess the impact of IFRS 16 Leases.																				

Marks and Spencer plc

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Net financial interest	Finance income/costs	Finance income/costs (See note 6)	Calculated as net finance costs, excluding interest on leases and adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
EBIT before adjusting items	EBIT <sup>1</sup>	Adjusting items (See note 5)	Calculated as profit before the impact of adjusting items, net finance costs and tax as disclosed on the face of the consolidated income statement. This measure is used in calculating the return on capital employed for the Group.
Profit before tax and adjusting items	Profit before tax	Adjusting items (See note 5)	Profit before the impact of adjusting items and tax. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee. This is a measure used within the Group's incentive plans. Refer to the Remuneration Report of the Marks and Spencer Group plc Annual Report 2023 for an explanation of why this measure is used within incentive plans.
Effective tax rate before adjusting items	Effective tax rate	Adjusting items and their tax impact (See note 5)	Total income tax charge for the Group excluding the tax impact of adjusting items divided by the profit before tax and adjusting items. This measure is an indicator of the ongoing tax rate for the Group.
Bought-in margin	None	Not applicable	Difference between landed cost of stock and selling value, expressed as a percentage of total exc VAT sales.
<b>Balance sheet measures</b>			
Net debt	None	Reconciliation of net debt (see note 26)	Net debt comprises total borrowings (bank and bonds net of accrued interest and lease liabilities), the spot foreign exchange component of net derivative financial instruments that hedge the debt and the Scottish Limited Partnership liability to the Marks and Spencer UK Pension Scheme less cash, cash equivalents and unlisted and short-term investments. Net debt does not include contingent consideration as it is conditional upon future events which are not yet certain at the balance sheet date. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.
Net debt excluding lease liabilities	None	Reconciliation of net debt (see note 26) Lease liabilities (see note 19)	Calculated as net debt less lease liabilities. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.

## Marks and Spencer plc

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
<b>Cash flow measures</b>			
Free cash flow from operations	Operating profit	See Financial Review	Calculated as operating profit less adjusting items within operating profit, depreciation and amortisation before adjusting items, cash lease payments, working capital, defined benefit scheme pension funding, capex and disposals, financial interest, taxation, employee-related share transactions, share of (profit)/loss from associate, adjusting items in cashflow and loans to associates.
Free cash flow	Operating profit	See Financial Review	Calculated as free cash flow from operations less acquisitions, investments and divestments. This measure shows the cash generated by the Group during the year that is available for returning to shareholders and is used within the Group's incentive plans.
Free cash flow after shareholder returns	Operating profit	See Financial Review	Calculated as free cash flow less dividends paid.  This measure shows the cash retained by the Group in the year.
<b>Other measures</b>			
Capital expenditure	None	Not applicable	Calculated as the purchase of property, plant and equipment, investment property and intangible assets during the year, less proceeds from asset disposals excluding any assets acquired or disposed of as part of a business combination or through an investment in an associate.

<sup>1</sup> EBIT is not defined within IFRS but is a widely accepted profit measure before earnings before interest and tax.