Marks and Spencer plc

Financial Statements 2022

Registered number

00214436

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 2 April 2022 (the 'year'). The prior financial year was the 53 weeks ended 3 April 2021. In order to provide comparability with the prior year results, all performance commentary in this section uses the unaudited results for the 52 weeks to 27 March 2021 as the comparative period; however, all cash and net debt commentary is given on a 53-week basis unless otherwise noted.

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 2022, which does not form part of this report:

Strategic report on pages 2 - 55

Chairman's letter on pages 2 - 3

Chief Executive's statement on pages 5 - 6

People & culture on pages 26 - 29

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 c.65,000 people and has around 1,500 stores including Simply Food franchised 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.

Our 2021/22 report focuses on the next phase of our transformation, as we maintain our ambition to create a business capable of sustainable growth in sales, market share and profit. With improved profitability and cash conversion, and financial net debt under a third of 2019/20 levels, the business is resilient to the macroeconomic headwinds while having flexibility to invest in our transformation priorities.

The Group has delivered a profit before tax and adjusting items of £509.0m (20/21: loss before tax and adjusting items £36.8m[1]) alongside a statutory profit after tax of £323.1m (20/21: loss after tax of £253.1m[1]). The recovery of profit combined with a focus on working capital and tightly controlled capital expenditure generated substantial free cash flow and a sharp reduction in net debt. Results included £59.8m of UK business rates relief and a net rates charge of £139.7m in the period.

M&S Food delivered sales growth of 10.1%. Combined with an improving margin mix in H2 and the benefits of the "lowering cost" programme, this supported a strong increase in operating profit before adjusting items. We were encouraged by the core sales performance and the resilience of larger basket sizes, even as we saw a gradual recovery in the franchise travel and hospitality businesses in H2. Value and quality perception indicators are robust. The strength of performance in new channels (Ocado and Costa Coffee) reinforces our belief in the long-term potential to grow the business.

Clothing & Home delivered 3.8% sales growth, driven by online sales. We shifted to trusted value, reducing option count by c.20% over three years, which resulted in good growth in core categories and a reduction of stock into sale. Operating profit before adjusting items grew strongly, reflecting the improved full-price mix. MS2 made multiple improvements to the online offer and service, with around 11% of orders fulfilled from store. We have successfully grown the Sparks programme to 15m members and app users to over 4m, and have begun to personalise customer experience. The nascent brands platform now has around 40 clothing brand partnerships, own or invested brands.

Over the past three years we have built the foundations of a more personalised, customer-focused digital offer. We have created a single customer data platform alongside our enterprise data platform, "BEAM", which continues to consolidate our data in one place. The relaunched Sparks programme has grown to over 15m members, of which close to 9m are active, and we are working on the next generation of improvements to the offer. We have grown app users to over 4m and expect to launch Sparks Pay, offering customers an integrated payment and credit proposition including loyalty rewards through Sparks and the M&S app.

We are now developing a growing pipeline of store relocations, moving to modern well-located sites, in the renewal format with omni-channel capability. We aim to fund the exit costs of the legacy estate through an increasingly active asset management and disposal programme. We have a pipeline of c.15 new full-line stores over the next three years and c.40 new Food stores, many in the larger renewal format with click-and-collect services for Clothing & Home. The 10 new stores opened last year traded 11% ahead of sales plan and are on track to generate a payback of the net capital invested in just 1.5 years. New store performance gives us encouragement wherever possible to accelerate rotation.

The International business, together with our partners, generated 4% retail sales growth. This included a solid performance in the Middle East and online retail sales more than doubling to over £250m through growth in markets with a store presence and global platforms. Operating profit before adjusting items reflected the combined effects of EU border costs and tariffs of £29.6m and an estimated trading impact in the region of £15m. While we have provided for the £31m cost of fully exiting Russia and business disruption in Ukraine, and will incur a loss of contribution, we are also exploring multiple opportunities for further growth, including through the Reliance joint venture in India.

[1]Last year we reported statutory results on the 53 weeks to 3 April 2021. To provide meaningful comparison with this year's 52-week period, comparative financial information has been presented on a 52-week basis.

We are confident about the future potential of M&S, but we know we need to go further and faster in this next phase of transformation to reposition for growth. The new leadership team will set out their plans in more detail later in the year, but the following detail sets out the clear areas of focus to protect the magic of M&S, whilst modernising the parts where we currently lag, so that we can drive growth:

- The most important priority is to build on the strength of the M&S brand and product. We will offer style in Clothing, Home and Beauty, great taste in Food and underpin that with our commitment to trusted value. Alongside this we will raise the bar in categories where we have opportunity to grow market share.
- We will offer our customers a truly seamless experience across all our channels wherever we trade around the world, using our data and insight to improve personalisation capability.
- We will offer our customers curated choice. Building our core M&S product, whilst opening up our channels to partners that complement and enhance the range.
- 'Do the right thing' is an M&S value but it reflects a behaviour that's deep in the culture and we will put it into action and better connect our ambitious net zero plans to our commercial strategy.
- Alongside this, we need to modernise the key enablers that will unlock growth potential at M&S. This means:
    - Modernising and focusing our store estate
    - Simplifying and future proofing our supply chains
    - Building more responsive and agile systems to improve visibility and insight

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 are also the Executive Directors and the 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 27), 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 one of the Company's directors is not a director 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 32 to 34 of the Group's Annual Report 2022 (available online at www.marksandspencer.com/thecompany). 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 24.

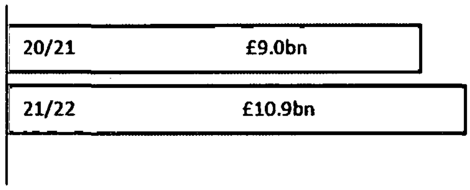
STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

Financial

Group revenue 52

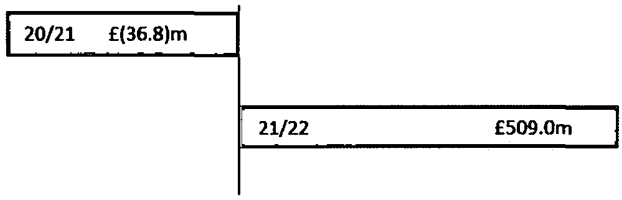
£10.9bn



Group revenue before adjusting items increased 6.9% versus 2019/20, driven by Food sales up 10.1%, Clothing & Home sales up 3.8% and International sales down 0.8%.

Group profit/(loss) before tax & adjusting items 52

£509.0m



The Group delivered profit before tax and adjusting items of £509.0m as a strong all-round performance combined with the benefits of the transformation delivered an encouraging performance across the business.

Strategic KPIs

FOOD

Quality perception

Customer ratings of M&S Food products on quality were level on last year (Source: You Gov) and remain at their highest point in five years.

LEVEL (20/21: +3ppt)

Value for money perception

Customer perception of M&S Food representing value for money remained level this year, following last year's +3ppt increase (Source: YouGov). Our focus on offering M&S quality products at everyday value – such as the relaunch of our "Remarksable Value" range this year – have driven increases in value perceptions ahead of the market.

LEVEL (20/21: +3ppt)

Availability

Our Vangarde trading model has improved processes for stock management and replenishment of stores, and helped to sustain availability through the supply chain disruption of last year.

95.0% (20/21: 95.5%)

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

Strategic KPIs

CLOTHING & HOME

Value for money perception

The percentage point increase in customers rating M&S Clothing & Home products highly on value for money (Source: YouGov). Our successful shift to trusted value and everyday low prices and the replacement of widespread promotions with clear pricing of our products, has improved our score by a further percentage point and means we remain the market leader on value for money perception by customers.

+1 (20/21: +3)

Quality perception

Customers continued to rate M&S Clothing & Home products highly on quality (Source: YouGov). Although no change year on year in our score, we continue to be clear #1 in the market on product quality as a result of the reshaping of our product engine to focus on contemporary style combined with simple and accessible products.

LEVEL (20/21: +1)

Clothing & Home space

Progress has been made in addressing the legacy of our full-line store estate; however, there is much still to do to convert stores to a new more efficient, shoppable format and support our growth towards an omni-channel customer offer.

20/21	10.3m sq ft
21/22	10.2m sq ft

-1.0%

STORES

Footfall (average per week)

14.1m (20/21: 9.7m)

Transactions (average per week)

9.7m (20/21: 7m)

Stores net promoter score

81 (20/21: 81)

M&S.COM

Percentage of UK Clothing & Home sales online

34.3% (19/20: 22.5%)

Traffic (visits per week)

13.3m (20/21: 13.5m)

Digital net promoter score

56 (20/21: 51)

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

Strategic KPIs

INTERNATIONAL

International websites

98 (20/21: 98*)

*Restated 20/21 figure

Net promoter score

86 (20/21: 85)

PEOPLE

Engagement

Over 50,000 colleagues participated in our Your Voice colleague survey, giving the business insights into how engaged colleagues are feeling in their roles at M&S. Following a reset of our survey provider, we cannot accurately compare against last year's score of 82% but this will be the benchmark score we measure against in future reports.

62%

Senior managers from ethnic minorities

While we made progress in attracting talent from diverse backgrounds, internal progression for this group remained broadly static impacting overall representation among senior managers. We're taking action to increase representation by opening accessible attraction routes and working with our business-wide diversity networks.

6.8% (20/21: 8.0%)

Gender Pay Gap

Our gender pay gap, the average difference in hourly earnings between our male and female colleagues, remained level on the year. We've made progress in the representation of women in leadership roles across the business, with women in more than 50% of our senior management roles. We remain committed to reducing the gap further through action such as expanding talent pathways to further raise the representation and reward of women across the business.

12.5% (20/21: 12.5%*)

*Our reporting coverage has been updated and will include an additional colleague shift pattern in our distribution centre, so we've restated previous years to give the truest comparison going forward.

PLAN A

M&S greenhouse gas emissions Scope 1 & 2 (CO_2e)

+5%

Scope 1 and 2 greenhouse gas emissions have increased by a smaller amount than the increase in energy consumption, due to a greater portion of electricity being purchase via a green tariff. Measures taken to improve energy efficiency throughout this year included the installation of LED lighting in our International division, introduction of ISO 500001 in our Clothing & Home warehouses and improved metering in UK and ROI properties.

Energy and transport fuel consumed

+6%

In 2021/22 operations were not impacted by national lockdowns in the way they had been in 2020/21. As a result, energy and fuel consumption increased this year, as compared to the previous year, by 6%, returning to similar levels of consumption as seen in 2019/20 (+4%).

STRATEGIC REPORT

FINANCIAL REVIEW

FINANCIAL SUMMARY

52 weeks ended	2 Apr 22 £m	27 Mar 21[1] £m	28 Mar 20 £m	Change vs 19/20 % £m
Group statutory revenue	**10,885.1**	**8,961.5**	**10,181.9**	**6.9%**
Group sales before adjusting items	**10,909.0**	**8,972.7**	**10,181.9**	**7.1%**
UK Food	6,639.6	5,994.8	6,028.2	10.1%
UK Clothing & Home	3,332.2	2,198.6	3,209.1	3.8%
International	937.2	779.3	944.6	(0.8%)
Group operating profit/(loss) before adjusting items	**695.1**	**131.3**	**587.5**	**18.3%**
UK Food	277.8	213.6	236.4	17.5%
UK Clothing & Home	330.7	(129.4)	223.6	47.9%
International	73.6	45.1	110.7	(33.5%)
All other segments	13.0	2.0	16.8	(22.6%)
Interest payable on lease liabilities	(115.6)	(122.5)	(133.4)	(13.3%)
Net financial interest	(70.5)	(45.6)	(54.2)	30.0%
Profit before tax & adjusting items	**509.0**	**(36.8)**	**399.9**	**27.3%**
Adjusting items	(104.3)	(221.8)	(339.7)	69.3%
Profit/(loss) before tax	**404.7**	**(258.6)**	**60.2**	**572.3%**
Profit/(loss) after tax	**322.0**	**(253.1)**	**24.1**	**1,236.1%**

1. 2021/21 was a 53-week year and comparative periods are on a 52-week basis. To aid understanding, we have presented the unaudited 52 weeks to 27 March 2021; however, net debt is given on a 53-week basis.

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.

Given the exceptional nature of financial results last year due to the impact of Covid, all comparatives within this Financial Review are given against 2019/20 unless otherwise stated.

In the current period, we have 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 new 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.

GROUP RESULTS

Group sales before adjusting items was £10,909.0m. Sales increased 7.1% versus 2019/20, driven by Food sales up 10.1%, Clothing & Home sales up 3.8% and International sales down 0.8%. Statutory revenue in the period was £10,885.1m, an increase of 6.9% versus 2019/20. The Group generated an adjusted profit before tax of £509.0m and a statutory profit before tax of £404.7m.

UK business rates relief of £59.8m (2020/21: £172.2m) helped to compensate for the continuing loss of trade from lower footfall to Clothing & Home stores in the UK, and in the Food hospitality business which was closed until mid-May 2021 and continues to trade well below 2019/20 levels.

Statutory profit before tax includes total charges for adjusting items of £104.3m.

UK: FOOD

UK Food sales increased by 10.1%, driven by the performance of core categories, partly offset by reduced sales from the recovering franchise and hospitality businesses. Excluding franchise and hospitality, sales grew 14.7%.

% change vs 19/20	Q1	Q2	Q3	Q4	FY
Food	9.4	11.5	12.4	7.0	10.1
Food ex franchise and hospitality	17.0	16.8	16.4	8.6	14.7

The Food business in total generated operating profit before adjusting items of £277.8m compared with £236.7m in 2019/20.

52 weeks ended	2 Apr 22 £m	27 March 21 £m	28 Mar 20 £m	Change vs 19/20 %

Revenue	6,639.6	5,994.8	6,028.2	10.1
Operating profit before adjusting items	277.8	213.6	236.7	17.4
Operating margin	4.2%	3.6%	3.9%	30 bps

The table below sets out the drivers of the movement in Food operating profit margin before adjusting items over two years.

Operating profit before adjusting items	**%**
2019/20	**3.9**
Gross margin	0.2
Store staffing	1.4
Other store costs	0.4
Distribution and warehousing	(1.1)
Central costs	(0.6)
2021/22	**4.2**

- **Gross margin** increased c.20bps. The improvement in margin rate was a result of cost-saving programmes, including Ocado synergies, as well as lower net waste and reduced sales in our lower gross margin Franchise business. This was partly offset by investment in price, reduced sales from our higher-margin Hospitality offering, and additional warehousing and freight charges within margin.
- ***Store staffing*** *costs decreased c.140bps, primarily driven by retail restructuring efficiencies enabled* by technology improvements in store and ongoing initiatives, partly offset by investment in colleague pay rates and Covid-related costs such as door hosts.
- The c.40bps decrease in **other store costs** relates to government business rates relief of £24.6m and lower depreciation charges as legacy store modernisations come to the end of their useful economic lives, partly offset by an increase in maintenance and store standards spend.
- **Distribution and warehousing** costs increased c.110 bps, reflecting investment in the Milton Keynes ambient depot to support volume growth, higher pay, incentives and subcontracting related to warehouses and haulage, the cost to serve of online orders, and inefficiencies from EU border-related processes for serving Northern Ireland.
- **Central costs** increased c.60bps, driven by investments in technology, data and digital initiatives, including in forecasting, ordering and allocation systems, as well as colleague incentives. This was partly offset by technology savings from optimising the cost base and a reduction in the depreciation of technology assets as they reach the end of their useful lives.

UK: CLOTHING & HOME

Clothing & Home sales increased 3.8% as the continued growth of the online business offset the decline in store sales due to lower footfall. The online business remained robust throughout the period.

% change	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Clothing & Home sales	-4.2	2.0	3.2	17.3	**3.8**
Clothing & Home stores sales	-21.2	-14.3	-10.9	5.6	**-11.2**
Clothing & Home online sales	59.2	62.3	50.8	52.1	**55.6**
Clothing & Home statutory revenue	-4.6	1.4	2.4	16.0	**3.1**

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

Online

52 weeks ended	**2 Apr 22**	**27 Mar 21**	**28 Mar 20**	**Change vs 19/20 %**
Traffic (m)[1]	405.7	417.5	308.8	31.4
Active customers (m)[2]	9.0	9.0	5.9	52.5
Conversion (%)[3]	7.0	7.2	6.3	+70 bps
Average order value (£)	55.4	49.7	51.5	7.6
Returns rate (%)	25.8	18.8	28.0	-220 bps
Sales ex VAT £m	**1,122.7**	**1,109.7**	**721.3**	**55.6**

1. Traffic: the number of site visits to M&S.com and the app.
2. Active customers: the number of unique customers who have made a purchase in the prior 52 weeks.
3. Conversion: the number of orders as a % of the number of site visits.

Following growth in 2020/21, online sales remained robust, with growth on both a one and two-year basis for the full year, despite elevated comparatives in Q4 2020/21 from the third national lockdown. Online traffic through the app was up over 200% on 2019/20 following the relaunch of Sparks in July 2020, which has helped to drive the increase in active customers. Increased app usage has driven better conversion and, encouragingly, app conversion for the full year remains consistent with H1 at over 9%.

As anticipated, as customer habits reverted to pre-pandemic trends, returns rates have normalised towards 2019/20 levels through the year. Average order value ("AOV") was ahead of 2019/20 levels driven by a full-price trading stance which increased average selling price ("ASP"), along with the benefit of third-party brands.

Stores

52 weeks ended	2 Apr 22	27 Mar 21	28 Mar 20	Change vs 19/20 %
Footfall, m (average/week)	4.0	1.9	5.9	-32.2
Transactions, m (average/week)	1.7	1.0	2.1	-19.0
Basket value (£)	34.9	30.6	32.3	8.0
Sales ex VAT £m	**2,209.5**	**1,088.9**	**2,487.8**	**-11.2**

UK Clothing & Home store sales decreased 11.2%: Average weekly footfall was below 2019/20 levels in the period, with the business continuing to be adversely impacted by the shape of the store estate. Excluding March, sales in high streets and city centres were down 22% and 26% respectively, while sales in retail parks were up c.1% on 2019/20 levels.

Total Clothing & Home
The Clothing & Home business in total generated an operating profit before adjusting items of £330.7m compared with £223.6m in 2019/20.

52 weeks ended	2 Apr 22 £m	27 Mar 21 £m	28 Mar 20 £m	Change vs 19/20 %
Revenue	3,308.3	2,198.6	3,209.1	3.1
Operating profit/(loss) before adjusting items	**330.7**	**(129.4)**	**223.6**	**47.9**
Operating margin	9.9%	-5.9%	7.0%	290 bps

The table below sets out the drivers of the movement in Clothing & Home operating profit/(loss) before adjusting items over two years.

Operating profit/(loss) before adjusting items	Total C&H %
2019/20	**7.0**
Gross margin	1.5
Store staffing	2.6
Other store costs	1.5
Distribution and warehousing	(1.7)
Central costs	(1.0)
2021/22	**9.9**

- **Gross margin** increased c.150bps. The continuing benefit of increased full-price trading and lower stock into sale more than offset cost headwinds of adverse currency movements and additional freight and warehousing costs.
- **Store staffing** costs decreased c.260bps, primarily driven by retail restructuring efficiencies enabled by technology improvements in store and ongoing initiatives as well as lower variable staffing costs from reduced volumes. These impacts more than offset investment in colleague pay rates.
- The decrease in **other store costs** of c.150bps largely relates to government business rates relief of £35.2m, with lower depreciation charges relating to legacy store modernisations offset by increased maintenance costs in the store estate and reduced rates rebates.
- **Distribution and warehousing** increased c.170bps, largely relating to the higher costs to serve online demand, including an increased proportion of home deliveries, as well as increased pay rates, haulage incentives and fuel inflation. Note the higher courier costs of home deliveries were offset by delivery income, which is reported within sales. These overall higher costs were partly offset by savings from lower volumes and cost-reduction programmes.
- The increase in **central costs** of c.100bps was driven by investments in technology, data and digital initiatives, colleague incentives, additional costs to support brands, and higher pay-per-click marketing activity to drive online growth. This was partly offset by a reduction in the depreciation of technology assets as they reach the end of their useful lives.

Clothing & Home online generated an adjusted operating profit margin of c.9%, with the reversion towards 2019/20 returns rates reducing margin year-on-year as anticipated, as well as investments in data and digital initiatives to drive future growth. The adjusted operating profit in stores represented a margin on sales of c.10%, or approximately 9% after excluding the benefit of rates relief.

INTERNATIONAL

International sales increased 1.7% at constant currency ("CC") despite the continued impact of Covid on Asian markets, in particular in India during Q1, and the disruption and complexity arising from new EU border processes in Food supply chains, predominantly in France and the Republic of Ireland. There was solid growth in the Middle East and online sales continued to grow on both a one- and two-year constant currency basis, with both our own websites and marketplaces driving growth of 125.5% as we retained customers acquired during the lockdowns in 2020/21.

% change to 2019/20	Q1 CC	Q2 CC	Q3 CC	Q4 CC	FY CC	FY Reported

Total revenue	-6.1	-0.3	5.1	7.9	1.7	-0.8

52 weeks ended sales[1]	**2 Apr 22 £m**	**27 Mar 21 £m**	**28 Mar 20 £m**	**Change vs 19/20 %**	**Change vs 19/20 CC %**
Clothing & Home	654.2	483.2	620.7	5.4	9.1
Food	283.0	296.1	323.9	-12.6	-12.1
Total	**937.2**	**779.3**	**944.6**	**-0.8**	**1.7**
Memo: Online revenue	172.5	165.7	77.2	123.4	125.5

1. 'Sales' is equal to revenue within the International business.

Clothing & Home sales recovered to above 2019/20 levels, driven by robust growth in online sales and exceptionally strong shipments to the Middle East. India was heavily impacted in Q1 by Covid (c.-61% vs 2019/20) and again in Q4 (c.-3% excluding March vs 2019/20), but overall retail sales in the market grew 6%. Trading in the rest of Asia remained challenging. We saw a similar shape of trade in European owned markets, with Clothing & Home performance in the Republic of Ireland performing robustly.

Food sales declined due to disruption caused by EU border-related processes in European markets. This has resulted in significant cost and complexity in servicing the Republic of Ireland and a restructuring of our Food operations in continental Europe. Excluding France, Food sales were level with 2019/20.

Operating profit before adjusting items was down 33.5%, driven principally by the additional costs of new EU border processes and tariffs of £29.6m, and associated trade impacts such as lower availability and higher waste, which we estimate reduced gross profit by a further c.£15m.

The table below sets out the drivers of the movement in International operating profit margin before adjusting items over two years.

Operating profit before adjusting items	**%**
2019/20	**11.7**
Gross margin	(0.1)
Store staffing	1.0
Other store costs	1.0
Distribution and warehousing	(3.0)
Central costs	(2.7)
2021/22	**7.9**

- **Gross margin** declined c.10bps primarily as a result of additional tariffs and waste due to inefficiencies from EU border-related processes for serving the Republic of Ireland. This was partly offset by growth of the online business.
- **Store staffing** costs decreased c.100bps primarily as a result of efficiency savings from retail restructuring in the Republic of Ireland.
- The c.100bps movement in **other store costs** largely relates to government relief in owned markets and rent concessions in India, which resulted in one-off savings in the period.
- **Distribution and warehousing** increased c.300bps, reflecting higher operational and administrative costs associated with EU border-related processes, as well as higher costs to serve online demand.
- **Central costs** increased c.270bps, driven by higher marketing spend associated with the growth of the online channel and colleague incentives.

M&S BANK & SERVICES

M&S Bank and Services profit before adjusting items was down £3.8m to £13.0m. Adjusting items charges of £16.0m have been incurred relating primarily to the insurance mis-selling provision, resulting in a statutory loss of £(3.0)m.

Lower demand for unsecured credit and travel money is the primary driver for the lower profits. This was largely offset by the release of bad debt provisions, as economic conditions proved more favourable than anticipated.

NET FINANCE COST

	52 weeks ended			
	2 Apr 22 £m	**27 Mar 21 £m**	**28 Mar 20 £m**	**Change vs 19/20 £m**
Interest payable	(85.1)	(89.9)	(80.5)	(4.6)
Interest income	9.6	4.7	14.5	(4.9)
Net interest payable	**(75.5)**	**(85.2)**	**(66.0)**	**(9.5)**
Pension net finance income	13.2	47.2	23.6	(10.4)
Unwind of discount on Scottish Limited Partnership liability	(4.4)	(4.9)	(6.9)	2.5
Unwind of discount on provisions	(3.8)	(2.7)	(4.9)	1.1
Net financial interest	**(70.5)**	**(45.6)**	**(54.2)**	**(16.3)**
Net interest payable on lease liabilities	**(115.6)**	**(122.5)**	**(133.4)**	**17.8**
Net finance costs before adjusting items	**(186.1)**	**(168.1)**	**(187.6)**	**1.5**
Adjusting items included in net finance costs	5.6	(6.8)	-	5.6
Net finance costs	**(180.5)**	**(174.9)**	**(187.6)**	**7.1**

Net finance costs before adjusting items decreased £1.5m to £186.1m. Lower pension income due to the reduced IAS 19 pension surplus compared with 2019/20 and the reversal of ineffectiveness on a currency swap within interest income in 2019/20 offset a reduction in the net interest payable on lease liabilities.

GROUP PROFIT BEFORE TAX & ADJUSTING ITEMS

Group profit before tax and adjusting items was £509.0m, up 27.3% on 2019/20. The profit increase was driven by adjusted operating profit growth in Clothing & Home and Food, offset by a reduction in International and M&S Bank operating profits.

GROUP PROFIT BEFORE TAX

Group profit before tax was £404.7m (2020/21: £266.8m loss). This includes net charges for adjusting items of £104.3m (2020/21: £238.7m).

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 2 Apr 22 £m	**53 weeks ended 27 Mar 21 £m**	**52 weeks ended 28 Mar 20 £m**	**Change vs 19/20 £m**
Strategic programmes – UK store estate	(161.4)	(95.3)	(29.3)	(132.1)
Strategic programmes – UK logistics	21.9	(2.2)	(10.2)	32.1
Strategic programmes – Organisation	14.3	(133.7)	(13.8)	28.1
Strategic programmes – International store closures, impairments and other	0.4	(3.6)	(17.1)	17.5
Store impairments, impairment reversals and other property charges	60.0	6.9	(78.5)	138.5
Directly attributable to Covid	17.8	90.8	(163.6)	181.4
M&S Bank charges incurred in relation to insurance mis-selling provisions	(16.0)	(2.4)	(12.6)	(3.4)
Franchise restructure	(41.3)	–	–	(41.3)
Intangible asset impairments	–	(79.9)	(13.4)	13.4
Sparks loyalty programme transition	–	(16.6)	–	–
Establishing the investment in Ocado Retail Limited by the Ultimate Parent Group	–	(1.7)	(1.2)	1.2
Other	–	(1.0)	–	–
Adjusting items	**(104.3)**	**(238.7)**	**(339.7)**	**235.4**

Adjusting items net charges incurred in the period were £104.3m.

UK store estate

A charge of £161.4m has been recognised in relation to store closures identified as part of UK store estate rotation plans. The charge reflects a revised view of latest store exits and underlying assumptions around 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. Further charges relating to the closure and rotation of the UK store estate are anticipated as the programme progresses, with total future charges of up to c.£200m over the next nine financial years, bringing anticipated total programme costs since 2016 to c.£1bn. The anticipated total programme costs do not include any costs that may arise in relation to a further c.30 stores currently under consideration for closure within the next nine 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.

Other adjusting items

A net credit of £21.9m has been recognised in the period relating to UK logistics, reflecting in large part a gain on the disposal of distribution centres.

A credit of £14.3m has been recognised in relation to organisational change. This credit largely relates to an £11.9m reversal of an impairment associated with the centralising of the Group's London support office functions, with the remainder reflecting the finalisation of previous redundancy costs associated with this programme. No provision remains at the year end and there are no further charges anticipated.

In response to the strong Group performance and lifting of government restrictions, a credit of £63.4m has been incurred for the reversal of store impairments recognised in adjusting items in previous periods, partly offset by a £3.4m charge primarily relating to the impairment of assets in certain stores.

A charge of £41.3m has been recognised relating to the restructuring of certain International franchise operations. In September 2021, the Group restructured our French operations after an assessment of the profitability of the business under increased EU border costs and tariffs, at a cost of £10.3m. In March 2022, the Group made the decision to fully exit its Russian franchise. As a result, the Group has recognised a charge of £31.0m representing the Group's full exit costs from Russia and business disruption in Ukraine.

A gain of £17.8m has been recognised as being directly attributable to the Covid pandemic. This relates mostly to the release of the remaining inventory provision made in adjusting items in 2019/20, driven by the sell-through of Clothing & Home stock being greater than anticipated.

Charges of £16.0m have been incurred relating to M&S Bank, primarily due to the insurance mis-selling provision. The total charges recognised in adjusting items since September 2012 for PPI is £326.3m, which exceeds the total offset against profit share of £259.0m to date; this deficit will be deducted from the Group's share of future profits from M&S Bank.

TAXATION

The effective tax rate on profit before adjusting items was 18.7% (2019/20: 20.9%; 2020/21: 90.0% on a 53-week basis). As part of cash-optimisation measures, no payments were made to the Marks and Spencer Scottish Limited Partnership ("SLP") during the year. As such, there has been no recapture of previous tax relief, resulting in a lower effective tax rate than prior years.

As well as there being no recapture of previous tax relief under the SLP structure in the period, future changes to the UK statutory corporation tax rate result in deferred tax assets being recognised at the higher substantively enacted rate of 25%. Restating these deferred tax assets from a rate of 19% to 25% results in a tax credit in the period, reducing the effective tax rate.

The effective tax rate on statutory profit before tax was 20.2% (2019/20: 60.0%; 2020/21: 2.6% credit on a statutory loss on a 53-week basis), which was higher than the effective tax rate on profit before adjusting items due to the impact of disallowable adjusting items.

Next year, we anticipate an effective tax rate on profit before adjusting items higher than the UK corporation tax rate of 19%, principally due to the recapture of previous tax relief as payments to the SLP resume.

CASH FLOW

	52 weeks ended 2 Apr 22 £m	53 weeks ended 3 Apr 21 £m	52 weeks ended 28 Mar 20 £m	Change vs 19/20 £m
Adjusted operating profit	**695.1**	**143.8**	**587.5**	**107.6**
Depreciation and amortisation before adjusting items	510.7	603.1	632.5	(121.8)
Cash lease payments	(344.3)	(316.6)	(335.7)	(8.6)
Working capital	239.7	268.1	(48.5)	288.2
Defined benefit scheme pension funding	(36.8)	(37.1)	(37.9)	1.1
Capex and disposals	(213.5)	(203.8)	(325.9)	112.4
Financial interest	(79.9)	(76.0)	(79.5)	(0.4)
Taxation	(7.7)	(5.8)	(91.6)	83.9
Acquisitions, investments and divestments	(7.6)	(2.5)	(2.5)	(5.1)
Employee related share transactions	39.1	18.5	9.6	29.5
Cash received from settlement of derivatives	-	14.0	7.7	(7.7)
Adjusting items outflow	(61.8)	(120.5)	(87.4)	25.6
Free cash flow[2]	**733.0**	**285.2**	**228.3**	**504.7**
Dividends paid	(33.8)	–	(193.8)	160.0
Free cash flow after shareholder returns	**699.2**	**285.2**	**34.5**	**664.7**
Opening net debt excluding lease liabilities	**(1,110.0)**	**(1,378.1)**	**(1,404.7)**	**294.7**
Free cash flow after shareholder returns	699.2	285.2	34.5	664.7
Exchange and other non-cash movements excluding leases	(9.3)	(17.1)	(7.9)	(1.4)
Closing net debt excluding lease liabilities	**(420.1)**	**(1,110.0)**	**(1,378.1)**	**958.0**
Opening net debt	**(3,515.9)**	**(3,940.1)**	**(3,981.5)**	**465.6**
Free cash flow after shareholder returns	699.2	285.2	34.5	664.7
Decrease in lease obligations	216.0	184.3	201.4	14.6
New lease commitments and remeasurements	(100.6)	(48.3)	(204.1)	103.5
Exchange and other non-cash movements	2.5	3.0	9.6	(7.1)
Closing net debt	**(2,698.8)**	**(3,515.9)**	**(3,940.1)**	**1,241.3**

[1]Free cash flow is an APM, refer to the Glossary on page 135 for the definition.

The business generated free cash flow of £733.0m, largely driven by the recovery in EBITDA, working capital inflow and reduced cash tax and capital expenditure.

Cash lease payments increased £8.6m partly as a result of rental payments which were deferred from last year into this year as part of cash conservation measures enacted at the start of the pandemic. Cash lease payments relating to stores identified as part of the UK store estate strategic programme which are probable for closure totalled £54.8m. For further detail on working capital movements, refer to the section below.

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

For capex and disposals, refer to the section below.

The reduction in tax payments of £83.9m is due to no UK corporation tax being paid in the period. This is driven by the utilisation of carried-forward tax losses from 2020/21.

Employee-related share transactions cash inflows increased due to a change in policy to no longer purchase shares for issue in colleague incentive schemes, increased deferred colleague incentive share scheme payments, and increased uptake of employee share schemes during the pandemic.

Adjusting items cash outflow was £61.8m. This included £16.5m relating to the UK store estate strategy, £16.0m relating to the M&S Bank insurance mis-selling provisions, £15.9m of organisational restructuring costs largely relating to the Republic of Ireland, £9.4m largely relating to the restructuring of our French operations, and £3.7m for the restructuring of the UK Clothing & Home logistics network.

CAPITAL EXPENDITURE

	52 weeks ended 2 Apr 22 £m	53 weeks ended 3 Apr 21 £m	52 weeks ended 28 Mar 20 £m	Change vs 19/20 £m
UK store remodelling	50.1	27.0	60.3	(10.2)
New UK stores	49.9	14.9	33.3	16.6
International	18.2	6.7	15.7	2.5
Supply chain	28.6	25.2	39.2	(10.6)
IT & M&S.com	68.2	47.6	81.1	(12.9)
Property asset replacement	85.2	19.2	102.4	(17.2)
Acquisition of Jaeger brand	-	6.3	–	-
Capital expenditure before property acquisitions and disposals	**300.2**	**146.9**	**332.0**	**(31.8)**
Property acquisitions and disposals	(43.9)	(0.3)	(2.7)	(41.2)
Capital expenditure	**256.3**	**146.6**	**329.3**	**(73.0)**
Movement in capital accruals	(42.8)	57.2	(3.4)	(39.4)
Capex and disposals as per cashflow	**213.5**	**203.8**	**325.9**	**(112.4)**

Group capital expenditure before disposals decreased £31.8m to £300.2m compared to 2019/20; however, it was up on 2020/21 as we increased investment in the transformation.

UK store remodelling costs related principally to 22 full line and food renewal stores, some of which have not yet opened, as well as upgrades to Clothing & Home space.

Spend on new UK stores primarily related to eight new or extended Simply Foods and seven new or extended full-line stores in the current year, some of which have not yet opened.

Supply chain expenditure reflects the expansion of our Bradford warehouse to support online growth in Clothing & Home, Food equipment purchases, and investment in our Milton Keynes Food depot to support capacity increases.

IT and M&S.com spend includes costs related to technology replacement and upgrades in stores, the development of the Food ordering and allocation system and buying portals, website development and ongoing investment in digital capability in the support centre and stores.

Property asset replacement normalised towards 2019/20 levels as replacement of core assets across the estate, which had been de-prioritised during 2020/21 due to cash conservation measures, was re-prioritised. This includes roof works and replacement of fridges, freezers, boilers, lifts and escalators.

Property acquisitions and disposals primarily relates to cash inflows from the disposal of two warehouses in the third quarter.

Capital accruals were higher at year-end compared to 2020/21 as transformation spend increased in the second half. It should be noted that 2020/21 capital expenditure cash flow included some accrued spend relating to 2019/20.

NET DEBT

Group net debt decreased by £1.24bn compared to 2019/20, driven by free cash flow generation, and by £0.8bn since the start of the year.

There was a further reduction in the value of discounted lease obligations outstanding since the start of the year. New lease commitments and remeasurements in the period were £100.6m, largely relating to 20 new UK leases, lease additions in India and UK property and logistics liability remeasurements. This was more than offset by £216.0m of capital lease repayments.

The composition of Group net debt is as follows:

	52 weeks ended 2 Apr 22 £m	53 weeks ended 3 Apr 21 £m	52 weeks ended 28 Mar 20 restated £m	Change vs 19/20 £m
Cash and cash equivalents	1,197.9	674.4	254.2	943.7
Medium Term Notes	(1,529.5)	(1,682.1)	(1,536.2)	6.7
Current financial assets and other	99.4	83.2	106.6	3.3
Partnership liability to the UK DB pension fund	(187.9)	(185.5)	(202.7)	14.8
Net debt excluding lease liabilities	**(420.1)**	**(1,110.0)**	**(1,378.1)**	**968.5**
Lease liabilities	(2,278.7)	(2,405.9)	(2,562.0)	283.3
– *Full-line stores*	(919.5)	(982.6)	(1,054.8)	135.3
– Simply Food stores	(712.8)	(727.0)	(747.7)	34.9
– Offices, warehouses and other	(449.5)	(494.5)	(523.7)	74.2
– International	(196.9)	(201.8)	(235.8)	38.9
Group net debt	**(2,698.8)**	**(3,515.9)**	**(3,940.1)**	**1,251.8**

Full-line store liabilities include £225.3m relating to stores identified as part of the UK store estate strategic programme. We are seeking to fund the closure costs of rotation of the store estate with the realisation of funds from our asset management programme.

Of the remaining full-line stores lease liability, the average liability-weighted lease length is c.25 years, although the average lease term to break is shorter at c.19 years. However, these average lease lengths are skewed by five particularly long leases we hold, with the longest of these having 135 years remaining. These five leases, with a combined lease liability of c.£100m, are not deemed probable for closure in our UK store estate programme as they are currently trading well in locations we wish to remain in. Excluding these five leases, the average lease term to break is c.14 years.

Simply Food store liabilities include £30.9m 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, £144.9m relates to the sublet lease on our Merchant Square offices. Average lease length of all other offices and warehouses to break is c.7 years.

International leases relate primarily to India (c.£85m) and Ireland (c.£66m). Average lease length to break in India is close to nil, as most 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 lease length to break in Ireland is c.10 years.

LIQUIDITY

At 2 April 2022, the Group held cash balances of £1,197.9m (2019/20: £254.2m). In addition, during the year the Group agreed a new £850m revolving credit facility expiring in June 2025 on terms linked to delivery of its net zero roadmap. With the facility undrawn, the Group now has liquidity headroom of £2.1bn. This liquidity position is as a result of free cash flow performance.

As part of our approach to liability management we have announced a tender offer for c.£150m of our near-term debt maturities.

DIVIDEND

Dividends of £33.8m (last year: £nil) were paid to Marks and Spencer Group plc during 2021/22 as part of an intra-group funding arrangement.

PENSION

At 2 April 2022, the IAS 19 net retirement benefit surplus was £1,038.2m (2020/21: £631.4m). The increase was largely driven by an increase in discount rates towards the end of the period.

The most recent actuarial valuation of the UK DB Pension Scheme was carried out as at 31 March 2018 and showed a funding surplus of £652m. This is an improvement on the previous position at 31 March 2015 (statutory surplus of £204m), primarily due to lower assumed life expectancy. We continue to work constructively with the Trustees of the UK DB Pension Scheme with regard to agreeing the triennial actuarial valuation of the scheme as at 31 March 2021. Consequently, the results of the valuation are not yet finalised, although it is likely that there will continue to be a surplus.

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.

STATEMENT OF FINANCIAL POSITION

Net assets were £4,826.0m at the period end, an increase of 14.5% since the start of the year largely due to free cash generation.

PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks and uncertainties have been assessed in accordance with the methodology outlined on pages 45 - 46 of the Marks and Spencer Group plc Annual Report 2022. At an overarching level, three ongoing issues are having a pervasive impact on the risks being faced – the continually evolving nature of Covid-19, the further consequences of the Russian invasion of Ukraine, and the cost of living crisis emerging in the communities in which we operate.

In previous disclosures we have explained how Covid-19 has had wide ranging consequences on our suite of principal risks and uncertainties and was not, therefore, presented as a single principal risk. This has not changed. The same approach has also been used in relation to the Russian invasion of Ukraine and the cost of living crisis, with the consequences of both being captured in the relevant principal risks rather than shown as stand alone items.

Risk movement

No change	In net risk exposure
N New/evolving risk	Reduced net risk exposure

RISK	DESCRIPTION & CONTEXT	MITGATING ACTIVITIES & KEY DEVELOPMENTS

1 N

AN UNCERTAIN TRADING ENVIRONMENT

Our ability to deliver continued improvements in trading performance could be significantly affected by the individual or aggregate impact of an increasingly complex set of external factors. The ongoing consequences of the pandemic, geo-political and economic uncertainties (both national and international) and the resultant cost of living crisis, are combining to generate difficult and unpredictable headwinds.

Context

- M&S operates in an increasingly competitive sector against a backdrop of continued cost and pricing pressures, changing consumer behaviours and a broad range of macroeconomic uncertainties.
- Over recent months the consequences of Covid-19 have continued to evolve and combine with other external macro factors to contribute to widespread, ongoing uncertainty across the communities in which we operate. Continued lockdown measures; labour shortages across transport, distribution, manufacturing and service industries; threats to supplier resilience and viability; ongoing changes to customer behaviours; price inflation, including energy; the potential for further interest rate rises; increases in taxation; socio-political tensions; and disruption to the supply of natural, refined and manufactured resources, have combined to create a challenging environment for our, and all businesses, to operate within.
- The cost of living crisis will further influence customer behaviour and buying choices which could impact our performance and strategic decisions as we respond to these changes.
- The potential consequences of the Russian invasion of Ukraine further highlight the fragility linked to high-impact "shock" events. These include the long-term impact on our franchise operations in the region, and on key materials and products including sunflower oil, grains, natural gas, fuel, fertiliser, nickel and microchips that could impact manufacture, cost and availability of products.
- While the business has demonstrated continued resilience in the face of this range of pressures, and remained relevant to customers throughout the period, continued turbulence in the external environment could negatively impact the business's ability to continue delivering an improved trading performance.

MITIGATING ACTIVITIES

- Strong, varied and complementary senior leadership team capabilities.
- Planned senior leadership continuity.
- An established operating model consisting of a family of accountable businesses who share M&S brand values, support functions, technology and customer data.
- A clear three-year plan constructed to remain relevant to the current challenges.
- Improved budgeting processes, including detailed sensitivity analysis to anticipate the potential impact of external uncertainty.
- Formal operating reviews for all business and functional teams to enable effective executive oversight and governance of each business.
- Effective business continuity and crisis management processes to support business-wide response to issues as they arise.
- Prioritised focus and discipline across the business on cost, range, trusted value and availability.
- Effective and proactive working with critical third parties – for example, a structured supplier engagement programme to both anticipate and support management of escalating issues such as cost inflation.
- Continued commitment to initiatives that maintain and support improved and sustained customer engagement including the Sparks loyalty programme, broader digital engagement, personalisation of offers and shop your way.

RISK	DESCRIPTION & CONTEXT	MITGATING ACTIVITIES & KEY DEVELOPMENTS
	- In addition, the possibility of future new variants of Covid-19 combined with restrictive government interventions, either in the UK or other countries, could negatively impact future performance. Operational oversight by **Executive Committee**.	
2	**Business transformation** A failure to successfully implement the suite of critical transformation projects could impact medium- and longer-term growth ambitions. While each initiative is individually significant and has its own inherent risks, the aggregate impact of simultaneously delivering these challenging projects could also create further risks to successful implementation.. **Context** While significant change is ongoing across the business, the three critical projects underpinning our transformation agenda comprise: - Modernising our supply chain and logistics activities to improve speed, operational effectiveness and availability and to reduce costs. - improving our IT infrastructure and underlying systems while also adopting new technologies and digital products to support operational efficiency, improved data-driven decision-making, creation of a customer-centric "ecosystem", increased personalisation and the shift to omni-channel; and - reshaping and modernising our UK store estate to be fit for the future, with the right-sized stores in the right spaces, supporting omni-channel growth and meeting the expectations of our customers. The ability to balance cost-effective programme execution at pace and to deliver on time, while also managing the consequences of the external pressures discussed above, is key to improving operational efficiency, competitiveness and growth. Any significant delays, failure to achieve the anticipated outcomes, or excess implementation costs could also impact delivery of the planned business benefits. Operational oversight by **Executive Committee, Property Committee**	**MITIGATING ACTIVITIES** - Clear prioritisation of the required transformation activities as part of our three-year planning process. - Initiatives underpinned by function-specific strategic plans and leadership governance structures. - Dedicated strategy and transformation roles to support focus, consistency and challenge across our family of businesses. - Application of programme governance principles for all core projects, with clear accountabilities and milestones in place. - Ongoing benefits tracking of initiatives in line with spend targets and value outcomes. - Periodic reporting on key business activities to the Audit Committee.

RISK	DESCRIPTION & CONTEXT	MITGATING ACTIVITIES & KEY DEVELOPMENTS

3 Ocado Retail

A failure to effectively manage the strategic and operational relationship with Ocado Retail could significantly impact the value of our investment, the achievement of our multi-channel food strategy, our Brand and our ability to deliver shareholder value.

Context

The investment in Ocado Retail by the Ultimate Parent Group is part of our strategy for improving our online reach and capability. There are three core aspects of our relationship with Ocado Retail that the business is actively focusing on:

- Developing our relationship with Ocado Retail and evolving our ways of working to ensure alignment of strategies in a way that supports innovation and growth and prioritising areas for future investment;
- Planning for our long-term strategic relationship with the partner, including its role in the M&S ecosystem; and
- Maintaining a seamless supply process to support customer fulfilment – existing and in line with future growth – and seeking opportunities to expand and refine product ranges.

Operational oversight by **Executive Committee, representation on the Ocado Retail Board**

MITIGATING ACTIVITIES

- M&S nominated directors are part of the Ocado Retail Board, with collective sign-off of business plans directing the growth of the business.
- Jointly agreed investment plans to support the continued investment in the Customer Fulfilment Centre network, to expand presence in the ultra-fast grocery delivery market and the planned migration to the new Ocado service platform.
- Established data and technology interfaces with Ocado Retail.
- A dedicated M&S Ocado delivery team, supported by senior leadership, to coordinate sourcing, product development, ranging, customer data and marketing.

4 Talent, culture and capability

An inability to attract, retain and develop the right talent, skills and capabilities or to successfully adapt to the expectations of a post-pandemic labour market could impact the delivery of core operational activities and longer-term strategic objectives, including aspects of our transformation programme.

Context

The business employs more than 65,000 talented and passionate colleagues and remains an attractive brand to future colleagues. However, the current labour market conditions create a heightened risk around recruitment.

- The consequences of the pandemic, including skills shortages and wage inflation, have contributed to a tight labour market in some key specialist areas (including digital, technology and data science) and other critical operational roles (such as in supply chain and logistics).
- In addition, colleagues and potential candidates are demonstrating a preference for roles and employers that offer increasing flexibility to support life choices, work-life balance and career development in addition to attractive pay and benefits. Linked to these influences, the need for employers to demonstrate a cultural alignment in other areas such as sustainability, diversity and ethical values are becoming increasingly important.
- The broader implications on the availability of labour and key skills post-Brexit also continue to be monitored.

To support the continued delivery of improved trading performance and our transformation ambitions, it is essential that we have the right processes in place, underpinned by effective technology, to identify, develop and retain talented colleagues.

Operational oversight by **Executive Committee**.

MITIGATING ACTIVITIES

- Direct Executive Committee ownership of the people plan.
- Continued investment in internal and external talent to strengthen capability at all levels, develop our future leaders and drive internal career progression.
- Ongoing delivery of improvements in core people management systems and processes, including a refreshed performance and talent management process to drive consistency and improved decision-making.
- An established colleague skills framework to support role-based performance, development and progression.
- Ongoing review and maintenance of succession plans for key roles.
- Continued investment in skills and capabilities with a particular focus on driving digital literacy and capability building.
- Investment in pay and wellbeing benefits following completion of a business-wide reward review.
- A focus on externally benchmarked, market-relevant pay including full consideration of gender, ethnicity, disability and age.
- A well-established Business Involvement Group which is actively involved in business-wide colleague engagement and representation, including at Board meetings.
- Improved usage of our M&S Alumni community to engage, energise and re-attract great talent.

RISK	DESCRIPTION & CONTEXT	MITGATING ACTIVITIES & KEY DEVELOPMENTS

5 EU Border Challenges

A failure to manage the cost consequences and operational friction arising from the complexity of border arrangements following the UK's exit from the European Union (EU) or further developments in the Trade and Cooperation Agreement ("TCA"), including the Northern Ireland Protocol, could have a significant and long-term impact on our Irish business and overall trading performance.

Context

The business continues to manage a range of complexities that have arisen following the UK's exit from the EU. Key challenges include:

- continued uncertainty as the requirements of the Northern Ireland Protocol evolve and our ability to implement sustainable solutions to manage the impact on our Irish business, including the movement of goods across to the Republic of Ireland, our largest EU export business;
- further increases in the cost base following the introduction of checks to inbound goods from the EU to the UK (expected in 2022) and the consequent pressure on the supply base including viability of suppliers and the impact on product availability;
- managing the consequences of introducing more locally sourced products; and
- monitoring and implementing solutions for any longer-term divergence of UK and EU rules that may add additional cost and complexity to the business, particularly in Ireland.

Operational oversight by **Executive Committee**

MITIGATING ACTIVITIES

- Regular engagement with the Board to discuss the actions being taken to manage evolving border challenges by our accountable businesses.
- Strengthening the management and accountabilities of Irish operations to support targeted mitigation of costs, including opportunities for local sourcing.
- Operation of a virtual customs warehouse environment and implementation of an EU hub to mitigate tariff costs.
- Continued engagement with key government departments and other external experts to represent M&S views and review our mitigation strategies. These include ministers, industry bodies, the Border and *Protocol Delivery Group, the Department for Environment, Food &* Rural Affairs (Defra), HM Revenue & Customs, the Foreign Office, and the Northern Ireland Executive.
- Ongoing work with Defra and our supply base in readiness for the rules for moving goods from the EU to Great Britain.
- Proactively managing our franchise arrangements with partners.

6 Business continuity and resilience

Significant operational failures or resilience issues at key business locations, such as Castle Donington, our primary online Clothing & Home distribution centre, or any of our key international sourcing locations, could result in significant business interruption. More broadly, an inability to effectively respond to global events, such as the pandemic or Russia's invasion of Ukraine, a shortage of raw materials or other products used in our business, or significant supply chain disruption, could also impact business performance.

Context

The business has continued to demonstrate resilience through the pandemic and in responding to other significant changes, such as the Russian invasion of Ukraine however, threats to business continuity remain:

- As our online business grows, the potential risk linked to our sales and growth ambitions from a sustained period offline or an inability to fulfil online orders due to a major incident at our Castle Donington fulfilment centre increases.
- The loss of, or major disruption at other locations, such primary supply countries like Bangladesh, China or Sri Lanka; the dedicated warehouses that store specific food products in the UK; or support facilities (such as IT), could also impact us significantly.
- A specific, unexpected or unplanned shortage of product or materials such as those being created by Russia's invasion of Ukraine (including sunflower oil or fertiliser), or the global shortage of microchips, could also impact core trading or transformation activities.
- The potential widespread consequences from currently unknown/new Covid variants on both our business and third parties could also have severe operational consequences.

MITIGATING ACTIVITIES

- A dedicated and experienced Business Continuity (BC) team with established Group Crisis and Incident Management processes.
- Risk-based BC assessments for stores, sourcing offices and warehouses and validation of key supplier arrangements.
- Up-to-date BC plans for key activities across our operations, including offices, warehouses and IT sites, that continue to evolve in response to new threats including, where needed, work with critical third parties.
- Enhanced capabilities at Castle Donington to manage technology failure and fulfilment capabilities through in-store fulfilment and the use of other warehouses in our network.
- Proactive testing of plans for key business continuity risk scenarios.
- Live digital platform to support the business continuity governance programme.
- Active engagement with external organisations including the Retail BC Association, government-led forums and membership of the National Counter Terrorism Information Exchange.
- Enhanced incident reporting with live data-driven dashboard.

RISK	DESCRIPTION & CONTEXT	MITIGATING ACTIVITIES & KEY DEVELOPMENTS
	- In addition, our dependency on major third parties means that significant incidents, long-term resilience issues and recoverability in these businesses would also impact our own. Operational oversight by **Executive Committee, Crisis Management Team**	
7 N	**Product safety and integrity** Failure to prevent and/or effectively respond to a food or product safety incident, or to maintain their integrity, could impact customer confidence in our brand and business performance. **Context** - The safety of our products – food and all other product categories - is vital for our business and we need to effectively manage the potential risks to customer health and safety and consumer confidence that face all retailers. - This includes considering how external pressures, including economic and environmental changes, could impact the integrity of our products and the ability to effectively operate and maintain all key controls throughout the supply chain. - These external pressures, including the ongoing consequences of the pandemic, inflationary costs, labour quality and availability, and regulatory changes, are becoming increasingly acute. While some of these events are outside of our control, they must nevertheless be monitored and mitigated against. Operational oversight by **Executive Committee, Group Safety Committee, Consumer Brand Protection Committee**	**MITIGATING ACTIVITIES** - Group-wide assessment of all safety risks with specific Executive Committee and business unit ownership. - Relevant Safety Policy and Standards, Terms of Trade, product safety and "from farm to fork" specifications with clear accountability set at all levels, including processes to comply with overseas requirements. - Compliance standards included in contracts with third-party brands. - Risk-based store, supplier and warehouse audit programmes completed by independent third parties and own second-line functions, including franchise operations. - Established processes for the development of products and the associated packaging, including independent review and approval before launch. - Qualified Food and Product Technology teams with access to external experts where appropriate. - Regular engagement with expert bodies and third-party consultants to understand and respond to changes in safety standards. - Tested crisis management plan for safety incidents. - Monitoring of product quality and customer complaints.
8 ↑	**Information Security** Failure to adequately prevent or respond to a data breach or cyber-attack could adversely impact our reputation, result in significant fines, business disruption, loss of information for our customers, employees or business and/or loss of stakeholder and customer confidence. **Context** - The sophistication and frequency of cyber-attacks in the retail industry continue to increase and highlight an escalating information security threat. This threat is further exacerbated by the pandemic and other external events, such as the increased threat of cyber warfare linked to current global uncertainty. - As we continue to use data more intelligently across the business, move away from legacy systems to new technology and digital solutions, transition to the cloud, enhance omni-channel customer experiences and build a broader "ecosystem", the profile of information security and the overall threats landscape will continue to change. - Our reliance on several third parties hosting critical services and holding M&S and customer data also means that continued assessment and monitoring is required to ensure that vulnerabilities in their cyber and data controls do not impact us or our customers. - Longer-term changes such as the increase in customers using e-commerce, the growing number of digital and mobile shopping channels, the development of new technologies and digital touchpoints, and permanent changes in the pattern of office/home working, will all continue to impact the overall risk. *Operational oversight by* **Executive Committee**	**MITIGATING ACTIVITIES** - Information security and data protection policies in place, with a mandatory training programme for colleagues. - Information Security function, with multidisciplinary specialists, supported by a 24-hour Security Operations Centre and mature incident management plan. - Network of Data Protection Officers in priority business areas. - Continued delivery of our improvement programme with prioritised investment in response to an increase in security events, breaches and the potential threat of cyber warfare. - Risk-based cyber security assurance programme, including assessment of controls in overseas locations. - *Information security obligations included in third-party contracts with a* risk-based assurance programme to monitor our exposure. - Active monitoring of our threat environment. - Focused security assurance, architecture and hygiene around our digital product lifecycle, operations model and significant change activities, like omni-channel and new technologies.

RISK	DESCRIPTION & CONTEXT	MITIGATING ACTIVITIES & KEY DEVELOPMENTS
9	**Corporate compliance and responsibility** A failure to 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 to our customers and other stakeholders. **Context** - The increasingly broad and stringent legal and regulatory framework for retailers creates pressures on business performance and management of market sentiment requiring frequent changes or improvements in how we operate. - New and evolving regulatory requirements include: restrictions on the promotion of foods high in fat, sugar and salt becoming effective from October 2022; sanctions and export controls linked to Russia; extended producer responsibility for packaging plastics recycling targets; the proposed EU Directive on corporate due diligence and accountability in the supply chain; anticipated changes in UK corporate governance requirements, development of Taskforce on Climate-related Financial Disclosures (TCFD) requirements; and potential new reporting under the Taskforce on Nature-related Financial Disclosures. - The diligence required to remain compliant is also impacted by the global nature of activities, particularly our supply chains, where changes in the external environment and challenging economic conditions, including the impact of Covid-19 and the Russian invasion of Ukraine, leave ethical and social responsibilities open to a heightened risk of mismanagement or exploitation. - Non-compliance may result in fines, criminal prosecution for M&S or colleagues, litigation, additional investment to rectify breaches, disruption or cessation of business activity, as well as impacting our reputation. Operational oversight by **Executive Committee, Group Safety Committee, Consumer Brand Protection Committee, Bank and Services Compliance Monitoring Committee, Fraud Committee**	**MITIGATING ACTIVITIES** - Code of Conduct in place and underpinned by policies and procedures in core areas of regulation and responsibility that is shared with suppliers and third parties where relevant and published externally. - Group-wide mandatory training programme for higher-risk regulatory areas, like health and safety, anti-bribery and corruption, data privacy, and information security. - Established in-house regulatory legal team in place, including specialist solicitors. - Dedicated subject-area leaders embedded in the business. - Continuous horizon scanning, including monitoring of sanctions and export controls. - Risk-based assurance and monitoring systems in place covering legal and regulatory compliance, and ethical and social considerations, including for our overseas operations and suppliers. - Cross-business Fraud Committee and controls framework. - A Confidential Reporting line to allow colleagues and other stakeholders to report areas of concern, including breaches. - Established Worker Voice programme in the Food business and transparency initiatives within Clothing & Home. - Active monitoring of customer feedback and public sentiment on compliance and responsibility, including social media trends. - Proactive engagement with regulators, legislators, trade bodies and policy makers.
10 N	**Climate change and environmental responsibility** An inability to reduce the environmental impact of our business and progress towards our net zero targets, including those linked to our supply chains, as well as managing the consequences of climate change on our business, would fail to meet the expectations of our customers, colleagues, investors and other stakeholders, impacting our brand, future trading performance and other business costs, including financing. **Context** - We operate in a world and sector with increasing pressure from carbon-conscious customers, investors and government bodies to operate in a more environmentally conscious manner, where sustainability forms a core part of decision-making. This includes, for example, our response to the growth in the circular economy, waste reduction, low-carbon products and use of recycled fabrics. - Future business performance will be impacted by our ability to effectively manage the transition to a low-carbon economy – balancing commercial decisions with environmental responsibility, agreeing business-wide decarbonisation priorities and managing changes in customer preferences. This includes management of the increasing costs associated with sustainable materials, recycling, carbon pricing and further technological, policy and regulatory interventions. - Early engagement and planning with partners and suppliers to support their decarbonising activities is also becoming increasingly important in the delivery of our net zero commitment.	**MITIGATING ACTIVITIES** - Established Plan A programme with clear accountabilities for each area of the business relating to our environmental objectives. - Net zero targets agreed with the Board. - Alignment of carbon commitments with our revolving credit facility. - Appointment of c.120 cross-business carbon champions, and launch of an internal Green Network with c.600 cross-business colleagues. - Established product and raw material standards and processes outlining environmental and sustainability considerations for own activities and the supply chain. - Clothing Quality Charter and Environmental and Chemical Policy in place for all suppliers. - ESG Committee, with Board membership, in place to oversee the delivery of our carbon commitments and broader ESG risks. - Developed our response to TCFD including quantitative scenario analysis in key areas (cotton, animal protein and property) to enhance external reporting. - Inclusion of specific climate-related risks and mitigations linked to Plan A in business and functional risk registers. - Linkage of financing with the delivery of our net zero roadmap.

RISK	DESCRIPTION & CONTEXT	MITIGATING ACTIVITIES & KEY DEVELOPMENTS
	- From an operational perspective, 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 impact on trade and the income statement. Operational oversight by **ESG Committee**	
11	**Liquidity and funding** An inability to maintain short- and long-term funding to meet business needs or to effectively manage associated risks could impact our ability to transform at pace, as well as have an adverse impact on business viability. **Context** - While active management of our cash, liquidity and debt position through the pandemic and an improvement in trade have resulted in a strong cash performance, we maintain a continued focus on our liquidity and funding requirements. - Availability of, and access to, appropriate sources and levels of funding remain vital for the continued operation of business activity and the next phase of our transformation. Our ability to repay debt and fund working capital, capital expenditures and other expenses depends on our operating performance, ability to generate cash and to refinance existing debt. - We also have pension fund commitments that require active management and monitoring. Operational oversight by **Executive Committee**	**MITIGATING ACTIVITIES** - A £850m undrawn, revolving credit facility and £1,197.9m of cash and cash equivalents. - Review and refinement of our three-year plan, linked to strategic priorities, with sensitivity analysis to assess the impact of the changing economic environment. - Continued focus on working capital management to continue to improve cash flow and reduce reliance on bank facilities. - Ongoing scrutiny and challenge of discretionary expenditure and capital spend controls that were strengthened during the pandemic. - Close monitoring and stress testing of projected cash and debt capacity, financial covenants and other rating metrics. - Treasury operations are managed and monitored in line with a Board approved Treasury Policy. - Frequent engagement and dialogue with the market and rating agencies.

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 15 as well as the Group's principal risks and uncertainties as set out on pages 16 to 22, 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 31 August 2022 and signed on its behalf by

Nick Folland
Director

DIRECTORS' REPORT

The profit/(loss) for the financial year, after taxation, amounts to £322.0m (last year £(253.1)m on a 52 week basis). The directors declared and paid interim dividends of £33.8m during 2021/22 (last year: £nil) and have not proposed a final dividend for 2021/22 (last year: £nil).

SHARE CAPITAL

The Company's issued ordinary share capital as at 2 April 2022 comprised a single class of ordinary share. Each share carries the right to one vote at general meetings of the Company.

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

SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

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

- The $300m US Notes issued by the Company to various institutions on 6 December 2007 under Section 144a of the US Securities Act contain an option such that, upon a change of control event, combined with a credit ratings downgrade, any holder of such a US Note may require the Company to prepay the principal amount of that US Note.
- The £850m Credit Agreement dated 13 December 2021 between the Company and various banks contains a provision such that, upon a change of control event, unless new terms are agreed within 60 days, the facility under this agreement will be cancelled with all outstanding amounts becoming immediately payable with interest.
- The amended and restated Relationship Agreement dated 6 October 2014 (originally dated 9 November 2004 as amended on 1 March 2005), between HSBC 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

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 2 April 2022 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 2 April 2022 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 the Executive Directors and the 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 27), 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 a number of the Ultimate Parent Group's Board and Remuneration Committee meetings throughout 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:** A new Colleague Voice programme was introduced this year, surveying colleagues bi-annually to give the Ultimate Parent Group's Board and ExCo an informed picture of how colleagues feel about working for the business. On the basis of feedback on development opportunities, and in support of an "internal first" approach to growing talent and improving diversity in the workforce, the Ultimate Parent Group's Board has supported the continued launch of long-form learning and leadership programmes, enhancing the personal and professional development of colleagues at all career stages.

- **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. Customer mood was monitored through a monthly survey of 1,000 customers to understand how customers are feeling so content and tone can be shaped across our communication channels. We also introduced this year our Voice of the Customer programme, to measure customer satisfaction and experience with short, targeted surveys across approximately 1.5 million touchpoints online and in store.
  - **Key Decisions:** The Ultimate Parent Group's Environmental, Social & Governance ("ESG") Committee reviewed customer insights and perceptions on M&S' sustainability credentials, to inform the Plan A reset and future strategic aims on sustainability. The Ultimate Parent Group's Board also agreed pricing strategies during three-year plan and budget discussions, to take account of customer impact amidst inflationary pressures and the energy price crisis.

- **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 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 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. The Ultimate Parent Group's Board has also considered how best to support suppliers in its three-year plan discussions, committing to mitigating cost pressures by absorbing inflationary impacts where possible, supporting smaller suppliers with access to supply chain finance and shorter payment terms, investing in local sourcing in the Food supply chain and considering near-shore manufacturing in Clothing & Home.

- **Partners:** Our 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. We worked closely with our global franchise partners during the year to support them through the various challenges that Covid-19 has created in their markets. The Ultimate Parent Group's Board has also considered and approved contract extensions with existing partners, as well as approving the launch of a new strategic partnership with Costa Coffee, supplying chilled and snacking M&S food in over 2,000 Costa stores.
  - **Key Decisions:** The Ultimate Parent Group's Board quickly discussed the impact on customers, colleagues and our Turkish franchise partner operating in both regions, FIBA, upon Russia's invasion of Ukraine. It was agreed that colleague welfare should be the priority and our partner should be engaged to ensure the safety of colleagues by any means necessary. All operations in Ukraine were suspended on 24 February 2022, while shipments to Russian stores were suspended on 3 March 2022. The Ultimate Parent Group's Board considered and ultimately agreed that, while FIBA's interests and our ongoing relationship would likely be jeopardised, ceasing trade in Russia was the right thing to do morally; negotiations with FIBA concluded in May 2022 to fully exit from Russia.

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 32 to 34 of the Ultimate Parent Group's Annual Report 2022.

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 32 to 34 of the Ultimate Parent Group's Annual Report 2022, examples of colleague involvement and engagement, and information on our approach to our workforce and culture, are highlighted on pages 26 to 29 and 63 to 64 of the Marks and Spencer Group plc Annual Report 2022.

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 2 April 2022, 15,442 colleagues were participating in ShareSave, the Company's Save As You Earn Scheme. Full details of all schemes are given on pages 154 to 156 of the Marks and Spencer Group plc Annual Report 2022.

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. In 2017, our inclusion and diversity targets were agreed as: aiming to have 50% female representation and 15% ethnic minority representation on the M&S senior management team by 2022. Unfortunately, these targets have not been achieved; in response we will maintain these as targets and through a review and re-set of our strategy and approach, we will ensure focus is given to gender representation, ethnicity and disability.

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 offer and the development of improved product and fabric in Clothing & Home. Further information is available on our corporate website: **marksandspencer.com/thecompany.**

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 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 4 April 2021 to 2 April 2022 to the Audit Committee on 12 May 2022. It was approved on 19 May 2022.

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 seven 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 six of them have been resolved or closed, with one issue remaining open. One additional Code reference made by a supplier before 4 April 2021 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 2021/22

Greenhouse gas ("GHG") emissions

	This year 2021/22 (000 tonnes)	Last year 2020/21 (000 tonnes)^^	% Change
Direct emissions (Scope 1)	174	157	11%
of which UK & ROI:	172	156	10%
Indirect emissions from purchased electricity (Scope 2)	140	141	-1%
of which UK & ROI:	124	129	-4%
Total gross location-based method Scope 1+2 GHG emissions	**314**	**298**	**5%**
of which UK & ROI:	296	285	4%
GHG intensity per 1,000 sq ft of salesfloor	**16**	**15**	**6%**
Procured renewable energy	124	120	3%
Total gross market-based method Scope 1+2 GHG emissions	**190**	**177**	**7%**
of which UK & ROI:	172	165	5%

^^GHG emissions (000 tCO2e) for 2020/21 have been restated to account for the Motherwell warehouse coming into M&S' boundary of operational control in 2021/22, since operations began at the site during 2020.

In 2021/22 operations were not impacted by national lockdowns in the way they had been in 2020/21. As a result, energy and fuel consumption increased this year, as compared to the previous year, by 6%, returning to similar levels of consumption as seen in 2019/20 (+4%). Location-based Scope 1 and 2 greenhouse gas emissions have gone up in line with the increase in energy consumption, but also reflecting a reported increase in emissions from refrigerant leakage, as maintenance of refrigerant systems and top-ups resumed this year following Covid-related disruption last year. Market-based Scope 1 and 2 emissions have increased by a smaller amount, due to a greater portion of electricity being purchased via a green tariff. Measures taken to improve energy efficiency throughout this year have included the installation of LED lighting in our International division, introduction of ISO 50001 in our Clothing and Home warehouses and improved metering in UK and ROI properties.

POLITICAL DONATIONS

The Company did not make any political donations or incur any political expenditure during the year ended 2 April 2022. 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 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 24.

Further information about the Ultimate Parent Group's corporate governance is provided in the Director's Report set out on pages 56-112 of the Group's Annual Report 2022, and in the Ultimate Parent Group's Corporate Governance Statement 2022 on the M&S corporate website (marksandspencer.com/thecompany).

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 Committee to determine its remuneration will be proposed at the 2022 AGM.

The Directors' Report was approved by a duly authorised committee of the Board of Directors on 31 August 2022 and signed on its behalf by

Nick Folland
Director
London

31 August 2022

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 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 2 April 2022 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 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 Company Statement of Financial Position;
- the Consolidated and Company Statements of Changes in Shareholders' Equity;
- the Consolidated and Company Statement of Cash Flows; and
- the related notes 1 to 30 and C1 to C25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the 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 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 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 Company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • impairment and impairment reversal of UK store assets; • accounting for the UK store estate programme; • inventory provisions for UK Clothing & Home; and • disclosure of adjusting items as part of alternative performance measures. Within this report, key audit matters are identified as follows: Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £25.0m (2021: £16.0m) which was determined on the basis of considering a number of different metrics used by investors and other readers of the financial statements. These included: • adjusted profit before tax; • earnings before interest, tax, depreciation and amortisation; and • revenue.
Scoping	We have performed a full-scope audit on the UK component of the business. Balances subject to full scope audit represent 95% (2021: 96%) of the Group's revenue, 90% (2021: 94%) of adjusted profit before tax, 88% (2021: 88% of loss before tax) of profit before tax, 72% (2021: 78%) of total assets and 77% (2021: 87%) of total liabilities. We perform analytical review procedures on the residual balances.
Significant changes in our approach	We have determined that the impairment of per una goodwill and the going concern basis of accounting are no longer key audit matters in the current period. These changes are discussed further in section 5.

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 Company's ability to continue to adopt the going concern basis of accounting included:

- obtained 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;
- obtained management's board-approved three-year cash flow forecasts and covenant compliance forecasts, including the sensitivity analyses;
- assessed 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 UK Government support such as indirect tax holidays and staff furlough;
  - reviewing correspondence relating to the availability of the Group's financing arrangements;
  - considering the results of the sensitivity analyses performed; and
- evaluating the Group's disclosures on going concern 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 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.

Changes in the current period relative to the prior period are as follows:

- Due to the recognition of an impairment in the prior period, the carrying amount of per una goodwill is below our materiality and, therefore, it does not represent a risk of material misstatement. We have therefore not identified the impairment of per una goodwill as a key audit matter. Goodwill is disclosed in note 13.
- In the prior period going concern was identified as a key audit matter as a response to the Covid-19 pandemic when there was uncertainty around the financial impact and the potential for restrictions to the Group's ability to trade from its physical stores. This uncertainty has reduced significantly and accordingly we have not identified the going concern basis of accounting as a key audit matter in the current period. Our conclusions relating to going concern are discussed in section 4.

5.1. Impairment and impairment reversal of UK store assets

Key audit matter description	As at 2 April 2022 the Group held £3,379.4 million (2021: £3,594.0 million) of UK store assets in respect of stores not considered for closure within the UK store estate programme. In accordance with IAS 36 Impairment of Assets, the Group has undertaken an annual assessment of indicators of impairment. An impairment charge of £6.9 million (2021: £66.4 million) and a reversal of previously recognised impairment charges of £63.4 million have been recognised as set out in notes 5 and 14 to the financial statements.

	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 & 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 note 1 and note 14). The key assumptions applied by management in the impairment reviews performed are: • future revenue growth and changes in gross margin; • long term growth rates; and • discount rates.
How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter we completed the following audit procedures: • obtained an understanding of relevant controls relating to the impairment review process; • 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 & Home and Food businesses and the performance of new stores; • assessed the mechanical accuracy of the impairment models and the methodology applied by management for consistency with the requirements of IAS 36; • assessed the appropriateness of forecast revenue and gross margin growth rates through comparison with external economic benchmarking data and with reference to historical forecasting accuracy; • assessed the appropriateness of the discount rates applied with the involvement of our internal valuations specialists and compared the rates applied with our internal benchmarking data; • evaluated the appropriateness and completeness of information included in the impairment model based on our cumulative knowledge of the business driven by our review of trading plans, strategic initiatives, minutes of property and investment committee meetings, and meetings with regional store managers and senior trading managers from key product categories, together with our wider retail industry knowledge; and • assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.
Key observations	We are satisfied that the judgements applied, impairment charges and reversals recorded and disclosures within the financial statements are appropriate.

5.2. Accounting for the UK store estate programme

Key audit matter description	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 £657.6 million. A further net charge of

	£161.4 million has been recognised in the current period as a result of: • an increase in the number of stores assessed as probable for closure and the update of estimates made in light of known developments in the exit strategy, *including current trading performance, negotiations with* landlords and changes in the retail property market; • depreciation of store assets where previously identified for closure, as they approach their planned closure dates; and • accelerated depreciation and impairment of buildings and fixtures and fittings in respect of additional stores added to the programme. Further information is set out in notes 1 and 5 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.
How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter we completed the following audit procedures: • obtained an understanding of relevant controls relating to the review and approval of the Group's UK store exit model; • performed enquiries of management and inspected the latest strategic plans, Board and relevant sub-committee minutes of meetings; • 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; • with the involvement of our internal real estate specialists, we evaluated the appropriateness of management's judgements for a representative sample of properties and benchmark with reference to external data; • assessed the mechanical accuracy of discounted cash flow models and other key provision calculations; • assessed the integrity of key inputs to the discounted cash flow models including the discount rate, store closure costs, freehold sale proceeds, leasehold surrender costs, expected sublet income, sublet lease incentives and void periods with reference to available evidence; • recalculated the closing provision for a representative sample of stores; • evaluated the accuracy and completeness of provisions recorded in light of the status of the Group's UK store estate plan; and • assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.
Key observations	We are satisfied that the Group's estimate of the impairments and store exit charges and the associated disclosures are appropriate.

5.3. Inventory provisions for UK Clothing & Home

Key audit matter description	As at 2 April 2022, the Group held UK Clothing & Home inventories of £458.6 million (2021: £430.6 million), inclusive of a provision of £48.3 million (2021: £78.2 million).

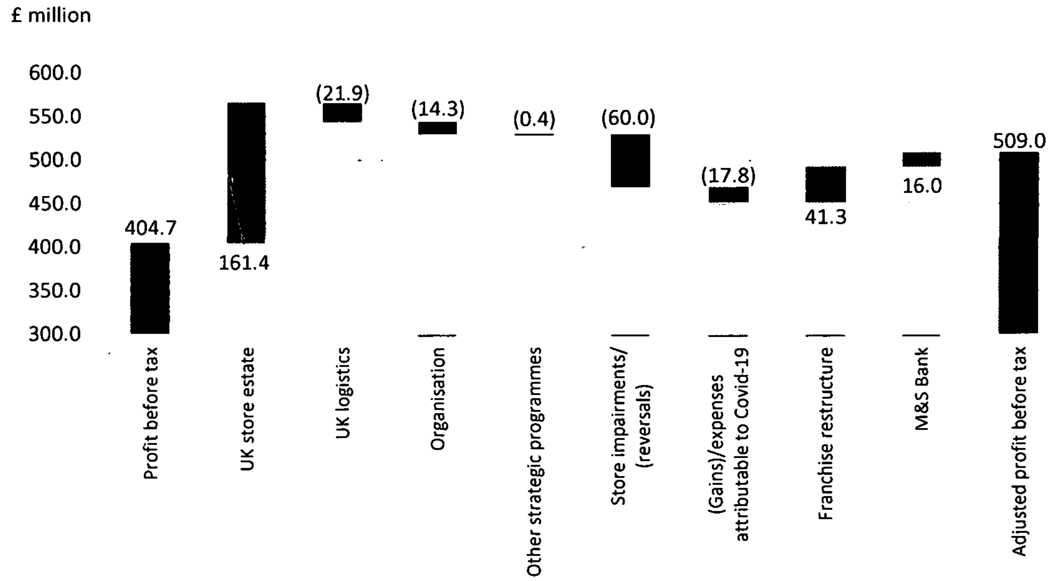
	In 2020 the Group recognised an inventory write-down of £157.0 million (of which £145.3 million related to UK Clothing & Home inventory) which was included within the Group's directly attributable gains/(expenses) resulting from the Covid-19 pandemic adjusting item. In the prior period the Group recorded a net reversal of the inventory impairment of £90.8 million (£101.6 million relating to UK Clothing & Home inventory). In this period the Group has reversed or utilised the remaining Covid-19 provision of £18.6 million that was originally recorded and presented within adjusting items. 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 & 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. Management has described its methodology for the calculation of the inventory provision in notes 1 and 5.
How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter we completed the following audit procedures: • obtained an understanding of relevant controls relating to inventory management and the review and approval of the inventory provision; • assessed the validity, accuracy and completeness of the information used by management in computing the provision; • assessed the mechanical accuracy and logic of the models underpinning the provision; • understood the changes in the provisioning methodology and challenged the appropriateness thereof; • challenged and validated the key assumptions applied by management in estimating the provision, by performing enquiries of buyers and merchandisers, considering the current purchasing strategy and ranging plans, 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 provision for UK Clothing & Home is appropriate. We believe the disclosures made around the level of uncertainty appropriately reflect reasonably possible future changes to management's estimates.

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 adjusted profit before tax of £509.0 million (2021: loss before tax of £28.1 million), which is derived from statutory profit before tax of £404.7 million (2021: loss before tax of £266.8 million) adjusted for a number of items totalling £104.3 million (2021: £238.7 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 adjusted profit before tax, 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.

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

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

- obtained an understanding of relevant controls, relating to the identification and disclosure of adjusting items within alternative performance measures;
- performed enquiries of 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;
- assessed the identification and consistency of items reported as adjusting period on period, with reference to guidance published by ESMA and the FRC;
- performed tests over a representative sample of adjusting items through agreement to supporting evidence;

	• 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; • considered the impact of adjusting items on the directors' remuneration targets to determine whether any increased fraud risk factor existed based on actual results for the period; and • assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRSs.
Key observations	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	**Company financial statements**
Materiality	£25.0 million (2021: £16.0 million)	£22.5 million (2021: £15.2 million)
Basis for determining materiality	We considered the following metrics in the current and prior period: • Adjusted profit before tax • Earnings before interest, tax, depreciation and amortisation ('EBITDA') • Revenue Using professional judgement, we determined materiality to be £25.0m.	We considered the following metrics in the current and prior period: • Adjusted profit before tax • 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. Group materiality represents: Metric: % Adjusted profit before tax: 4.9 EBITDA: 2.3 Revenue: 0.2	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 Company's result in the Group financial statements.

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	Company financial statements
Performance materiality	65% (2021: 60%) of Group materiality	65% (2021: 60%) of Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our cumulative knowledge of the Group and its environment, including industry specific trends; • the change in the level of judgement required in key accounting estimates; • reliability on internal control over financial reporting; • the level of change to the business in the period; • the stability in key management personnel; • the level of centralisation in the Group's financial reporting controls and processes; and • the level of misstatements identified in prior periods. Our performance materiality percentage has increased from 60% to 65% of materiality due to the reduction in the level of uncertainty caused by Covid-19.	

6.3. Error reporting threshold

We agreed with the Directors that we would report to them all audit differences in excess of £1.3 million (2021: £0.8 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.

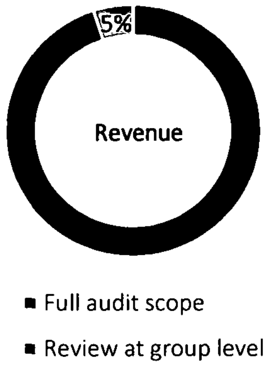
7. An overview of the scope of our audit

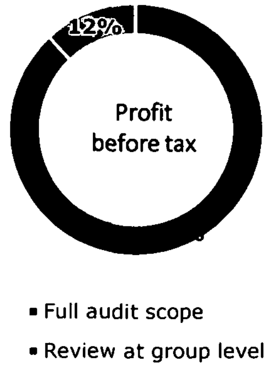
7.1. Identification and scoping of components

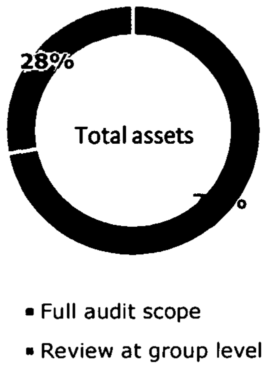
Our audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level.

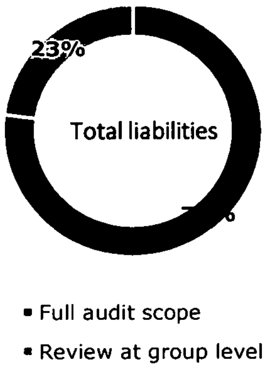
Components were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified. Based on our assessment we have focused our audit on the UK business which was subject to full audit procedures. We have performed our full audit scope of the UK component using a materiality of £22.5 million (or 90% of Group materiality) (2021: £15.2 million).

We have also tested the consolidation process and carried out analytical procedures in forming our conclusion that there were no significant risks of material misstatement remaining in the consolidated financial information arising from the components not subject to a full audit.









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 focusses on the impact on property and two of the Group's key resources: animal 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 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.

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

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

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, internal audit and the Marks and Spencer Group plc ("M&S Group Plc") Audit Committee about their own identification and assessment of the risks of irregularities;
- 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 judgment, 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 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 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 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 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 8 periods, covering the periods ending 28 March 2015 to 2 April 2022.

14.2. Consistency of the audit report with the additional report to the audit committee

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

15. Use of our report

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

R. Muschamp.

Richard Muschamp FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

31 August 2022

Consolidated income statement

	Notes	52 weeks ended 2 April 2022 Total £m	53 weeks ended 3 April 2021 Total £m
Revenue	2, 3	**10,885.1**	9,155.7
Operating profit/(loss)	2, 3, 5	**590.8**	(94.9)
Finance income	5, 6	**28.3**	57.4
Finance costs	5, 6	**(214.4)**	(229.3)
Profit/(loss) before tax	4, 5	**404.7**	(266.8)
Income tax (expense)/credit	7	**(81.6)**	6.9
Profit/(loss) for the year		**323.1**	(259.9)
Attributable to:			
Owners of the parent		**320.7**	(256.7)
Non-controlling interests		**2.4**	(3.2)
		323.1	(259.9)

Reconciliation of profit/(loss) before tax and adjusting items:

	Notes	2022 £m	2021 £m
Profit/(loss) before tax		**404.7**	(266.8)
Adjusting items	5	**104.3**	238.7
Profit/(loss) before tax and adjusting items – non-GAAP measure		**509.0**	(28.1)

Consolidated statement of comprehensive income

	Notes	52 weeks ended 2 April 2022 £m	53 weeks ended 3 April 2021 £m
Profit/(loss) for the year		**323.1**	(259.9)
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit schemes	10	**357.0**	(1,352.0)
Tax (charge)/credit on retirement benefit schemes		**(127.6)**	256.5
Loss on disposal of investment held at fair value through other comprehensive income ("FVOCI")		**(3.7)**	-
		225.7	(1,095.5)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences			
- movements recognised in other comprehensive income		**(13.5)**	(27.7)
- reclassified and reported in profit or loss		**(0.5)**	3.7
Cash flow hedges			
- fair value movements recognised in other comprehensive income	20	**91.3**	(215.5)
- reclassified and reported in profit or loss	20	**(10.5)**	26.5
Tax (charge)/credit on cash flow hedges		**(14.7)**	37.0
		52.1	(176.0)
Other comprehensive income/(expense) for the year, net of tax		**277.8**	(1,271.5)
Total comprehensive income/(expense) for the year		**600.9**	(1,531.4)
Attributable to:			
Owners of the parent		**598.5**	(1,528.2)
Non-controlling interests		**2.4**	(3.2)
		600.9	(1,531.4)

Marks and Spencer plc

Consolidated statement of financial position

	Notes	As at 2 April 2022 £m	As at 3 April 2021 £m
Assets			
Non-current assets			
Intangible assets	13	**192.5**	232.0
Property, plant and equipment	14	**4,902.3**	5,058.6
Investment property		**15.0**	15.2
Investments in joint ventures and associates		**10.5**	6.8
Other financial assets	15	**2,546.1**	2,552.3
Retirement benefit asset	10	**1,043.9**	639.2
Trade and other receivables	16	**270.6**	261.4
Derivative financial instruments	20	**21.4**	0.3
		9,002.3	8,765.8
Current assets			
Inventories	5	**706.1**	624.6
Other financial assets	15	**17.6**	18.4
Trade and other receivables	16	**217.1**	209.6
Derivative financial instruments	20	**43.6**	32.8
Current tax assets		**-**	34.1
Cash and cash equivalents	17	**1,197.9**	674.4
		2,182.3	1,593.9
Total assets		**11,184.6**	10,359.7
Liabilities			
Current liabilities			
Trade and other payables	18	**1,966.6**	1,569.8
Partnership liability to the Marks & Spencer UK Pension Scheme	11	**71.9**	124.9
Borrowings and other financial liabilities	19	**247.2**	432.8
Derivative financial instruments	20	**3.2**	96.0
Provisions	21	**53.6**	43.1
Current tax liabilities		**32.9**	-
		2,375.4	2,266.6
Non-current liabilities			
Retirement benefit deficit	10	**5.7**	7.8
Trade and other payables	18	**15.6**	13.9
Partnership liability to the Marks & Spencer UK Pension Scheme	11	**120.4**	68.6
Borrowings and other financial liabilities	19	**3,561.0**	3,659.9
Derivative financial instruments	20	**0.4**	10.7
Provisions	21	**91.8**	74.2
Deferred tax liabilities	22	**187.2**	42.3
		3,982.1	3,877.4
Total liabilities		**6,357.5**	6,144.0
Net assets		**4,827.1**	4,215.7
Equity			
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	**17.6**	(54.8)
Cost of hedging reserve	20	**3.6**	4.6
Foreign exchange reserve		**(73.9)**	(59.9)
Retained earnings		**3,769.0**	3,216.4
Equity attributable to owners of the parent		**4,822.9**	4,212.9
Non-controlling interests		**4.2**	2.8
Total equity		**4,827.1**	4,215.7

The financial statements were approved by the Board and authorised for issue on 31 August 2022. The financial statements also comprise notes 1 to 30.

Eoin Tonge, 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[1] £m	Total £m	Non-controlling interest £m	Total £m
As at 29 March 2020	**712.5**	**386.1**	**8.0**	**68.6**	**5.7**	**(35.9)**	**4,548.5**	**5,693.5**	**6.0**	**5,699.5**
Loss for the year	-	-	-	-	-	-	(256.7)	(256.7)	(3.2)	(259.9)
Other comprehensive (expense)/income:										
Foreign currency translation										
- movements recognised in other comprehensive income	-	-	-	-	-	(27.7)	-	(27.7)	-	(27.7)
- reclassified and reported in profit or loss	-	-	-	-	-	3.7	-	3.7	-	3.7
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	(1,352.0)	(1,352.0)	-	(1,352.0)
Tax credit on retirement benefit schemes	-	-	-	-	-	-	256.5	256.5	-	256.5
Cash flow hedges										
- fair value movement in other comprehensive income	-	-	-	(214.2)	(1.3)	-	-	(215.5)	-	(215.5)
- reclassified and reported in profit or loss	-	-	-	26.5	-	-	-	26.5	-	26.5
Tax on cash flow hedges	-	-	-	36.8	0.2	-	-	37.0	-	37.0
Other comprehensive (expense)/income	-	-	-	**(150.9)**	**(1.1)**	**(24.0)**	**(1,095.5)**	**(1,271.5)**	-	**(1,271.5)**
Total comprehensive (expense)/income	-	-	-	**(150.9)**	**(1.1)**	**(24.0)**	**(1,352.2)**	**(1,528.2)**	**(3.2)**	**(1,531.4)**
Cash flow hedges recognised in inventories	-	-	-	33.9	-	-	-	33.9	-	33.9
Tax on cash flow hedges recognised in inventories	-	-	-	(6.4)	-	-	-	(6.4)	-	(6.4)
Transactions with owners:										
Purchase of own shares held by employee trusts	-	-	-	-	-	-	(3.2)	(3.2)	-	(3.2)
Credit for share-based payments	-	-	-	-	-	-	19.3	19.3	-	19.3
Deferred tax on share schemes	-	-	-	-	-	-	4.0	4.0	-	4.0
As at 3 April 2021	**712.5**	**386.1**	**8.0**	**(54.8)**	**4.6**	**(59.9)**	**3,216.4**	**4,212.9**	**2.8**	**4,215.7**
As at 4 April 2021	**712.5**	**386.1**	**8.0**	**(54.8)**	**4.6**	**(59.9)**	**3,216.4**	**4,212.9**	**2.8**	**4,215.7**
Profit for the year	-	-	-	-	-	-	320.7	320.7	2.4	323.1
Other comprehensive income/(expense):										
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 credit on retirement benefit schemes	-	-	-	-	-	-	(127.6)	(127.6)	-	(127.6)
Loss on disposal of investments held at FVOCI	-	-	-	-	-	-	(3.7)	(3.7)	-	(3.7)
Cash flow hedges										
- 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)
Other comprehensive income/(expense)	-	-	-	**67.1**	**(1.0)**	**(14.0)**	**225.7**	**277.8**	-	**277.8**
Total comprehensive income/(expense)	-	-	-	**67.1**	**(1.0)**	**(14.0)**	**546.4**	**598.5**	**2.4**	**600.9**
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)
Transactions with owners:										
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
As at 2 April 2022	**712.5**	**386.1**	**8.0**	**17.6**	**3.6**	**(73.9)**	**3,769.0**	**4,822.9**	**4.2**	**4,827.1**

[1]Included within Retained earnings is the fair value through other comprehensive income reserve.

Consolidated statement of cash flows

	Notes	52 weeks ended 2 April 2022 £m	53 weeks ended 3 April 2021 £m
Cash flows from operating activities			
Cash generated from operations	25	**1,385.7**	876.7
Income tax paid		**(7.7)**	(5.8)
Net cash inflow from operating activities		**1,378.0**	870.9
Cash flows from investing activities			
Proceeds on property disposals		**43.9**	2.9
Purchase of property, plant and equipment		**(192.8)**	(158.9)
Purchase of intangible assets		**(64.6)**	(47.8)
Sale/(purchase) of current financial assets		**0.8**	(6.7)
Purchase of non-current financial assets		**(3.3)**	-
Proceeds on disposal of non-current financial assets		**5.2**	-
Purchase of investments in associates and joint ventures[1]		**(4.0)**	(2.5)
Acquisition of subsidiary, net of cash acquired[2]		**(4.5)**	-
Loans to related parties		**(1.0)**	-
Interest received		**8.4**	9.2
Net cash used in investing activities		**(211.9)**	(203.8)
Cash flows from financing activities			
Interest paid[3]		**(216.6)**	(219.3)
Issuance of Medium Term Notes		**-**	300.0
Redemption of Medium Term Notes		**(163.6)**	(136.4)
Repayment of lease liabilities		**(216.0)**	(184.3)
Payment of liability to the Marks & Spencer UK Pension Scheme		**-**	(17.2)
Equity dividends paid	8	**(33.8)**	-
Purchase of Marks and Spencer Group plc shares by employee trust		**-**	(0.8)
Cash received from settlement of derivatives		**-**	14.0
Movement in parent company and fellow subsidiaries of the parent company loans		**0.3**	11.2
Net cash used in financing activities		**(629.7)**	(232.8)
Net cash inflow from activities		**536.4**	434.3
Effects of exchange rate changes		**(8.2)**	(3.3)
Opening net cash		**669.7**	238.7
Closing net cash	26	**1,197.9**	669.7

[1]Current year relates to £4.0m outflow on the acquisition of 27% of the issued share capital of Nobody's Child Limited. Last year relates to outflow of £2.5m in relation to Founders Factory Retail Limited.
[2]£4.5m outflow on the acquisition of 77.7% of the issued share capital of The Sports Edit Limited.
[3]Includes interest paid on the Partnership liability to the Marks & Spencer UK Pension Scheme of £nil (last year: £6.4m) and interest paid on lease liabilities of £128.3m (last year: £132.3m).

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 2 April 2022 (last year: 53 weeks ended 3 April 2021) in accordance with UK-adopted International Accounting Standards and 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 15, the financial position of the Group, its cash flows, liquidity position and borrowing facilities as set out in the Financial Review on pages 6 to 15, 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 16 and 22.

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 2 April 2022, the Group had available liquidity of £2,072.9m, comprising cash and cash equivalents of £1,197.9m, an undrawn committed syndicated bank revolving credit facility ("RCF") of £850.0m (set to mature in June 2025), and undrawn uncommitted facilities amounting to £25.0m. The Group's net debt at 2 April 2022 was £2,698.8m, a reduction of £817.1m since 3 April 2021, primarily driven by strong free cash flow generation.

The Group successfully renegotiated its RCF in December 2021, which is set to run until June 2025, and replaces the facility which was due to mature in April 2023. The new 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 semi-annually.

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 2022/23 and 2023/24 (following the impacts of the Covid-19 pandemic, the unfolding humanitarian crisis following the invasion of Ukraine and the subsequent sharp increases in the cost of living), resulting in a decline in sales of 4.0% per annum, across all three business units.
- Utilities, fuel and other costs increasing by over £50m across 2022/23 and 2023/24.
- A delay on transformation benefits results in incremental sales expected from the transformation declining by 10%, 20% and 40% respectively across the three-year period across both Food and Clothing & Home business units.

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

In addition, reverse stress testing has been applied to the model, which represents a significant decline in sales compared to the downside scenario. Such a scenario, and the sequence of events which could lead to it, is considered to be remote.

As a result, the Board expects the Group to have adequate resources to continue in operation, meet its liabilities as they fall due, retain sufficient available cash and no 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 4 April 2021:

- Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2.

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:

- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- 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
- 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: like-for-like revenue growth; operating profit before adjusting items; profit before tax and adjusting items; net debt; net debt excluding lease liabilities; and free cash flow. Each of these APMs, and others used by the Group, are 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 to the financial statement line item or applicable disclosure note 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 2 April 2022:

- 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 recognized in operating profit before adjusting items where they relate to stores not previously impaired.
- 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.

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.

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 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 25 – 50 years.
- Fixtures, fittings and equipment – 3 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 and credit card payments received within 48 hours. Bank transactions are recorded on their settlement date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Note	Measurement
Financial assets:		
Other investments	15	FVTPL[1]
Unlisted equity investments	15	FVOCI[2]
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
Financial liabilities:		
Borrowings and overdrafts	19	Amortised cost
Trade payables	18	Amortised cost
Other payables	18	Amortised cost
Accruals	18	Amortised cost
Lease liabilities	19	Amortised cost
Derivative financial instruments	20	FVTPL

[1]Fair value through profit or loss
[2]Fair value through other comprehensive income

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 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 investments in unlisted equity securities, loans receivable, venture capital investments and short-term investments with a maturity date of over 90 days and are classified as either fair value through other comprehensive income ("FVOCI") or fair value through profit and loss ("FVTPL"). Financial assets held at FVOCI are initially measured at fair value, including transaction costs directly attributable to the acquisition of the financial asset. Financial assets held at FVTPL are initially recognised at fair value and transaction costs are expensed.

For equity investments at FVOCI, gains or losses arising from changes in fair value are recognised in other comprehensive income until the security is disposed of, at which time the cumulative gain or loss previously recognised in other comprehensive income and accumulated in the FVOCI reserve is transferred to retained earnings.

The Group designated all non-listed equity investments not held for trading as FVOCI on initial recognition because the Group intends to hold them for long-term strategic purposes.

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI are measured at 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 interest rate swaps, 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.

In 2019/20, the Group early adopted the Phase 1 amendments *Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7*. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms. The application of the amendments impacts the Group's accounting in relation to a sterling denominated fixed rate debt, for which it fair value hedge accounts using sterling fixed to GBP LIBOR interest rate swaps. The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate, GBP LIBOR, may no longer be separately identifiable. However, this relief does not extend to the requirement that the designated interest rate risk component must continue to be reliably measurable. If the risk component is no longer reliably measurable, the hedging relationship is discontinued.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 which was issued in August 2020. These amendments are mandatory for annual reporting periods beginning on or after 1 January 2021. While the Group no longer holds any fair value hedge relationships, these amendments allow the Group to retain any balances from discontinued IBOR linked hedge relationships on the balance sheet as these are now deemed to be based on the replacement rate.

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 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 2 April 2022. 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 £1,043.9m 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 are initially hedged, approximately 15 months prior to a season, 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

Climate change is a global challenge and an emerging risk to businesses, people and the environment across the world. Although commitments we have made to date form part of the cash flow projections within our going concern and impairment assessments, the impact of climate change is not judged to have been a key driver in determining the outcomes of these exercises and is therefore not currently classified as a key source of estimation uncertainty. The Group will continue to review this classification as the assessment of the impacts, risks and opportunities presented by climate change and the Group's commitments to address the challenges presented evolve over the coming years.

UK store estate programme

The Group is undertaking a significant strategic programme to review its UK store estate resulting in a net charge of £161.4m (last year: £95.3m) in the year. A significant level of estimation has been used to determine the charges to be recognised in the year. The most significant 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:

- 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.

Useful lives and residual values of property, plant and equipment and intangibles

Depreciation and amortisation are provided to write down the cost of property, plant and equipment and certain intangibles to their estimated residual values over their estimated useful lives, as set out above. The selection of the residual values and useful lives gives rise to estimation uncertainty, especially in the context of changing economic and market factors, the channel shift from stores to online, increasing technological advancement and the Group's ongoing strategic transformation programmes. The useful lives of property, plant and equipment and intangibles are reviewed by management annually. See notes 13 and 14 for further details. Refer to the UK store estate programme section above for specific sources of estimation uncertainty in relation to the useful lives of property, plant and equipment for stores identified as part of the UK store estate programme. Due to the nature of the Group's property, plant and equipment, it is not practicable to provide a meaningful sensitivity analysis.

Impairment of property, plant and equipment and intangibles
Property, plant and equipment and computer software intangibles are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and indefinite life brands are reviewed for impairment on an annual basis. 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 notes 13 and 14 for further details on the Group's assumptions and associated sensitivities.

The assumption that cash flows continue into perpetuity (with the exception of stores identified as part of the UK store estate programme) is a source of significant estimation uncertainty. A future change to the assumption of trading into perpetuity for any Cash-Generating Unit (CGU) would result in a reassessment of useful economic lives and residual value and could give rise to a significant impairment of property, plant and equipment and intangibles, particularly where the store carrying value exceeds fair value less cost to sell. Due to the nature of the Group's property, plant and equipment, it is not practicable to provide a meaningful sensitivity analysis for this source of estimation uncertainty.

Inventory provisioning
The Group assesses the recoverability of inventories by applying assumptions around the future saleability and estimated selling prices of items.

At 2 April 2022, the Group had recognised a total UK Clothing & Home inventory provision of £48.3m (last year: £78.2m), which included £nil (last year: £24.2m) relating specifically to the estimated impact of the Covid-19 pandemic. During 2021/22, UK Clothing & Home performance has been strong, with better-than-expected sell-through of inventory originally provided for and the Group has updated its assumptions regarding future trading performance. After utilising £10.2m of these provisions in the period, the Group has released the remaining £14.0m, resulting in no UK Clothing & Home inventory provisions in relation to Covid-19 remaining on the balance sheet at 2 April 2022. See note 5 for further details on the 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.

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 2 April 2022					53 weeks ended 3 April 2021				
	UK Clothing & Home	UK Food	International	All other segments	Group	UK Clothing & Home	UK Food	International	All other segments	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sales before adjusting items[1]	3,332.2	6,639.6	937.2	-	10,909.0	2,239.0	6,138.5	789.4	-	9,166.9
Revenue before adjusting items[2]	3,308.3	6,639.6	937.2	-	10,885.1	2,239.0	6,138.5	789.4	-	9,166.9
Operating profit/(loss) before adjusting items[3]	330.7	277.8	73.6	13.0	695.1	(130.8)	228.6	44.1	1.9	143.8
Finance income before adjusting items					28.3					57.4
Finance costs before adjusting items					(214.4)					(229.3)
Profit/(loss) before tax and adjusting items	330.7	277.8	73.6	13.0	509.0	(130.8)	228.6	44.1	1.9	(28.1)
Adjusting items					(104.3)					(238.7)
Profit/(loss) before tax	330.7	277.8	73.6	13.0	404.7	(130.8)	228.6	44.1	1.9	(266.8)

[1] Sales before adjusting items is revenue before adjusting items stated prior to adjustments for UK Clothing & Home brand consignment sales of £23.9m.
[2] Revenue is stated prior to adjusting items of £nil (last full year: £11.2m) (see note 5).
[3] Operating profit/(loss) before adjusting items is stated as gross profit less operating costs prior to adjusting items. Reportable segment level costs are allocated where directly attributable or based on an appropriate cost driver for the cost.

	52 weeks ended 2 April 2022					53 weeks ended 3 April 2021				
	UK Clothing & Home	UK Food	International	All other segments	Group	UK Clothing & Home	UK Food	International	All other segments	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Additions to property, plant and equipment, and intangible assets (excluding goodwill and right-of-use assets)	139.2	163.7	18.5	-	321.4	50.5	105.0	6.8	-	162.3
Depreciation and amortisation[1,2]	(268.1)	(248.8)	(35.0)	-	(551.9)	(312.3)	(259.4)	(25.1)	-	(596.8)
Impairment charges, impairment reversals and asset write-offs[1]	(37.2)	10.7	(8.0)	-	(34.5)	(155.1)	(34.9)	(4.7)	-	(194.7)

[1] These costs are allocated to a reportable segment where they are directly attributable. Where costs are not directly attributable, a proportional allocation is made to each segment based on an appropriate cost driver.
[2] Includes £0.2m (last year: £0.3m) depreciation charged 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

	2022 Total £m	2021 Total £m
Revenue	**10,885.1**	9,155.7
Cost of sales	**(7,130.3)**	(6,244.1)
Gross profit	**3,754.8**	2,911.6
Selling and administrative expenses	**(3,244.1)**	(3,018.9)
Other operating income	**80.1**	12.4
Operating profit /(loss)	**590.8**	(94.9)

The figures above include £104.3m (last year: £238.7m) adjusting item charges within operating profit/(loss) (see note 5). These are further analysed against the categories of revenue (£nil; last year: £11.2m), cost of sales (£17.0m gain; last year: £86.3m gain), selling and administrative expenses (£155.9m; last year: £313.8m) and other operating income (£34.6m; last year: £nil).

The selling and administrative expenses are further analysed below:

	2022 Total £m	2021 Total £m
Employee costs[1,2]	**1,420.6**	1,339.1
Occupancy costs	**344.3**	223.9
Repairs, renewals and maintenance of property	**122.2**	95.8
Depreciation, amortisation and asset impairments and write-offs[3]	**586.4**	791.7
Other costs[4]	**770.6**	568.4
Selling and administrative expenses	**3,244.1**	3,018.9

[1] There are an additional £65.1m (last year: £68.8m) employee costs recorded within cost of sales. These costs are included within the aggregate remuneration disclosures in note 10A.
[2] Last year included furlough income (see note 28).
[3] Includes £0.2m (last year: £0.3m) depreciation charged on investment property.
[4] Includes costs such as logistics, IT, marketing and sundry costs.

Adjusting items categorised as selling and administrative expenses are further analysed as: employee costs of £0.1m (last year: £100.4m); occupancy costs £5.9m (last year: £6.1m); depreciation, amortisation and asset impairments/reversals and write-offs £64.9m (last year: £188.6m); and other costs £85.0m (last year: £18.7m).

4 Profit/(loss) before taxation

The following items have been included in arriving at profit/(loss) before taxation:

	2022 £m	2021 £m
Net foreign exchange (gains)/losses	**(14.5)**	2.9
Cost of inventories recognised as an expense	**6,086.3**	5,427.6
Write-down of inventories recognised as an expense	**197.6**	117.0
Depreciation of property, plant and equipment[1]		
- owned assets	**290.5**	312.1
- right-of-use assets	**167.8**	153.1
Amortisation of intangible assets	**93.6**	131.6
Impairments and write-offs of intangible assets and property, plant and equipment	**100.1**	252.0
Impairment reversals of property, plant and equipment	**(62.1)**	(73.1)
Impairments of right-of-use assets	**25.4**	52.7
Impairment reversals of right-of-use assets	**(28.9)**	(36.9)

[1] Includes £0.2m (last year: £0.3m) depreciation 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:

	2022 £m	2021 £m
Annual audit of the Company and the consolidated financial statements	**1.7**	1.6
Audit of subsidiary companies	**0.6**	0.6
Total audit fees	**2.3**	2.2
Audit-related assurance services	**0.2**	0.2
Total non-audit services fees	**0.2**	0.2
Total audit and non-audit services	**2.5**	2.4

5 Adjusting items

The total adjusting items reported for the 52-week period ended 2 April 2022 is a net charge of £104.3m (last year: £238.7m). The adjustments made to reported profit/(loss) before tax to arrive at adjusted profit/(loss) are:

	Notes	**2022 £m**	2021 £m
Included in revenue			
Sparks loyalty programme transition		-	(11.2)
		-	(11.2)
Included in operating profit			
Strategic programmes - UK store estate	14, 21	**(161.4)**	(95.3)
Strategic programmes - UK logistics	14, 21	**21.9**	(2.2)
Strategic programmes - Organisation	14, 21	**14.3**	(133.7)
Strategic programmes - International store closures and impairments	21	**0.4**	(3.6)
Store impairments, impairment reversals and other property charges	14, 21	**60.0**	6.9
Directly attributable gains resulting from the Covid-19 pandemic		**17.8**	90.8
M&S Bank charges incurred in relation to insurance mis-selling provisions		**(16.0)**	(2.4)
Franchise restructure		**(41.3)**	-
Intangible asset impairments	13	-	(79.9)
Sparks loyalty programme transition		-	(5.4)
Establishing the investment in Ocado Retail Limited		-	(1.7)
GMP and other pension equalisation	10	-	(1.0)
		(104.3)	(227.5)
Adjustments to profit before tax		**(104.3)**	(238.7)

Strategic programmes - UK store estate (£161.4m)

In November 2016, the Group announced a strategic programme to transform the UK store estate with the overall objective to improve our store estate to better meet our customers' needs. The Group incurred charges of £657.6m up to April 2021 under this programme primarily relating to closure costs associated with stores identified as part of the strategic transformation plans.

During 2020/21, the Group experienced a significant channel shift from stores to online due to the pandemic, accelerating the Group's ambition to achieve a Clothing & Home online sales mix of at least 40% over the next three years. This acceleration in channel shift required the Group to revise the UK store estate strategic programme to ensure the estate continued to meet customers' needs.

The Group has recognised a charge of £161.4m in the period in relation to those stores identified as part of the rotation plans. The charge primarily reflects a revised view of latest store closure plans and 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 latest approved exit routes.

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

Following the latest review at 2 April 2022, the total closure programme now consists of 204 stores, 100 of which have already closed. Further charges of c.£200m are estimated within the next nine financial years, bringing anticipated total programme costs since 2016 to c.£1bn, vs c.£926m last year. In addition, where store exit routes in the next nine 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.

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 anticipated total programme costs do not include any costs that may arise in relation to a further c.30 stores currently under consideration for closure within the next nine 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.

Strategic programmes – UK logistics (£21.9m credit)

In 2017/18, as part of the previously announced long-term strategic programme to transition to a single-tier UK distribution network, the Group announced the opening of a new Clothing & Home distribution centre in Welham Green. 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. A net credit of £21.9m has been recognised in the period, reflecting the gain on disposal of distributions centres and an updated view of estimated closure costs. Total programme costs to date are £17.9m with further net charges of £43.3m expected over the next three financial years.

These net credits 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.

Strategic programmes – Organisation (£14.3m credit)

During 2020/21, the Group announced a commitment to integrate more flexible management structures into store operations as well as streamline the business at store and management level in the UK and Republic of Ireland as part of the 'Never the Same Again' transformation. The changes resulted in a reduction of c.8,200 roles across central support centres, regional management and stores. A credit of £2.4m has been recognised in the period based on the finalisation of redundancy costs associated with these changes. No provision remains at the year end and there are no further charges anticipated.

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 previous years, an impairment charge of £11.9m was recognised in relation to the sublet of previously closed offices. In the period, this impairment charge has been fully reversed with a credit of £11.9m recognised. 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.£86m. Any future charges will relate to the updating of assumptions and market fluctuations over the life of the sublet lease.

These credits are reported as adjusting items on the basis that they are consistent with the disclosure of costs previously recognised.

Strategic programmes – International store closures and impairments (£0.4m credit)

In 2016/17, the Group announced its intention to close owned stores in 10 international markets. A credit of £0.4m (last year: charge of £3.6m) has been recognised in the year, reflecting an updated view of the estimated final closure costs for certain markets and those costs which can only be recognised as incurred, taking the programme net cost to date to £148.2m.

The net credit is considered to be an adjusting item as it is part of a strategic programme which, over the six years of net charges, has been significant in both quantum and nature to the results of the Group. No further significant charges are expected.

Directly attributable gains resulting from the Covid-19 pandemic (£17.8m credit)

In March 2020, following the onset of the Covid-19 global pandemic and subsequent UK government restrictions, the Group sustained significant disruption to its operations. In response to the uncertainty resulting from the pandemic, coupled with the fast-paced changes taking place across the retail sector, the Board approved a Covid-19 scenario to reflect management's best estimate of the significant volatility and business disruption expected as a result of the ongoing pandemic.

The pandemic continued to impact the Group throughout 2020/21 and it became increasingly more difficult to differentiate Covid-19 items from costs that supported the underlying performance of the business. In addition, the estimated timeframe over which these effects may have impacted the business increased. As a result, the Group took the decision in the interim 2020/21 results to only include changes in estimates to items that were included in adjusting items in 2019/20, in this case relating to the inventory provision and bad debt provision.

Included within directly attributable expenses resulting from the Covid-19 pandemic of £163.6m at 2019/20, was an incremental write-down of inventory to net realisable value of £157.0m (UK Clothing & Home: £145.3m; UK Food: £6.0m; and International: £5.7m), reflecting management's best estimate of the impact on the Group of the Covid-19 pandemic. Accordingly, of the total £204.8m inventory provision, £157.0m was recognised in adjusting items and £47.8m in the underlying results. The total remaining provision held as at 3 April 2021 was £36.7m.

Included within the UK Clothing & Home provision last year was an incremental write-down of inventory to net realisable value of £18.6m reflecting management's best estimate of the impact of the Covid-19 pandemic on UK Clothing & Home inventory as at 3 April 2021. During 2021/22, UK Clothing & Home performance has been strong, with better-than-expected sell-through of stock originally provided for. During the year, £10.2m of the Covid-19 provision has been utilised, and there has been a release of £14.0m recognised in adjusting items. No UK Clothing & Home inventory provisions in relation to Covid-19 remain on the balance sheet at 2021/22. Similarly, following better-than-expected sell-through of inventory previously provided for in the International markets, there has been a release of £0.8m of the Covid-19 inventory provisions during 2021/22. No International Covid-19 stock provisions remain on the balance sheet at 2021/22. During the year, of the UK Food provision against excess slow-moving personal protective equipment, committed to during the peak of the first Covid-19 lockdown and incurred directly in response to the Covid-19 pandemic, £3.0m has been utilised and £2.2m released. A provision of £5.6m remains on the balance sheet at 2021/22.

The carrying value of the Group's inventories at 2 April 2022 is £706.1m, split across the UK Clothing & Home, UK Food and International businesses representing gross inventories of £506.9m, £200.4m and £70.8m respectively, against which a provision of £48.3m, £17.8m and £5.9m has been recognised. The total UK Clothing & Home inventory provisions represent 9.5% (last year: 15.4%) of UK Clothing & Home inventory. The UK Clothing & Home inventory provision is based on future trading assumptions in line with the Group's 2022/23 Budget. However, trading could be higher or lower than expected and a 5% increase in the UK Clothing & Home inventory provision (from 9.5% to 14.5%) would result in a reduction in the valuation of inventory held on the balance sheet of £25.2m and would result in a corresponding decrease to recognised profit before tax in the period.

In addition, a release of £0.8m has been recognised within adjusting items in relation to the Covid-19 bad debt provision recognised against international franchise partners. At 2021/22 no Covid-19 bad debt provision remains.

The £17.8m directly attributable net gains from the Covid-19 pandemic are considered to be adjusting items as they meet the Group's established definition, being both significant in nature and value to the results of the Group in the current period, and treatment as adjusting items is consistent with the treatment of charges of a consistent nature recognised in 2019/20. No future charges are expected. Any future credits relating to these items will continue to also be classified as adjusting.

Store impairments, impairment reversals and property charges (£60.0m 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.

In response to the strong Group performance and lifting of government restrictions, the Group has revised 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 £2.9m (last year: £66.4m) has been incurred primarily in respect of the impairment of assets associated with these stores. In addition, a credit of £63.4m (last year: £73.3m) has been incurred for the reversal of store impairments recognised 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 11 for further details on the impairments.

A further charge of £0.5m has been recognised in relation to the settlement of provisions for property charges. This treatment is consistent with the original provision charges, which were recognised within adjusting items.

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.

M&S Bank charges incurred in relation to insurance mis-selling provisions (£16.0m)

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 £16.0m (last year: £2.4m).

The treatment of this in adjusting items is in line with previous charges in relation to settlement of Payment Protection Insurance (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 £326.3m which exceeds the total offset against profit share of £259.0m to date, and this deficit will be deducted from the Group's share of future profits from M&S Bank.

Franchise restructuring (£41.3m)

During the year, the Group recognised a charge of £41.3m as a result of the restructure of certain International franchise operations.

In September 2021 the Group announced the closure of 11 franchise stores in France in response to increased EU border costs. Consequently, the Group has recognised a charge of £10.3m for closure costs. No future costs are currently expected.

In March 2022, in response to the unfolding humanitarian crisis following the invasion of Ukraine, the Group announced it had suspended shipments to its Turkish franchisee's Russian business. The Group has subsequently made the decision to fully exit its Russian franchise. As a result, the Group has recognised a charge of £31.0m representing the Group's full exit costs from Russia and business disruptions in Ukraine.

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

6 Finance income/(costs)

	2022 £m	2021 £m
Bank and other interest receivable	**3.7**	2.9
Other finance income	**5.9**	1.8
Pension net finance income	**13.2**	47.2
Interest income of subleases	**5.5**	5.5
Finance income	**28.3**	57.4
Other finance costs	**(0.8)**	(0.6)
Interest payable on syndicated bank facility	**(4.7)**	(3.9)
Interest payable on Medium Term Notes	**(79.6)**	(86.4)
Interest payable on commercial paper facility	**-**	(0.4)
Interest payable on lease liabilities	**(121.1)**	(130.4)
Unwind of discount on provisions	**(3.8)**	(2.7)
Unwind of discount on Partnership liability to the Marks & Spencer UK Pension Scheme (see note 11)	**(4.4)**	(4.9)
Finance costs	**(214.4)**	(229.3)
Net finance costs	**(186.1)**	(171.9)

7 Income tax expense/(credit)

A. Taxation charge

	2022 £m	2021 £m
Current tax		
UK corporation tax on profits for the year at 19% (last year: 19%)		
- current year	**65.7**	5.0
- adjustments in respect of prior years	**(1.0)**	(12.1)
UK current tax	**64.7**	(7.1)
Overseas current taxation		
- current year	**9.6**	0.2
- adjustments in respect of prior years	**2.2**	(0.2)
Total current taxation	**76.5**	(7.1)
Deferred tax		
- origination and reversal of temporary differences	**14.9**	6.7
- adjustments in respect of prior years	**0.7**	(5.9)
- changes in tax rate	**(10.5)**	(0.6)
Total deferred tax (see note 22)	**5.1**	0.2
Total income tax expense/(credit)	**81.6**	(6.9)

B. Taxation reconciliation

The effective tax rate was 20.2% (last year: 2.6%) and is explained below.

	2022 £m	2021 £m
Profit/(loss) before tax	**404.8**	(266.8)
Notional taxation at standard UK corporation tax rate of 19% (last year: 19%)	**76.9**	(50.7)
Depreciation and other amounts in relation to fixed assets that do not qualify for tax relief	**7.8**	5.2
Tax benefit arising from UK super deduction regime	**(6.2)**	-
Other income and expenses that are not taxable or allowable for tax purposes	**6.1**	8.6
Joint venture results accounted for as profit after tax	**0.1**	0.3
Retranslation of deferred tax balances due to the change in statutory UK tax rates	**(10.5)**	-
Overseas profits taxed at rates different to those of the UK	**(0.6)**	0.7
Movement in unrecognised overseas deferred tax assets	**-**	0.9
Adjustments to the current and deferred tax charges in respect of prior periods	**1.9**	(18.2)
Capital losses no longer recognised	**-**	25.8
Adjusting items:		
- UK store and strategic programme impairments and other property charges where no tax relief is available	**3.9**	8.5
- International store closures and impairments	**-**	(1.0)
- Other strategic programme income and expenses that are not taxable or allowable for tax purposes	**2.2**	13.0
Total income tax expense/(credit)	**81.6**	(6.9)

The effective tax rate of profit/(loss) before tax and adjusting items was 18.7% (last year: 90.0%).

During the period, no payments have been made to the Marks and Spencer Scottish Limited Partnership and as such the tax impact to the income tax expense in the period was £nil (last year: £4.1m charge). Under this structure, tax relief for payments to be made to the Marks & Spencer UK Pension Scheme in relation to the first Partnership interest arose in the first 10 years of the structure and some of this benefit is recaptured in subsequent years.

The Finance Act 2021 contains legislation to increase the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. The Group has therefore remeasured its UK deferred tax assets and liabilities at this higher rate of tax where these are expected to be realised or settled on or after 1 April 2023. This has resulted in the recognition of a deferred tax credit of £10.5m in the income statement.

On 20 December 2021, the OECD published their 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. In January 2022 the UK government reconfirmed its intention to introduce legislation to give effect to the OECD proposals. The new rules are expected to take effect from 2023 onwards.

There remains a considerable amount of uncertainty with respect to the detailed operation of the Global Anti-Base Erosion Rules and their impact. Further details and guidance are due in the course of 2022. From an initial review of the Group's business and tax profile, we do not expect the rules to have a material impact on the Group's tax rate or tax payments. There is no impact on the Group's results for 2021/22.

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.

	2022	2021
	£m	£m
Profit/(loss) before tax	**404.8**	(266.8)
Notional taxation at standard UK corporation tax rate of 19% (last year: 19%)	**76.9**	(50.7)
Disallowable accounting depreciation and other similar items	**63.7**	75.1
Deductible capital allowances	**(75.7)**	(50.0)
Adjustments in relation to employee share schemes	**6.7**	1.9
Adjustments in relation to employee pension schemes	**(2.5)**	(4.7)
Overseas profits taxed at rates different to those of the UK	**(0.6)**	0.7
Movement in unrecognised overseas deferred tax	**-**	0.9
Joint venture results accounted for as profit after tax	**0.1**	0.3
Current year losses carried forward	**-**	11.3
Other income and expenses that are not taxable or allowable	**0.6**	(0.1)
Adjusting items:		
- UK store and strategic programme impairments and other property charges where no tax relief is available	**3.9**	8.5
- International store closures and impairments	**-**	(1.0)
- Other strategic programme income and expenses that are not taxable or allowable for tax purposes	**2.2**	5.5
- Impairment to per una goodwill	**-**	7.5
Current year current tax charge	**75.3**	5.2
Represented by:		
UK current year current tax	**65.7**	5.0
Overseas current year current tax	**9.6**	0.2
	75.3	5.2
UK adjustments in respect of prior years	**(1.0)**	(12.1)
Overseas adjustments in respect of prior years	**2.2**	(0.2)
Total current taxation (note 7A)	**76.5**	(7.1)

8 Dividends

In June 2021, a dividend of £16.8m (0.6p per share) was paid as part of an intra-group funding arrangement. In October 2021, a further dividend of £17.0m (0.6p per share) was paid as part of an intra-group funding arrangement.

9 Employees

A. Aggregate remuneration

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

	2022 Total £m	2021 Total £m
Wages and salaries	**1,256.0**	1,210.3
Social security costs	**84.6**	99.5
Pension costs	**69.0**	71.3
Share-based payments (see note 12)	**30.2**	19.3
Employee welfare and other personnel costs	**54.1**	43.7
Capitalised staffing costs	**(6.4)**	(6.4)
Total aggregate remuneration[1]	**1,487.5**	1,437.7

[1]Excludes amounts recognised within adjusting items of £0.1m (last year: £100.4m) (see notes 3 and 5).

Details of key management compensation are given in note 27.

B. Average monthly number of employees

	2022	2021
UK stores		
- management and supervisory categories	**4,570**	4,870
- other	**51,585**	54,076
UK head office		
- management and supervisory categories	**3,275**	2,948
- other	**660**	749
UK operations		
- management and supervisory categories	**124**	117
- other	**1,667**	1,507
Overseas	**5,205**	5,579
Total average number of employees	**67,086**	69,846

The average number of full-time equivalent employees is 47,108 (last year: 49,177).

	2022 £'000	2021 £'000
Highest paid director	**2,629.8**	1,949.5
Aggregate emoluments of all other directors	**2,892.7**	1,688.4

One director (last year: one) accrued retirement benefits under a defined benefit scheme.
One directors (last year: two) exercised share options in relation to the Group's long-term incentive plans.
Three directors (last year: three) were 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), 51,444 deferred members (last year: 53,674) and 53,270 pensioners (last year: 52,794).

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 46,560 active members (last year: 46,191) and some 45,778 deferred members (last year: 40,604).

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 £55.9m (last year: £23.9m). Of this, income of £8.8m (last year: income of £43.3m) relates to the UK DB Pension Scheme, costs of £62.0m (last year: costs of £64.0m) to the UK DC plan and costs of £2.8m (last year: costs of £3.2m) 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 2018 and showed a funding surplus of £652m. This is an improvement on the previous position at 31 March 2015 (statutory surplus of £204m), 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). We continue to work constructively with the Trustees of the UK DB Pension Scheme with regard to agreeing the triennial actuarial valuation of the scheme as at 31 March 2021. Consequently, the results of the valuation are not yet finalised, although it is likely that there will continue to be a surplus.

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.

A. Pensions and other post-retirement liabilities

	2022 £m	2021 £m
Total market value of assets	**10,090.7**	10,442.9
Present value of scheme liabilities	**(9,046.8)**	(9,803.7)
Net funded pension plan asset	**1,043.9**	639.2
Unfunded retirement benefits	**(2.6)**	(3.8)
Post-retirement healthcare	**(3.1)**	(4.0)
Net retirement benefit surplus	**1,038.2**	631.4
Analysed in the statement of financial position as:		
Retirement benefit asset	**1,043.9**	639.2
Retirement benefit deficit	**(5.7)**	(7.8)
Net retirement benefit surplus	**1,038.2**	631.4

In the event of a plan wind-up, the pension scheme rules provide M&S 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:

	2022 £m	2021 £m
Fair value of scheme assets at start of year	**10,442.9**	10,653.8
Interest income based on discount rate	**204.4**	254.9
Actual return on scheme assets excluding amounts included in net interest income[1]	**(213.4)**	(117.5)
Actuarial loss – asset ceiling	**(19.4)**	-
Employer contributions	**41.8**	41.5
Benefits paid	**(359.3)**	(379.4)
Administration costs	**(4.6)**	(4.3)
Exchange movement	**(1.7)**	(6.1)
Fair value of scheme assets at end of year	**10,090.7**	10,442.9

[1] The actual return on scheme assets was a gain of £9.0m (last year: gain of £137.4m).

C. Pensions and other post-retirement liabilities
Changes in the present value of retirement benefit obligations are as follows:

	2022 £m	2021 £m
Present value of obligation at start of year	**9,811.5**	8,751.2
Current service cost	**0.2**	0.2
Administration costs	**0.2**	0.2
Past service cost	**-**	1.0
Interest cost	**191.2**	207.7
Benefits paid	**(359.3)**	(379.4)
Actuarial loss/gain - experience[1]	**153.9**	(82.6)
Actuarial loss/(gain) - demographic assumptions	**89.0**	(12.5)
Actuarial (gain)/loss - financial assumptions	**(832.7)**	1,332.1
Exchange movement	**(1.5)**	(6.4)
Present value of obligation at end of year	**9,052.5**	9,811.5
Analysed as:		
Present value of pension scheme liabilities	**9,046.8**	9,803.7
Unfunded pension plans	**2.6**	3.8
Post-retirement healthcare	**3.1**	4.0
Present value of obligation at end of year	**9,052.5**	9,811.5

[1] Includes £nil (last year: £2.5m loss) relating to an equalisation charge recognised in 2018/19 that was reclassified from provisions.

The average duration of the defined benefit obligation at 2 April 2022 is 17.3 years (last year: 19.0 years).

D. Analysis of assets
The investment strategy of the UK DB Pension Scheme is driven by its liability profile, including its inflation-linked pension benefits. In addition to its interest in the Scottish Limited Partnership (refer to note 11), the scheme invests in different types of bond (including corporate bonds and gilts) and derivative instruments (including inflation, interest rate, cross-currency and total return swaps) in order to align movements in the value of its assets

with movements in its liabilities arising from changes in market conditions. Broadly, the scheme has hedging that covers 103% of interest rate movements and 104% of inflation movements, as measured on the Trustee's funding assumptions which use a discount rate derived from gilt yields.

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	2022 Total £m	Quoted £m	Unquoted £m	2021 Total £m
Debt investments						
- Government bonds net of repurchase agreements [1]	**3,482.9**	**(1,185.2)**	**2,297.7**	3,945.2	(1,443.5)	2,501.7
- Corporate bonds	**6.0**	**950.0**	**956.0**	6.4	1,036.6	1,043.0
- Asset backed securities and structured debt	**-**	**365.9**	**365.9**	-	256.1	256.1
Scottish Limited Partnership Interest (see note 11)	**-**	**193.5**	**193.5**	-	142.5	142.5
Equity investments						
- Developed markets	**550.3**	**-**	**550.3**	450.9	-	450.9
- Emerging markets	**113.7**	**-**	**113.7**	131.1	-	131.1
Growth asset funds						
- Global property	**5.4**	**308.7**	**314.1**	5.4	276.8	282.2
- Hedge and reinsurance	**25.8**	**324.7**	**350.5**	43.8	299.0	342.8
- Private equity and infrastructure	**5.9**	**223.6**	**229.5**	-	224.1	224.1
Derivatives						
- Interest and inflation rate swaps	**15.6**	**406.9**	**422.5**	18.4	298.6	317.0
- Foreign exchange contracts and other derivatives	**-**	**(40.0)**	**(40.0)**	93.2	4.5	97.7
Cash and cash equivalents	**5.9**	**168.1**	**174.0**	13.6	148.9	162.5
Other						
- Buy-in insurance	**-**	**2,910.0**	**2,910.0**	-	3,177.0	3,177.0
- Secure income asset funds	**-**	**1,121.6**	**1,121.6**	-	1,064.4	1,064.4
- Other	**-**	**150.8**	**150.8**	38.7	211.2	249.9
Total[2]	**4,211.5**	**5,898.6**	**10,110.1**	4,746.7	5,696.2	10,442.9

[1]Repurchase agreements were £1,184.0m (last year: £1,443.5m).
[2]The difference between the total assets of £10,110.1m above compared to £10,090.7m is £19.4m. This relates to the cap applied to the Irish DB scheme and therefore the actuarial gain 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 33,210 (last year: 75,223) 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:

	2022 %	2021 %
Rate of increase in pensions in payment for service	**2.3 - 3.6**	2.2 - 3.2
Discount rate	**2.70**	2.00
Inflation rate for RPI	**3.70**	3.30
Long-term healthcare cost increases	**7.70**	7.30

F. Demographic assumptions

The UK demographic assumptions are mainly in line with those adopted for the last formal actuarial valuation of the scheme performed as at 31 March 2018. The UK post-retirement mortality assumptions are based on an analysis of the pensioner mortality trends under the scheme for the period to March 2018. 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:

		2022	2021
Current pensioners (at age 65)	– male	**22.3**	22.2
	– female	**25.1**	25.0
Future pensioners - currently in deferred status (at age 65)	– male	**24.0**	24.0
	– female	**26.9**	26.8

G. Sensitivity analysis

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

	2022 £m	2021 £m
Decrease in scheme surplus caused by a decrease in the discount rate of 0.25%	**(20.0)**	(20.0)
Decrease in scheme surplus caused by a decrease in the discount rate of 0.50%	**(30.0)**	(30.0)
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.25%	**(70.0)**	(20.0)
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.50%	**(130.0)**	(30.0)
Increase in scheme surplus caused by a decrease in the average life expectancy of one year	**270.0**	300.0

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.

H. Analysis of amounts charged against profits

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

	2022 £m	2021 £m
Current service cost	**0.2**	0.2
Administration costs	**4.8**	4.5
Past service costs	**-**	1.0
Net interest income	**(13.2)**	(47.2)
Total	**(8.2)**	(41.5)
Remeasurement on the net defined benefit surplus:		
Actual return on scheme assets excluding amounts included in net interest income	**213.4**	117.5
Actuarial loss/(gain) - demographic assumptions	**89.0**	(12.5)
Actuarial loss/(gain) - experience[1]	**153.9**	(82.6)
Actuarial (gain)/loss - financial assumptions	**(832.7)**	1,332.1
Actuarial loss – asset ceiling	**19.4**	-
Components of defined benefit (income)/expense recognised in other comprehensive income	**(357.0)**	1,354.5

[1]Includes £nil (last year: £2.5m loss) relating to an equalisation charge recognised in 2018/19 that was reclassified from provisions.

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: £1.4bn) of properties at book value which have been leased back to Marks and Spencer plc. The Group retains control over these properties, including the flexibility to substitute alternative properties into the Partnership. The first limited Partnership interest (held by the Marks & Spencer UK Pension Scheme) previously entitled the Pension Scheme to receive an annual distribution of £71.9m until June 2022 from the Partnership. As a result of the Covid-19 pandemic and the need to preserve cash, in agreement with the Trustees, only £18.9m of the June 2020 payment was made, with the remaining £53.0m being deferred.

During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates so that, rather than making the planned payment of £71.9m in June 2021 along with the deferred £53.0m, the Pension Scheme is now entitled to receive £71.9m in 2022, £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 £192.3m (last year: £193.5m) 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 2 April 2022, an interest charge of £4.4m (last year: £4.9m) 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 £193.5m (last year: £142.5m).

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 £30.2m was recognised for share-based payments (last year: charge of £19.3m). Of the total share-based payments charge, £15.1m (last year: £9.2m) relates to the Save As You Earn share option scheme and a charge of £6.7 (last year: £1.7m) relates to the Performance Share Plan. The remaining charge of £8.4m (last year: £8.4m) is spread over the other share plans. In addition, a charge of £8.6m was recognised in relation to the Annual Bonus Scheme for 2021/22 under the Deferred Share Bonus Scheme. 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 2022 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 - £15.1m

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 Her 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.

	2022		2021	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of the year	**119,151,406**	**99.4p**	53,139,941	190.7p
Granted	**11,526,149**	**189.0p**	101,466,321	82.0p
Exercised	**(208,238)**	**138.2p**	(556)	151.0p
Forfeited	**(12,207,656)**	**102.6p**	(23,811,474)	155.7p
Expired	**(7,698,700)**	**206.5p**	(11,642,826)	248.7p
Outstanding at end of year	**100,562,961**	**100.9p**	119,151,406	99.4p
Exercisable at end of year	**11,945**	**186.8p**	7,211,376	212.5p

For SAYE share options exercised during the period, the weighted average share price at the date of exercise was 206.3p (last year: 152.4p).

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

	2022	2021	
	3-year plan	3-year plan	3-year plan 2020 modified[1]
Grant date	**Dec 21**	Dec 20	Dec 20
Share price at grant date	**235p**	103p	103p
Exercise price	**189p**	82p	151p
Option life in years	**3 years**	3 years	3 years
Risk-free rate	**0.5%**	0.0%	0.0%
Expected volatility	**49.3%**	45.6%	45.6%
Expected dividend yield	**0.0%**	0.0%	0.0%
Fair value of option	**81p**	34p	19p
Incremental fair value of option	**N/A**	N/A	15p

[1] In the current year, there has been a modification to the 2021 scheme relating to employees cancelling awards from previous years in substitution for awards granted under the 2021 scheme. The fair value of the modified awards will be amortised based on the incremental fair value. The incremental fair value is the difference between the fair value of the 2021 options, being 34p, and the fair value of repriced previous awards, calculated using 2020 award assumptions, keeping the initial exercise price consistent. The fair value of the modified options, being 15p for 2021 modified options is already recognised in operating loss.

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 10% (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[1]	**2022**	2021	**2022**	2021	Option price
January 2017	**-**	9,202	**-**	-	250p
January 2018	**5,441**	4,112,855	**(0.8)**	0.3	251p
January 2019	**2,399,413**	3,405,862	**0.2**	1.3	238p
February 2020	**8,006,941**	12,331,683	**1.3**	2.3	151p
February 2021	**89,284,282**	99,291,804	**2.3**	3.3	82p
February 2022	**10,866,884**	-	**3.3**	-	189p
	110,562,961	119,151,406	**2.3**	3.1	**101p**

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

B. Performance Share Plan* - £6.7m
The Performance Share Plan (PSP) is the primary long-term incentive plan for approximately 160 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 2021/22 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 2022 which does not form part of this report.

During the year, 19,374,217 shares (last year: 19,777,921) were awarded under the plan. The weighted average fair value of the shares awarded was 155.1p (last year: 101.4p). As at 2 April 2022, 44,534,437 shares (last year: 33,878,325) were outstanding under the plan.

C. Deferred Share Bonus Plan* - £8.8m
The Deferred Share Bonus Plan (DSBP) was first introduced in 2005/06 as part of the Annual Bonus Scheme and was approved by shareholders at the 2020 AGM. It may be operated for approximately 5,000 of the most senior managers within the Group. As part of the plan, the managers 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 2022 which does not form part of this report.

During the year no shares (last year: no shares) have been awarded under the plan in relation to the annual bonus. As at 2 April 2022, 190,596 shares (last year: 422,672) were outstanding under the plan.

D. Restricted Share Plan* - £8.2m
The Restricted Share Plan (RSP) was established in 2000 as part of the reward strategy for retention and recruitment of senior managers who are vital to the success of the business and was approved 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 2021 which does not form part of this report.

During the year, 2,441,809 shares (last year: 11,996,948) have been awarded under the plan. The weighted average fair value of the shares awarded was 158.7p (last year: 124.3p). As at 2 April 2022, 10,368,217 shares (last year: 10,722,919) 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: 1,409,129 were granted at a fair value of 33.7p). As at 2 April 2022, 1,195,159 options (last year: 1,846,589) were outstanding under the scheme.

F. Marks and Spencer Employee Benefit Trust
The Marks and Spencer Employee Benefit Trust (the "Trust") holds 264,779 (last year: 527,116) shares with a book value of £0m (last year: £0.1m) and a market value of £0.4m (last year: £0.8m). These shares were acquired by the Trust through a combination of market purchases and new issues and are shown as a reduction in retained earnings in the consolidated statement of financial position. Awards are granted to employees at the discretion of Marks and Spencer plc and the Trust agrees to satisfy the awards in accordance with the wishes of Marks and Spencer plc under the senior executive share plans described above.

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
As at 28 March 2020					
Cost	136.4	112.3	1,495.1	59.7	1,803.5
Accumulated amortisation and impairments	(72.4)	(112.3)	(1,187.6)	(32.1)	(1,404.4)
Net book value	64.0	-	307.5	27.6	399.1
Year ended 3 April 2021					
Opening net book value	64.0	-	307.5	27.6	399.1
Additions	-	6.3	0.1	41.4	47.8
Transfers and reclassifications	-	-	44.7	(44.2)	0.5
Asset Impairments[1]	(39.6)	-	(40.0)	-	(79.6)
Asset write-offs	-	-	(3.2)	-	(3.2)
Amortisation charge	-	(0.2)	(131.4)	-	(131.6)
Exchange difference	(0.7)	-	(0.3)	-	(1.0)
Closing net book value	23.7	6.1	177.4	24.8	232.0
At 3 April 2021					
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)
Net book value	23.7	6.1	177.4	24.8	232.0
Year ended 2 April 2022					
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**
Closing net book value	**28.6**	**5.6**	**114.3**	**44.0**	**192.5**
At 2 April 2022					
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)**
Net book value	**28.6**	**5.6**	**114.3**	**44.0**	**192.5**

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 3 April 2021	16.5	6.5	-	0.7	23.7
Additions[2]	-	-	**4.8**	-	**4.8**
Exchange difference	-	**0.1**	-	-	**0.1**
Net book value at 2 April 2022	**16.5**	**6.6**	**4.8**	**0.7**	**28.6**

[1]Last year asset impairments of £79.6m made up of: £39.6m charge recorded against per una goodwill, £40.0m in relation to replaced, retired or decommissioned as part of MS2.
[2]In February 2022, the Group acquired 77.7% of the issued share capital of The Sports Edit Limited, a non-listed company based in England and Wales. The Sports Edit Limited is a brand platform specialising in activewear and was acquired for an initial purchase price of £4.5m. Goodwill of £4.8m was recognised on acquisition of the business, with the acquisition representing a strategic investment opportunity.

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 £6.6m (last year: £6.5m), Sports Edit £4.8m (last year: £nil) 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: 0.5%), which is a reduction from the overall Group long-term growth rate of 2.0% (last year: 1.75%). The Group's current view of achievable long-term growth for India is 5.5% (last year: 5.9%).

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 10.8% for per una (last year: 11.0%) and 11.3% for India (last year: 12.9%).

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.

14 Property, plant and equipment

The Group's property, plant and equipment of £4,902.3m (last year: £5,058.6m) consists of owned assets of £3,486.5m (last year: £3,562.6m) and right-of-use assets of £1,415.8m (last year: £1,496.0m).

Property, plant and equipment - owned

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
At 28 March 2020				
Cost	2,887.5	5,457.1	138.0	8,482.6
Accumulated depreciation, impairments and write-offs	(720.1)	(3,880.6)	(18.0)	(4,618.7)
Net book value	2,167.4	1,576.5	120.0	3,863.9
Year ended 3 April 2021				
Opening net book value	2,167.4	1,576.5	120.0	3,863.9
Additions	3.8	18.6	92.1	114.5
Transfers and reclassifications	7.2	157.0	(162.6)	1.6
Impairment reversals	36.9	36.2	-	73.1
Impairment charge	(73.2)	(48.7)	-	(121.9)
Asset write-offs	(29.8)	(17.4)	(0.1)	(47.3)
Depreciation charge	(83.3)	(228.5)	-	(311.8)
Exchange difference	(6.6)	(2.8)	(0.1)	(9.5)
Closing net book value	2,022.4	1,490.9	49.3	3,562.6
At 3 April 2021				
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)
Net book value	2,022.4	1,490.9	49.3	3,562.6
Year ended 2 April 2022				
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)**
Closing net book value	**1,952.3**	**1,411.2**	**123.0**	**3,486.5**
At 2 April 2022				
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)**
Net book value	**1,952.3**	**1,411.2**	**123.0**	**3,486.5**

Asset write-offs in the year include assets with gross book value of £383.3m (last year: £67.4m) and £nil (last year: £nil) net book value that are no longer in use and have therefore been retired.

Right-of-use assets

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

Right-of-use assets

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
As at 28 March 2020	1,571.1	59.2	1,630.3
Additions	37.2	13.1	50.3
Transfers and reclassifications	0.3	-	0.3
Disposals	(5.5)	0.2	(5.3)
Impairment reversals	36.9	-	36.9
Impairment charge	(52.7)	-	(52.7)
Depreciation charge	(132.0)	(21.1)	(153.1)
Exchange difference	(10.6)	(0.1)	(10.7)
As at 3 April 2021	**1,444.7**	**51.3**	**1,496.0**
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**
As at 2 April 2022	**1,368.4**	**47.4**	**1,415.8**

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 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 9.8% to 15.8% (last year: 8.9% to 14.0%). 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 £6.9m and impairment reversals of £63.4m as a result of UK store impairment testing unrelated to the UK store estate programme (last year: impairment charge of £66.4m and impairment reversals of £64.5m). Impairment charges of £2.9m and impairment reversals of £63.4m have been recognised within adjusting items (see note 5). The remaining £4.0m impairment charge has been recognised in operating profit before adjusting items as it relates to stores not previously impaired. The impaired stores were impaired to their value in use recoverable amount of £37.1m, which is their carrying value at year end. The stores with impairment reversals were written back to their value in use recoverable amount of £302.3m.

For UK stores, when considering both impairment charges and reversals, cash flows beyond the three-year period are extrapolated using the Group's current view of achievable long-term growth of 2.0%, adjusted to 0% where management believes the current trading performance and future expectations of the store do not support the growth rate of 2.0%. The rate used to discount the forecast cash flows for UK stores is 9.8% (last year: 8.9%).

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. 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 £22.8m and a 25 basis point reduction in gross profit margin from year 3 onwards would increase the impairment charge by £2.5m. In combination, a 1% fall in sales and a 10 basis point fall in gross profit margin would increase the impairment charge by £4.7m. A 50 basis point increase in the discount rate would increase the impairment charge by £6.0m. 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 £17.2m and a 25 basis point reduction in gross profit margin from year 3 onwards would result in a reduction in the reversal of £1.1m. In combination, a 5% fall in sales and a 25 basis point fall in gross profit margin would reduce the reversal by £19.0m. A 50 basis point increase in the discount rate would reduce the reversal by £3.3m. 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 Group has recognised an impairment charge of £107.5m and impairment reversals of £27.6m relating to the ongoing UK store estate programme (last year: impairment charge of £107.9m and impairment reversals of £36.7m). These stores were impaired to their value in use recoverable amount of £376.7m, 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 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 9.8% (last year: 8.9%).

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 probable date of each store exit would result in a decrease in the impairment charge by £37.8m. A 5% reduction in planned sales in years 2 and 3 (where relevant) would result in an increase in the impairment charge by £14.2m. Neither a 50 basis point increase in the discount rate, a 25 basis point reduction in management gross 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 prior year, the Group recognised an impairment reversal of £8.8m in Ireland as a result of store impairment testing.

15 Other financial assets

	2022 £m	2021 £m
Non-current		
Unlisted equity investments[1]	**-**	9.7
Other investments[2]	**4.9**	0.8
Amounts owed by parent company	**2,541.2**	2,541.8
	2,546.1	2,552.3
Current		
Short-term investments[3]	**17.6**	18.4
	17.6	18.4

[1] The Group has recognised a loss on disposal of its unlisted equity investment of £3.7m (last year: £nil) in other comprehensive income.
[2] Other investments includes £0.4m shares in Marks and Spencer Group plc held for issue against employee schemes and £3.1m (last year: £nil) of venture capital investments managed by True Capital Limited.
[3] Includes £8.8m (last year: £9.2m) of money market deposits held by the Company in an escrow account.

The Group irrevocably designated unlisted equity investments at fair value through other comprehensive income. Other financial assets are measured at fair value with changes in their value taken to the income statement.

16 Trade and other receivables

	2022 £m	2021 £m
Non-current		
Trade receivables	**0.1**	0.1
Lease receivables - net	**74.7**	62.8
Other receivables	**3.3**	2.1
Prepayments	**192.5**	196.4
	270.6	261.4
Current		
Trade receivables	**103.0**	109.8
Less: provision for impairment of receivables	**(4.8)**	(3.7)
Trade receivables - net	**98.2**	106.1
Lease receivables - net	**0.8**	-
Other receivables	**27.2**	30.5
Prepayments	**76.8**	53.9
Accrued income	**14.1**	19.1
	217.1	209.6

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 £7.7m (last year: £5.7m) 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:

	2022 £m	2021 £m
Timing of cash flows		
Within one year	**4.8**	4.8
Between one and two years	**4.7**	4.8
Between two and three years	**4.7**	4.7
Between three and four years	**6.1**	4.7
Between four and five years	**7.8**	6.1
More than five years	**121.1**	128.9
Total undiscounted cash flows	**149.2**	154.0
Effect of discounting	**(73.7)**	(79.3)
Present value of lease payments receivable	**75.5**	74.7
Less: provision for impairment of receivables	**-**	(11.9)
Net investment in the lease	**75.5**	62.8

Included within trade and other receivables is £1.1m (last year: £nil) 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 £1,197.9m (last year: £674.4m). The carrying amount of these assets approximates their fair value.

The effective interest rate on short-term bank deposits is 0.7% (last year: 0.1%). These deposits have an average maturity of 39 days (last year: 5 days).

18 Trade and other payables

	2022 £m	2021 £m
Current		
Trade payables	**732.8**	624.8
Other payables	**523.5**	433.1
Social security and other taxes	**59.1**	46.8
Accruals	**595.2**	407.5
Deferred income	**50.3**	53.2
Amounts owed to fellow subsidiaries of the parent company	**5.7**	4.4
	1,966.6	1,569.8
Non-current		
Other payables	**1.8**	0.8
Deferred income	**13.8**	13.1
	15.6	13.9

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:

	2022 £m	2021 £m
Opening balance	**194.4**	180.8
Issues	**404.2**	363.2
Released to the income statement	**(412.8)**	(349.6)
Closing balance	**185.8**	194.4

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

The Group is not party to these financing arrangements and the arrangements do not permit the Group to obtain finance from the provider by paying the provider later than the Group would have paid its supplier. The Group does not incur any interest towards the provider on the amounts due to the suppliers. The Group therefore discloses the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain the same as those of other trade payables.
The payments by the Group under these arrangements are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating – i.e. payments for the purchase of goods and services.

At 2 April 2022, £330.0m (last year: £272.6m) of trade payables were amounts owed under these arrangements. During the year the maximum facility available at any one time under the arrangements was £404.1m (last year: £305.0m).

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.

19 Borrowings and other financial liabilities

	2022 £m	2021 £m
Current		
Bank loans and overdrafts	**-**	4.7
Lease liabilities	**200.2**	219.4
6.125% £400m Medium Term Notes 2021[1]	**-**	163.5
Interest accrued on Medium Term Notes	**47.0**	45.2
	247.2	432.8
Non-current		
3.00% £300m Medium Term Notes 2023[1]	**299.1**	298.5
4.75% £400m Medium Term Notes 2025[1,2]	**409.4**	412.2
3.75% £300m Medium Term Notes 2026[1]	**298.6**	298.3
3.25% £250 Medium Term Notes 2027[1]	**248.3**	248.0
7.125% US$300m Medium Term Notes 2037[3,4]	**192.3**	192.2
Revaluation of Medium Term Notes[5]	**34.8**	24.2
Lease liabilities	**2,078.5**	2,186.5
	3,561.0	3,659.9
Total	**3,808.2**	4,092.7

[1] These notes are issued under Marks and Spencer plc's £3bn Euro Medium Term Note programme and all pay interest annually.
[2] The Group occasionally enters into interest rate swaps to manage interest rate exposure. At year end, £10.5m (last year: £13.6m) of fair value adjustment for terminated hedges to be amortised over the remaining debt maturity.
[3] Interest on these bonds is payable semi-annually.
[4] US$300m Medium Term Note exposure swapped to sterling (fixed-to-fixed cross currency interest rate swaps).
[5] Revaluation consists of foreign exchange loss on revaluation of the 7.125% US$300m Medium Term Notes 2037 of £34.8m (last year: £24.2m).

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

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

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

	2022 £m	2021 £m
Opening lease liabilities	**2,405.9**	2,562.0
Additions	**100.6**	48.3
Interest expense relating to lease liabilities	**124.1**	133.8
Payments	**(344.3)**	(316.7)
Disposals	**(8.1)**	(7.8)
Exchange difference	**0.5**	(13.7)
	2,278.7	2,405.9
Current	**200.2**	219.4
Non-current	**2,078.5**	2,186.5

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

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

The Group holds certain leases that contain break clause options to provide operational flexibility. In accordance with IFRS 16, the Group has calculated the full lease term, beyond break, to represent the reasonably certain lease term (except for those stores identified as part of the UK store estate programme) within the total £2,278.7m of lease liabilities held on the balance sheet.

The following amounts were recognised in profit or loss:

	2022 £m	2021 £m
Expenses relating to short-term leases	**5.9**	4.6
Expenses relating to low-value assets	**1.4**	1.0
Expenses relating to variable consideration	**4.4**	2.5

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 interest rate swaps, 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.

During the year, the Group terminated its committed syndicated bank revolving credit facility and entered a new committed syndicated bank revolving credit facility of £850.0m with a current maturity date of 13 June 2025. The new 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 semi-annually. The Group was not in breach of this covenant at the reporting date.

The new revolving credit facility includes four additional sustainability metrics where the margin payable on the facility is adjusted to reflect the Group's performance against a number of ESG targets material to the Group's Plan A objectives. The Group was not in breach of these metrics at the reporting date.

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 £1.3bn (last year: £1.4bn) 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 from the next interest payment date following a relevant credit rating downgrade. 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 £1,853.3m (last year: £1,466.2m) is equal to their contractual undiscounted cash flows (see note 18) which are due within one year.

	Bank loans and overdrafts £m	Medium Term Notes £m	Lease Liabilities[1] £m	Partnership liability to the Marks & Spencer UK Pension Scheme (note 11) £m	Total borrowings and other financial liabilities £m	Cash inflow on derivatives[2] £m	Cash outflow on derivatives[2] £m	Total derivative liabilities £m
Timing of cash flows								
Within one year	(4.7)	(244.8)	(326.3)	(124.9)	(700.7)	1,492.9	(1,586.8)	(93.9)
Between one and two years	-	(74.8)	(289.1)	(71.9)	(435.8)	162.7	(164.4)	(1.7)
Between two and five years	-	(898.8)	(754.6)	-	(1,653.4)	46.5	(43.8)	2.7
More than five years	-	(987.7)	(3,293.2)	-	(4,280.9)	404.0	(368.6)	35.4
	(4.7)	(2,206.1)	(4,663.2)	(196.8)	(7,070.8)	2,106.1	(2,163.6)	(57.5)
Effect of discounting	-	524.0	2,257.3	3.3	2,784.6			
At 3 April 2021	(4.7)	(1,682.1)	(2,405.9)	(193.5)	(4,286.2)			
Timing of cash flows								
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)**	-	-	-
Total undiscounted cash flows	-	**(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**			
At 2 April 2022	-	**(1,529.5)**	**(2,278.7)**	**(192.3)**	**(4,000.5)**			

[1]Total undiscounted lease payments of £766.2m 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, £155.2m 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.

[2]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								
	AAA £m	AA+ £m	AA £m	AA- £m	A+ £m	A £m	A- £m	BBB+ £m	Total £m
Other investments[1]	-	-	-	54.5	182.4	250.3	4.7	3.3	495.1
Derivative assets[2]	-	-	-	6.1	25.8	0.7	0.5	-	33.1
At 3 April 2021	-	-	-	60.6	208.2	251.0	5.2	3.3	528.2

	AAA £m	**AA+ £m**	**AA £m**	**AA- £m**	**A+ £m**	**A £m**	**A- £m**	**BBB+ £m**	**Total £m**
Other investments[1]	-	-	-	**158.5**	**288.6**	**462.0**	**89.0**	-	**998.1**
Derivative assets[2]	-	-	-	-	**31.9**	**24.4**	**8.7**	-	**65.0**
At 2 April 2022	-	-	-	**158.5**	**320.5**	**486.4**	**97.7**	-	**1,063.1**

[1]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 £217.4m (last year: £197.7m).

[2]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 £103.1m (last year: £106.2m), lease receivables £75.5m (last year: £62.8m), other receivables £30.5m (last year: £32.6m), cash and cash equivalents £1,197.9m (last year: £674.4m) and derivatives £65.0m (last year: £33.1m).

Impairment of financial assets

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

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

To measure expected credit losses, trade receivables have been grouped by shared credit risk characteristics along the lines of differing revenue streams such as international franchise, 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 3 April 2021	Current	Up to 30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	181 days or more past due	Total
	£m	£m	£m	£m	£m	£m	£m
Gross carrying amount - trade receivables	95.0	9.9	2.0	0.8	0.8	1.3	109.8
Expected loss rate	1.45%	5.43%	12.88%	15.78%	17.06%	100.0%	3.40%
Lifetime expected credit loss	1.4	0.5	0.3	0.1	0.1	1.3	3.7
Net carrying amount	93.6	9.4	1.7	0.7	0.7	-	106.1

As at 2 April 2022	**Current**	**Up to 30 days past due**	**31-60 days past due**	**61-90 days past due**	**91-180 days past due**	**181 days or more past due**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Gross carrying amount - trade receivables	**76.7**	**15.8**	-	**1.9**	**7.5**	**1.1**	**103.0**
Expected loss rate	**2.87%**	**4.93%**	**0.0%**	**5.72%**	**7.76%**	**100.0%**	**4.63%**
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**

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

Trade receivables expected loss provision	**2022 £m**	2021 £m
Opening loss allowance	**3.7**	4.0
Increase/(decrease) in loss allowance recognised in profit and loss during the year	**1.5**	(0.3)
Receivables written off during the year as uncollectable	**(0.4)**	-
Closing loss allowance	**4.8**	3.7

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

	2022 £m	2021 £m
Opening loss allowance	**11.9**	4.7
(Decrease)/increase in loss allowance recognised in profit and loss during the year[1]	**(11.9)**	7.2
Receivables written off during the year as uncollectable	-	-
Closing loss allowance	-	11.9

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

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

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 £1,865.7m (last year: £1,776.6m) 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 2 April 2022 will be reclassified to the income statement at various dates over the following 15 months (last year: 16 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 not to apply credit/debit valuation adjustments, owing to their relatively short-dated nature. 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 December 2017). The hypothetical derivative is based on the original critical terms and so ineffectiveness may result.

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 £0.3m gain (last year: £1.4m gain) in the income statement. As at the balance sheet date, the gross notional value of intercompany loan hedges was £166.8m (last year: £172.0m).

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:

			2022			2021
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m
Currency						
Sterling	**3,610.6**	**-**	**3,610.6**	3,886.2	4.7	3,890.9
Euro	**104.3**	**-**	**104.3**	95.8	-	95.8
Other	**93.3**	**-**	**93.3**	106.0	-	106.0
	3,808.2	**-**	**3,808.2**	4,088.0	4.7	4,092.7

The prior year floating rate sterling borrowings were cash balances classified as overdrafts.

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: 5.3%) and the weighted average time for which the rate is fixed is five years (last year: six years).

During the prior year, the Group closed out all interest rate swaps designated in hedge relationships.

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

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

At the balance sheet date, fixed rate borrowings amounted to £3,808.2m (last year: £4,088.0m) representing the public bond issues and lease liabilities, amounting to 100% (last year: 99%) of the Group's gross borrowings.

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

	2022	2021
	%	%
Committed and uncommitted borrowings	**N/A**	N/A
Medium Term Notes	**5.1%**	5.3%
Leases	**5.4%**	5.4%
Leases	**5.4%**	5.4%

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority ("FCA")) regarding the transition away from GBP LIBOR to the Sterling Overnight Index Average Rate ("SONIA"). In March 2021, the FCA announced that it will no longer seek to persuade, or compel, banks to submit LIBOR from 31 December 2021 (for USD LIBOR: 30 June 2023).

Last year, the Group identified all contracts with reference to LIBOR and ensured that these were terminated or amended to specify the date on which the interest rate benchmark would be replaced, the alternative benchmark rate and the relevant spread adjustment. Where applicable, fallback language was included to incorporate any future transitions to new benchmark interest rates.

The Group no longer holds any financial instruments that reference LIBOR and is therefore not exposed to any liquidity, basis or accounting risks arising from benchmark reform. All necessary system and operational changes have been made to reference SONIA.

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.

	3 April 2021			
	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	1,585.9	333.8	193.5	190.7
Carrying amount assets	32.1	0.7	-	0.3
Carrying amount (liabilities)	(83.9)	(12.1)	(8.1)	(2.6)
Maturity date	to Sep 2021	to Jan 2022	to Dec 2037	to May 2022
Hedge ratio	100%	n/a	100%	100%
Description of hedged item	Highly probable transactional FX exposures	Inter-company loans/deposits	USD fixed rate borrowing	Highly probably transactional FX exposures
Change in fair value of hedging instrument[1]	(100.2)	(11.1)	(91.7)	(11.8)
Change in fair value of hedged item used to determine hedge effectiveness	100.2	12.5	93.0	11.8
Weighted average hedge rate for the year	GBP/USD 1.32,GBP/EUR 1.13	-	GBP/USD 1.55	GBP/USD 1.28, GBP/EUR 1.12
Amounts recognised within finance costs in profit and loss	-	1.4	1.3	-
Balance on cash flow hedge reserve at 3 April 2021	40.6	-	25.4	2.2
Balance on cost of hedging reserve at 3 April 2021	-	-	(5.8)	-

	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	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 2 April 2022	(32.0)	-	9.5	2.5
Balance on cost of hedging reserve at 2 April 2022	-	-	(5.0)	-

[1]Last year, the £(11.1)m fair value change represented in the fair value movement of the forward contracts under FVTPL consisted of economic hedges of certain intercompany loans/deposits and forward contracts that were no longer in hedge relationships (total equivalent notional: £333.8m; current year: nil). Of this fair value change, £(10.2)m related to movements in valid hedge relationships that de-designated at the end of the respective financial year and were reclassified to the cost of inventory (current year: nil). This line also includes the cash settlements of the derivative positions during each respective year.

		2 April 2022				3 April 2021			
		Notional Value		Fair Value		Notional Value		Fair Value	
		Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current									
Forward foreign exchange contracts	- cash flow hedges	1,348.8	188.1	43.0	(2.3)	449.0	1,136.9	32.1	(83.9)
	- FVTPL	37.2	129.6	0.6	(0.9)	72.2	261.6	0.7	(12.1)
		1,386.0	317.7	43.6	(3.2)	521.2	1,398.5	32.8	(96.0)
Non-current									
Cross-currency swaps	- cash flow hedges	193.5	-	18.5	-	-	193.5	-	(8.1)
Forward foreign exchange contracts	- cash flow hedges	131.1	30.9	2.9	(0.4)	46.2	144.5	0.3	(2.6)
		324.6	30.9	21.4	(0.4)	46.2	338.0	0.3	(10.7)

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

	Cost of hedging reserve CCIRS[1] £m	Deferred tax £m	Total cost of hedging reserve £m	Hedge reserve FX derivatives £m	Hedge reserve CCIRS £m	Hedge reserve gilt locks £m	Deferred tax £m	Total hedge reserve £m
Opening balance 29 March 2020	(7.1)	1.4	(5.7)	(45.6)	(40.1)	0.1	17.0	(68.6)
Add: Change in fair value of hedging instrument recognised in OCI[2]	–	–	-	122.2	92.0	–	–	214.2
Add: Costs of hedging deferred and recognised in OCI	1.3	–	1.3	–	–	–	–	-
Less: Reclassified to the cost of inventory	–	–	-	(33.9)	–	–	–	(33.9)
Less: Reclassified from OCI to profit or loss - included in finance costs	–	–	-	–	(26.5)	–	–	(26.5)
Less: Deferred tax	–	(0.2)	(0.2)	–	–	–	(30.4)	(30.4)
Closing balance 3 April 2021	(5.8)	1.2	(4.6)	42.7	25.4	0.1	(13.4)	54.8
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	-	-	-	**(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)**

[1] Cross-currency interest rate swaps
[2] Other comprehensive income

During the prior year, the Group closed out all interest rate swaps designating its GBP fixed debt to floating debt which were reported as fair value hedges (see note 19 for details of fair value adjustment). At 2 April 2022, the Group had a deferred fair value adjustment of £10.5m (last year: £13.6m) in borrowings relating to terminated fair value hedges. The ineffective portion recognised in profit or loss that arose from fair value hedges amounted to a nil gain or loss as the loss on the hedged items was £nil (last year: loss of £4.4m) and the gain on the hedging instruments was £nil (last year: gain of £4.4m).

Movement in hedged items and hedging instruments

	2022 £m	2021 £m
Net gain in fair value of interest rate swap	-	4.4
Net gain/(loss) on hedged items	-	(4.4)
Ineffectiveness	-	-

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 £1.3m gain (last year: £1.3m gain) as the loss on the hedged items was £25.4m (last year: £93.0m gain) and the movement on the hedging instruments was a £26.7m gain (last year: £91.7m loss). A nil gain or loss (last year: nil gain or loss) was recognised in profit or loss as previously realised ineffectiveness reversed out.

Movement in hedged items and hedging instruments

	2022 £m	2021 £m
Net gain/(loss) in fair value of cross-currency interest rate swap	**26.7**	(91.7)
Net (loss)/gain on hedged items	**(25.4)**	93.0
Ineffectiveness	**1.3**	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 £m	2% increase in interest rates £m	20% weakening in sterling £m	20% strengthening in sterling £m
At 3 April 2021				
Impact on income statement: (loss)/gain	(9.2)	9.2	-	-
Impact on other comprehensive income: (loss)/gain	(2.1)	4.7	199.4	(199.4)
At 2 April 2022				
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)**

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

	Gross financial assets/ (liabilities) £m	Gross financial (liabilities)/ assets set off £m	Net financial assets/ (liabilities) per statement of financial position £m	Related amounts not set off in the statement of financial position £m	Net £m
At 3 April 2021					
Trade and other receivables	16.5	(12.8)	3.7	-	3.7
Derivative financial assets	33.1	-	33.1	(24.9)	8.2
	49.6	(12.8)	36.8	(24.9)	11.9
Trade and other payables	(257.4)	12.8	(244.6)	-	(244.6)
Derivative financial liabilities	(106.7)	-	(106.7)	24.9	(81.8)
	(364.1)	12.8	(351.3)	24.9	(326.4)

	Gross financial assets/ (liabilities) £m	Gross financial (liabilities)/ assets set off £m	Net financial assets/ (liabilities) per statement of financial position £m	Related amounts not set off in the statement of financial position £m	Net £m
At 2 April 2022					
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)**

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:

	Level 1	Level 2	Level 3	2022 Total	Level 1	Level 2	Level 3	2021 Total
	£m	£m	£m	£m	£m	£m	£m	£m
Assets measured at fair value								
Financial assets at fair value through profit or loss (FVTPL)								
- derivatives held at FVTPL	-	**0.6**	-	**0.6**	-	0.7	-	0.7
- other investments[1]	-	**17.6**	**4.5**	**22.1**	-	18.4	-	18.4
Derivatives used for hedging	-	**64.4**	-	**64.4**	-	32.4	-	32.4
Unlisted equity investments[2]	-	-	-	-	-	-	9.7	9.7
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss (FVTPL)								
- derivatives held at FVTPL	-	**(0.9)**	-	**(0.9)**	-	(12.1)	-	(12.1)
Derivatives used for hedging	-	**(2.7)**	-	**(2.7)**	-	(94.6)	-	(94.6)

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

[1] Within Level 3 other investments, the Group holds £3.1m of venture capital investments, managed by True Capital Limited, measured at FVTPL (last year: £nil) (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.

[2] The Group holds £nil in unlisted equity securities measured at fair value through other comprehensive income (last year: £9.7m) (see note 15) which is a level 3 instrument. The fair value of this investment was determined with reference to the net asset value of the entity in which the investment was held, which in turn derived the majority of its net asset value through a third-party property valuation.

The Marks & Spencer UK Pension Scheme holds a number of financial instruments which make up the pension asset of £10,090.7m (last year: £10,442.9m). Level 1 and Level 2 financial assets measured at fair value through other comprehensive income amounted to £4,998.8m (last year: £5,446.0m). Additionally, the scheme assets include £5,091.9m (last year: £4,996.9m) 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:

	2022	2021
	£m	£m
Opening balance	**4,996.9**	4,325.1
Fair value gain recognised in other comprehensive income	**138.6**	68.3
(Withdrawal)/additional investment	**(43.6)**	603.5
Closing balance	**5,091.9**	4,996.9

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 10), 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 £1,482.5m (last year: £1,682.1m); the fair value of this debt was £1,549.6m (last year: £1,807.6m) 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 £192.3m (last year: £193.5m) and the fair value of this liability is £187.9m (last year: £185.5m).

Capital policy

The Group's objectives when managing capital (defined as net debt plus equity) are to fund investment in the transformation and rebuild balance sheet metrics towards levels consistent with investment grade, 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 rebuild a capital structure commensurate with 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: six 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 may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

21 Provisions

	Property £m	Restructuring £m	Other £m	Total £m
At 29 March 2020	**60.0**	**12.6**	**5.4**	**78.0**
Provided in the year - charged to profit or loss	22.5	105.2	9.6	137.3
Provided in the year - charged to property, plant and equipment	25.9	-	-	25.9
Released in the year	(29.8)	(7.6)	(0.1)	(37.5)
Utilised during the year	(4.6)	(81.6)	(0.3)	(86.5)
Exchange differences	-	(0.1)	-	(0.1)
Discount rate unwind	2.7	-	-	2.7
Reclassified to the pension liability	-	-	(2.5)	(2.5)
At 3 April 2021	**76.7**	**28.5**	**12.1**	**117.3**
Analysed as:				
Current				**43.1**
Non-current				**74.2**

	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 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 reduce roles across central support centres, regional management and our UK and Republic of Ireland stores; the historical International exit strategy; the strategic programme to transition to a single-tier UK distribution network; and costs associated with the decision to fully exit our Russian 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 exit our Russian 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 £124.9m at 2 April 2022 (last year: £100.8m), with a net charge in the year of £48.2m (last year: £90.1m) (see note 5).

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 19% and 25% as applicable (last year: 19%) for UK differences and local tax rates for overseas differences. Details of the changes to the UK corporation tax rate and the impact on the Group are described in note 7.

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

Deferred tax assets/(liabilities)

	Land and buildings temporary differences £m	Capital allowances in excess of depreciation £m	Pension temporary differences £m	Other short-term temporary differences £m	Total UK deferred tax £m	Overseas deferred tax £m	Total £m
At 29 March 2020	**(28.3)**	**(0.2)**	**(398.8)**	**95.2**	**(332.1)**	**(0.3)**	**(332.4)**
Credited/(charged) to income statement	(22.0)	22.8	(7.6)	4.5	(2.3)	2.1	(0.2)
Credited/(charged) to equity/other comprehensive income	-	-	257.7	35.8	293.5	(3.2)	290.3
At 3 April 2021	**(50.3)**	**22.6**	**(148.7)**	**135.5**	**(40.9)**	**(1.4)**	**(42.3)**
At 4 April 2021	**(50.3)**	**22.6**	**(148.7)**	**135.5**	**(40.9)**	**(1.4)**	**(42.3)**
Credited/(charged) to income statement	**(15.4)**	**3.7**	**(14.7)**	**20.3**	**(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)**	**141.7**	**(189.8)**	**2.6**	**(187.2)**

Other short-term temporary 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 £236.6m (last year: £228.0m) and a tax value of £58.6m (last year: £43.3m). The tax value has increased in comparison to the prior year due to the effects of the change in rate, whereby, UK deferred tax assets and liabilities have been remeasured at 25% where these are expected to be realised or settled on or after 1 April 2023.

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 £5.6m (last year: £11.0m) and a tax value of £1.4m (last year: £3.0m).

No deferred tax is recognised in respect of undistributed earnings of overseas subsidiaries and joint ventures with a gross value of £34.2m (last year: £24.1m) unless a material liability is expected to arise on distribution of these earnings under applicable tax legislation. There is a potential tax liability in respect of undistributed earnings of £3.1m (last year: £2.3m) 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.

In the prior year, a deferred tax asset of £10.5m relating to trading losses in the UK was recognised. As the amount has been fully utilised, no deferred tax asset relating to trading losses in the UK is recognised in the current period.

23 Ordinary share capital

	Shares	2022 £m	Shares	2021 £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

	2022 £m	2021 £m
Commitments in respect of properties in the course of construction	**59.8**	88.3
Software capital commitments	**6.1**	10.6
	65.9	98.9

In addition to the above, the Group has 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 draw down amounts at any time over the three-year period to make specific investments. During the period, the Group invested £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.

25 Analysis of cash flows given in the statement of cash flows
Cash flows from operating activities

	2022 £m	2021 £m
Profit/(loss) on ordinary activities after taxation	**323.1**	(259.9)
Income tax expense/(credit)	**81.6**	(6.9)
Finance costs	**214.4**	229.3
Finance income	**(28.3)**	(57.4)
Operating profit/(loss)	**590.8**	(94.9)
(Increase)/decrease in inventories	**(46.5)**	41.2
(Increase)/decrease in receivables	**(2.9)**	67.4
Increase in payables	**289.1**	159.5
Depreciation, amortisation and write-offs	**510.7**	603.1
Non-cash share based payment expense	**38.8**	19.3
Defined benefit pension funding	**(36.8)**	(37.1)
Adjusting items net cash outflows[1,2]	**(45.8)**	(118.1)
Adjusting items M&S Bank[3]	**(16.0)**	(2.4)
Adjusting operating profit items	**104.3**	238.7
Cash generated from operations	**1,385.7**	876.7

[1]Excludes £5.6m (last year: £12.4m) 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.
[2]Adjusting items net cash outflows relate to strategic programme costs associated with the UK store estate, UK logistics, and the utilisation of the provisions for International store closures and impairments.
[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.

26 Analysis of net debt
A. Reconciliation of movement in net debt

	At 29 March 2020 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash movements[1] £m	At 3 April 2021 £m
Net debt						
Bank loans and overdrafts (see note 19)	**(15.5)**	10.8	-	-	-	**(4.7)**
Cash and cash equivalents (see note 17)	**254.2**	423.5	-	-	(3.3)	**674.4**
Net cash per statement of cash flows	**238.7**	434.3	-	-	(3.3)	**669.7**
Current other financial assets (see note 15)	**11.7**	6.7	-	-	-	**18.4**
Liabilities from financing activities						
Medium Term Notes (see note 19)	**(1,536.2)**	(87.9)	-	-	(58.0)	**(1,682.1)**
Lease liabilities (see note 19)	**(2,562.0)**	316.7	-	(48.3)	(112.3)	**(2,405.9)**
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 11)	**(202.7)**	23.6	-	-	(6.4)	**(185.5)**
Derivatives held to hedge Medium Term Notes	**102.2**	(14.0)	(96.3)	-	-	**(8.1)**
Liabilities from financing activities	**(4,198.7)**	238.4	(96.3)	(48.3)	(176.7)	**(4,281.6)**
Less: Cash flows related to interest and derivative instruments	**(2.3)**	(212.6)	96.3	-	196.2	**77.6**
Net debt	**(3,950.6)**	466.8	-	(48.3)	16.2	**(3,515.9)**

	At 4 April 2021 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash movements[1] £m	**At 2 April 2022 £m**
Net debt						
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**
Net cash per statement of cash flows	669.7	**536.4**	-	-	**(8.2)**	**1,197.9**
Current other financial assets (see note 15)	18.4	**(0.8)**	-	-	-	**17.6**
Liabilities from financing activities	-	-	-	-	-	**-**
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**
Liabilities from financing activities	(4,281.6)	**588.3**	**26.6**	**(100.6)**	**(210.3)**	**(3,977.6)**
Less: Cash flows related to interest and derivative instruments	77.6	**(208.7)**	**(26.6)**	-	**221.0**	**63.3**
Net debt	(3,515.9)	**915.2**	-	**(100.6)**	**2.5**	**(2,698.8)**

B. Reconciliation of net debt to statement of financial position

	2022 £m	2021 £m
Statement of financial position and related notes		
Cash and cash equivalents (see note 17)	**1,197.9**	674.4
Current other financial assets (see note 15)	**17.6**	18.4
Bank loans and overdraft (see note 19)	**-**	(4.7)
Medium Term Notes – net of foreign exchange revaluation (see note 19)	**(1,494.7)**	(1,657.9)
Lease liabilities (see note 19)	**(2,278.7)**	(2,405.9)
Partnership liability to the Marks & Spencer UK Pension Scheme (see notes 11 and 20)	**(192.3)**	(193.5)
	(2,750.2)	(3,569.2)
Interest payable included within related borrowing and the Partnership liability to the Marks & Spencer UK Pension Scheme	**51.4**	53.3
Net debt	**(2,698.8)**	(3,515.9)

[1]Exchange and other non-cash movements includes interest paid on Medium Term Notes of £79.6m (last year: £86.4m), interest paid on lease liabilities of £121.1m (last year: £130.4m) and interest paid on the Partnership liability to the Marks & Spencer UK Pension Scheme of £4.4m (last year: £4.9m).

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.

Since November 2021, the Group made purchases of goods amounting to £1.2m. At 2 April 2022, included within trade and other payables is a balance of £0.2m owed to Nobody's Child Limited, and included within other financial assets is a balance of £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.

	2022 £m	2021 £m
Salaries and short-term benefits	**14.1**	7.5
Share-based payments	**2.1**	3.2
Total	**16.2**	10.7

E. Other related party transactions

The following transactions were carried out with Ocado Retail Limited, an associate of the parent company.

Sales and purchases of goods and services:

	2022 £m	2021 £m
Sales of goods and services	**36.1**	28.5
Purchases of goods and services	**0.2**	-

Included within trade and other receivables is a balance of £1.9m (last year: £2.3m) owed by Ocado Retail Limited.

As at 2 April 2022, the Company owed £5.7m to fellow subsidiaries of its parent company (last year: owed £4.4m).

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 the 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 £33.8m (last year: £nil) and has decreased its loan to its parent company by £0.6m (last year: decrease of £1.6m). The outstanding balance was £2,541.2m (last year: £2,541.8m) and was non-interest bearing.

28 Government support

The Group has not benefitted from government grant income in the year. Last year, the Group recognised £131.5m in relation to furlough programmes, such as the Coronavirus Job Retention Scheme ("CJRS") in the UK, and its equivalents in other countries. This income was recognised as a deduction against the related expense.

The Group benefited from business rates relief of £62.2m in the year (last year: £174.6m).

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 2022, following a tender offer, the Company repurchased £150.6m of its Medium Term Notes.

On 21 July 2022, the parent company, Marks and Spencer Group plc, announced the acquisition of Gist Limited for an initial consideration of £145m in cash. A further amount of £85m plus interest will be payable in cash from the proceeds of the intended onward disposal of freehold properties or, at the latest, on the third anniversary of completion. An additional profit share from the disposal proceeds of up to £25m plus interest will be payable under certain conditions. The parent company has the ability to retain the freehold properties should it wish to do so in which case the full amount of £110m plus interest will be payable.

Company statement of financial position

	Notes	As at 2 April 2022 £m	As at 3 April 2021 £m
Assets			
Non-current assets			
Intangible assets	C7	**148.8**	193.2
Property, plant and equipment	C8	**3,954.4**	4,179.8
Investments in group undertakings	C9	**897.1**	862.9
Investment in joint ventures		**12.9**	8.6
Other financial assets	C10	**1.9**	10.5
Retirement benefit asset	C4	**1,367.3**	1,025.8
Trade and other receivables	C11	**2,933.8**	2,843.8
Derivative financial instruments	C15	**21.4**	0.3
		9,337.6	9,124.9
Current assets			
Inventories		**660.2**	570.6
Other financial assets	C10	**8.8**	9.2
Trade and other receivables	C11	**192.2**	263.3
Derivative financial instruments	C15	**44.4**	22.8
Current tax assets		**-**	31.1
Cash and cash equivalents	C12	**1,113.7**	625.7
		2,019.3	1,522.7
Total assets		**11,356.9**	10,647.6
Liabilities			
Current liabilities			
Trade and other payables	C13	**3,474.8**	2,727.9
Borrowings and other financial liabilities	C14	**218.9**	469.5
Derivative financial instruments	C15	**5.8**	93.1
Provisions	C16	**42.7**	18.7
Current tax liabilities		**3.6**	-
		3,745.8	3,309.2
Non-current liabilities			
Retirement benefit deficit	C4	**5.4**	6.5
Trade and other payables	C13	**5.8**	4.5
Borrowings and other financial liabilities	C14	**4,372.3**	4,544.4
Derivative financial instruments	C15	**0.4**	10.8
Provisions	C16	**85.7**	68.9
Deferred tax liabilities	C17	**251.6**	95.7
		4,721.2	4,730.8
Total liabilities		**8,467.0**	8,040.0
Net assets		**2,889.9**	2,607.6
Equity			
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	**21.4**	(54.5)
Retained earnings		**1,761.9**	1,555.5
Total equity		**2,889.9**	2,607.6

The Company's profit for the year was £16.8m (last year: loss of £475.6m).

The financial statements were approved by the Board and authorised for issue on 31 August 2022. The financial statements also comprise the notes on pages 96 to 129.

Eoin Tonge, Chief Financial Officer

Registered number: 00214436

Company statement of changes in shareholders' equity

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Cost of Hedging Reserve £m	Retained earnings £m	Total £m
At 29 March 2020	**712.5**	**386.1**	**8.0**	**72.4**	**5.7**	**3,156.5**	**4,341.2**
Loss for the year	-	-	-	-	-	**(475.6)**	**(475.6)**
Other comprehensive (expense)/income:							
Remeasurements of retirement benefit schemes	-	-	-	-	-	**(1,414.1)**	**(1,414.1)**
Tax credit on retirement benefit schemes	-	-	-	-	-	**268.6**	**268.6**
Cash flow hedges							
– fair value movement in other comprehensive income	-	-	-	**(205.9)**	**(1.3)**	-	**(207.2)**
– reclassified and reported in profit or loss	-	-	-	**26.5**	-	-	**26.5**
Tax on cash flow hedges	-	-	-	**34.7**	**0.2**	-	**34.9**
Loss on fair value through other comprehensive income equity investments	-	-	-	-	-	**(3.1)**	**(3.1)**
Other comprehensive (expense)/income	-	-	-	**(144.7)**	**(1.1)**	**(1,148.6)**	**(1,294.4)**
Total comprehensive (expense)/income	-	-	-	**(144.7)**	**(1.1)**	**(1,624.2)**	**(1,770.0)**
Cash flow hedges recognised in inventories	-	-	-	**16.3**	-	-	**16.3**
Tax on cash flow hedges recognised in inventories	-	-	-	**(3.1)**	-	-	**(3.1)**
Transactions with owners:							
Credit for share-based payments	-	-	-	-	-	**19.2**	**19.2**
Deferred tax on share schemes	-	-	-	-	-	**4.0**	**4.0**
At 3 April 2021	**712.5**	**386.1**	**8.0**	**(59.1)**	**4.6**	**1,555.5**	**2,607.6**
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**

Company statement of cash flows

	Notes	52 weeks ended 2 April 2022 £m	53 weeks ended 3 April 2021 £m
Cash flows from operating activities			
Cash generated from operations	C20	1,055.3	815.4
Income tax paid		(5.5)	(3.1)
Net cash inflow from operating activities		1,049.8	812.3
Cash flows from investing activities			
Purchase of property, plant and equipment		(181.2)	(154.3)
Proceeds from sale of property, plant and equipment		1.9	2.9
Purchase of intangible assets		(63.7)	(41.4)
Purchase of current financial assets		-	(3.2)
Purchase of non-current financial assets		(4.0)	(2.5)
Acquisition of subsidiary		(4.0)	-
Proceeds on disposal of non-current financial assets		5.2	-
Loans to related parties		(1.0)	-
Interest received		6.8	5.1
Net cash used in investing activities		(240.0)	(193.4)
Cash flows from financing activities			
Interest paid[1]		(260.2)	(260.5)
Issuance of Medium Term Notes		-	300.0
Redemption of Medium Term Notes		(163.6)	(136.4)
Movement in intercompany loans treated as financing		400.5	168.7
Repayment of lease liabilities		(260.0)	(224.9)
Equity dividends paid		(33.8)	-
Purchase of shares in ultimate parent company held in employee trust		-	(0.8)
Net cash used in financing activities		(317.1)	(153.9)
Net cash inflow/(outflow) from activities		492.7	465.0
Opening net cash		621.0	156.0
Closing net cash	C12	1,113.7	621.0

[1]Includes interest paid on lease liabilities of £171.9m (last year: £189.4m).

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 4 April 2021:

- Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2.

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:

- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- 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
- 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 directors declared and paid interim dividends of £33.8m during 2021/22 as part of an intra-group funding arrangement (last year: £nil) and have not proposed a final dividend for 2021/22 (last year: £nil).

C3 EMPLOYEES

A. AGGREGATE REMUNERATION

The aggregate remuneration and associated costs of Marks and Spencer plc employees were:

	2022 Total £m	2021 Total £m
Wages and salaries	**1,141.6**	1,057.7
Social security costs	**74.6**	87.0
Other pension costs	**62.3**	64.3
Share based payments	**30.0**	19.2
Employee welfare and other personnel costs	**46.9**	38.3
Capitalised staffing costs	**(6.5)**	(6.4)
Total aggregate remuneration	**1,348.9**	1,260.1

B. AVERAGE MONTHLY NUMBER OF EMPLOYEES

	2022	2021
Stores		
- management and supervisory categories	**4,570**	4,870
- other	**51,585**	54,076
Head office		
- management and supervisory categories	**3,275**	2,948
- other	**660**	749
Operations		
- management and supervisory categories	**124**	117
- other	**1,667**	1,507
Total average number of employees	**61,881**	64,267

The average number of full-time equivalent employees is 42,550 (last year 44,423).

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 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), 51,444 deferred members (last year 53,674) and 53,270 pensioners (last year 52,794).

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 46,560 active members (last year 46,191) and some 45,778 deferred members (last year 40,604).

Other retirement benefits also include a UK post-retirement healthcare scheme and unfunded retirement benefits.

The total Company retirement benefit cost was £29.8m (last year: income of £8.0m). Of this, income of £27.9m (last year: £67.8m) relates to the UK DB pension scheme, costs of £57.8m (last year: costs of £59.5m) to the UK DC plan and income of £0.1m (last year: costs of £0.3m) 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 2018 and showed a funding surplus of £652m. This is an improvement on the previous position at 31 March 2015 (statutory surplus of £204m), 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). We continue to work constructively with the Trustees of the UK DB Pension Scheme with regard to agreeing the triennial actuarial valuation of the scheme as at 31 March 2021. Consequently, the results of the valuation are not yet finalised, although it is likely that there will continue to be a surplus.

A. PENSIONS AND OTHER POST-RETIREMENT LIABILITIES

	2022 £m	2021 £m
Total market value of assets	**10,295.8**	**10,700.5**
Present value of scheme liabilities	**(8,928.5)**	**(9,674.7)**
Net funded pension plan asset	**1,367.3**	**1,025.8**
Unfunded retirement benefit	**(2.3)**	**(2.5)**
Post-retirement healthcare	**(3.1)**	**(4.0)**
Net retirement benefit asset	**1,361.9**	**1,019.3**

	2022 £m	2021 £m
Analysed in the statement of financial position as:		
Retirement benefit asset	**1,367.3**	1,025.8
Retirement benefit deficit	**(5.4)**	(6.5)
	1,361.9	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:

	2022 £m	2021 £m
Fair value of scheme assets at start of year	**10,700.5**	10,986.8
Interest income based on discount rate	**222.0**	276.9
Actual return on scheme assets excluding amounts included in net interest income[1]	**(272.8)**	(188.0)
Employer contributions	**5.0**	4.6
Benefits paid	**(354.3)**	(375.5)
Administration costs	**(4.6)**	(4.3)
Fair value of scheme assets at end of year	**10,295.8**	10,700.5

[1] The actual return on scheme assets was a loss of £50.8m (last year: gain of £88.9m).

C. PENSIONS AND OTHER POST-RETIREMENT LIABILITIES

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

	2022 £m	2021 £m
Present value of obligation at start of year	**9,681.2**	8,623.7
Past service cost	**-**	1.0
Interest cost	**189.5**	205.9
Benefits paid	**(354.3)**	(375.5)
Actuarial gain – experience[1]	**154.1**	(81.3)
Actuarial loss/(gain) – demographic assumptions	**89.0**	(12.5)
Actuarial (gain)/loss – financial assumptions	**(825.6)**	1,319.9
Present value of obligation at end of year	**8,933.9**	9,681.2
Analysed as:		
Present value of pension scheme liabilities	**8,928.5**	9,674.7
Unfunded pension plans	**2.3**	2.5
Post-retirement healthcare	**3.1**	4.0
Present value of obligation at end of year	**8,933.9**	9,681.2

[1] Includes a £nil loss (last year: £2.5m loss) relating to an equalisation charge recognised in 2018/19 that was reclassified from provisions in the current period.

The average duration of the defined benefit obligation at 2 April 2022 is 17.3 years (last year: 19.0 years).

D. ANALYSIS OF ASSETS

The investment strategy of the UK DB 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 105% of interest rate movements and 102% of inflation movements, as measured on the Trustee's funding assumptions which use a discount rate derived from gilt yields.

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

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

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

In addition, the Company is exposed to additional risks through its obligation to the UK DB Pension Scheme via its interest in the Scottish Limited Partnership (see note C5). In particular, under the legal terms of the Partnership, a default by the Company on the rental payments to the Partnership or a future change in legislation could trigger earlier or higher payments to the pension scheme, or an increase in the collateral to be provided by the Company.

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

	2022			2021		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Debt investments						
– Government Bonds net of repurchase agreements[1]	**3,474.9**	**(1,185.2)**	**2,289.7**	3,937.3	(1,443.5)	2,493.8
– Corporate Bonds	-	**950.0**	**950.0**	-	1,036.6	1,036.6
– Asset backed securities and structured debt	-	**365.9**	**365.9**	-	256.1	256.1
Scottish Limited Partnership Interest (see note C5)	-	**516.9**	**516.9**	-	537.1	537.1
Equity investments						
– Developed markets	**485.5**	-	**485.5**	410.2	-	410.2
– Emerging markets	**113.7**	-	**113.7**	131.1	-	131.1
Growth Asset Funds						
– Global Property	-	**308.7**	**308.7**	-	276.8	276.8
– Hedge and Reinsurance	-	**324.7**	**324.7**	-	299.0	299.0
– Private Equity and Infrastructure	-	**223.6**	**223.6**	-	224.1	224.1
Derivatives						
– Interest and inflation rate swaps	-	**406.9**	**406.9**	-	298.6	298.6
– Foreign exchange contracts and other derivatives	-	**(40.0)**	**(40.0)**	93.2	4.5	97.7
Cash and Cash equivalents	-	**168.1**	**168.1**	(0.2)	148.9	148.7
Other						
– Buy In Insurance	-	**2,910.0**	**2,910.0**	-	3,177.0	3,177.0
– Secure Income Asset Funds	-	**1,121.6**	**1,121.6**	-	1,064.4	1,064.4
– Other	-	**150.5**	**150.5**	38.1	211.2	249.3
	4,074.1	**6,221.7**	**10,295.8**	4,609.7	6,090.8	10,700.5

[1] Repurchase agreements were £1,184.0m (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 33,210 (last year: 75,223) 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:

	2022 %	2021 %
Rate of increase in pensions in payment for service	**2.3 - 3.6**	2.2 - 3.2
Discount rate	**2.70**	2.00
Inflation rate for RPI	**3.70**	3.30
Long-term healthcare cost increases	**7.70**	7.30

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

F. DEMOGRAPHIC ASSUMPTIONS

The UK demographic assumptions are mainly in line with those adopted for the last formal actuarial valuation of the scheme performed as at 31 March 2018. The UK post-retirement mortality assumptions are based on an analysis of the pensioner mortality trends under the scheme for the period to March 2018. 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:

		2022	2021
Current pensioners (at age 65)	– males	**22.3**	22.2
	– females	**25.1**	25.0
Future pensioners – currently in deferred status (at age 65)	– males	**24.0**	24.0
	– females	**26.9**	26.8

G. SENSITIVITY ANALYSIS

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

	2022 £m	2021 £m
Decrease in scheme surplus caused by a decrease in the discount rate of 0.25%	**(20.0)**	(20.0)
Decrease in scheme surplus caused by a decrease in the discount rate of 0.50%	**(30.0)**	(30.0)
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.25%	**(70.0)**	(20.0)
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.50%	**(130.0)**	(30.0)
Increase in scheme surplus caused by decrease in the average life expectancy of one year	**270.0**	300.0

The discount rate sensitivity is comparable to the sensitivity quoted last year-end. However, the sign has changed from an increase in surplus to a reduction in surplus, as the 'IAS19 over-hedge' on gilt yields increased materially during the previous year. Consequently, assets are projected to grow by less than liabilities this year, whereas assets were projected to grow by more than liabilities last year.

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.

H. ANALYSIS OF AMOUNT CHARGED AGAINST PROFITS

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

	2022 £m	2021 £m
Administration costs	**4.6**	4.3
Past service costs	**-**	1.0
Net interest income	**(32.5)**	(71.0)
Total	**(27.9)**	(65.7)
Remeasurement on the net defined benefit surplus:		
Actual return on scheme assets excluding amounts included in net interest income	**272.8**	188.0
Actuarial loss/(gain) – demographic assumptions	**89.0**	(12.5)
Actuarial gain – experience[1]	**154.1**	(81.3)
Actuarial (gain)/loss – financial assumptions	**(825.6)**	1,319.9
Components of defined benefit (income)/expense recognised in other comprehensive income	**(309.7)**	1,414.1

[1] Includes a £nil loss (last year: £2.5m loss) relating to an equalisation charge recognised in 2018/19 that was reclassified from provisions in the current period.

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: £1.4bn) 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 £71.9m until June 2022 from the Partnership. As a result of the Covid-19 pandemic and the need to preserve cash, in agreement with the Trustees, only £18.9m of the June 2020 payment was made with the remaining £53.0m being deferred. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates so that the Pension Scheme is entitled to receive £71.9m in 2022, £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 Marks and Spencer plc.

The partnership liability in relation to the first interest of £192.3m (last year: £193.5m) 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 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 2 April 2022 an interest charge of £4.4m (last year: £4.9m) 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 £193.5m (last year: £142.5m).

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
At 28 March 2020			
Cost	1,397.0	46.9	1,443.9
Accumulated amortisation, impairments and write-offs	(1,110.6)	(8.2)	(1,118.8)
Net book value	286.4	38.7	325.1
Year ended 3 April 2021			
Opening net book value	286.4	38.7	325.1
Additions	-	41.4	41.4
Transfers	44.6	(44.1)	0.5
Disposals	(40.0)	-	(40.0)
Asset write-offs	(3.2)	-	(3.2)
Amortisation charge	(130.6)	-	(130.6)
Closing net book value	157.2	36.0	193.2
At 3 April 2021			
Cost	1,441.6	44.2	1,485.8
Accumulated amortisation, impairments and write-offs	(1,284.4)	(8.2)	(1,292.6)
Net book value	157.2	36.0	193.2
Year ended 2 April 2022			
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)**
Closing net book value	**93.9**	**54.9**	**148.8**
At 2 April 2022			
Cost	**1,471.2**	**63.1**	**1,534.3**
Accumulated amortisation, impairments and write-offs	**(1,377.3)**	**(8.2)**	**(1,385.5)**
Net book value	**93.9**	**54.9**	**148.8**

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C8 PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment of £3,949.4m (last year: £4,179.8m) consists of owned assets of £2,225.4m (last year: £2,255.9m) and right-of-use assets of £1,724.0m (last year: £1,923.9m).

Property, plant and equipment – owned

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
At 28 March 2020				
Cost	994.0	4,870.7	144.5	6,009.2
Accumulated depreciation, impairments and write-offs	(291.5)	(3,252.1)	(4.3)	(3,547.9)
Net book value	702.5	1,618.6	140.2	2,461.3
Year ended 3 April 2021				
Opening net book value	702.5	1,618.6	140.2	2,461.3
Additions	3.8	17.3	89.4	110.5
Transfers and reclassifications	4.8	154.4	(160.0)	(0.8)
Impairment reversals	11.7	50.4	-	62.1
Impairment charge	(52.0)	(50.4)	-	(102.4)
Asset write-offs	(8.4)	(17.2)	-	(25.6)
Depreciation charge	(38.3)	(210.9)	-	(249.2)
Closing net book value	624.1	1,562.2	69.6	2,255.9
At 3 April 2021				
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)
Net book value	624.1	1,562.2	69.6	2,255.9
Year ended 2 April 2022				
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[1]	**(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**
Closing net book value	**559.7**	**1,490.5**	**140.9**	**2,191.1**
At 2 April 2022				
Cost	**954.1**	**4,762.7**	**145.2**	**5,862.0**
Accumulated depreciation, impairments and write-offs	**(394.5)**	**(3,272.1)**	**(4.3)**	**(3,670.9)**
Net book value	**559.6**	**1,490.6**	**140.9**	**2,191.1**

Asset write-offs in the year include assets with gross book value of £376.7m (last year: £64.5m) 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 28 March 2020	2,064.9	58.0	2,122.9
Additions	39.7	13.4	53.1
Transfers and reclassifications	0.3	-	0.3
Disposals	(1.3)	0.2	(1.1)
Impairment reversals	27.7	-	27.7
Impairment charge	(79.5)	-	(79.5)
Depreciation charge	(179.2)	(20.3)	(199.5)
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**

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 9.8% to 15.8% (last year: 8.9% to 14.0%). 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 £6.9m and impairment reversals of £55.5m as a result of UK store impairment testing unrelated to the UK store estate programme (last year: impairment charge of £80.7m and impairment reversals of £53.5m). The remaining £4.0m impairment charge has been recognised in operating profit before adjusting items as it relates to stores not previously impaired. The impaired stores were impaired to their value in use recoverable amount of £16.6m, 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 9.8% (last year: 8.9%).

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 £8.6m and a 25 basis point reduction in gross profit margin from year 3 onwards would increase the impairment charge by £1.2m. In combination, a 1% fall in sales and a 10 basis point fall in gross profit margin would increase the impairment charge by £1.8m. A 50 basis point increase in the discount rate would increase the impairment charge by £1.2m. 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 £17.2m and a 25 basis point reduction in gross profit margin from year 3 onwards would result in a reduction in the reversal of £1.1m. In combination, a 5% fall in sales and a 25 basis point fall in gross profit margin would reduce the reversal by £19.0m. A 50 basis point increase in the discount rate would reduce the reversal by £3.3m. 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 £102.8m and impairment reversals of £33.3m relating to the ongoing UK store estate programme (last year: impairment charge of £100.8m and impairment reversals of £36.4m). These stores were impaired to their 'value in use' recoverable amount of £203.7m, 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 9.8% (last year: 8.9%).

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 £1.6m. Neither a 50 basis point increase in the discount rate, a 25 basis point reduction in management gross margin during the period of trading, nor a 2% increase in the costs associated with exiting a store would result in a significant increase to the impairment charge, individually or in combination with the other reasonably possible scenarios considered.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C9 INVESTMENTS

A. INVESTMENTS IN GROUP UNDERTAKINGS

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
At 28 March 2020			
Cost	1,199.9	0.5	1,200.4
Provision for impairment	(292.9)	–	(292.9)
Net book value	907.0	0.5	907.5
Year ended 3 April 2021			
Opening net book value	907.0	0.5	907.5
Provision for impairment	(44.6)	-	(44.6)
Closing net book value	862.4	0.5	862.9
At 3 April 2021			
Cost	1,199.9	0.5	1,200.4
Provision for impairment	(337.5)	-	(337.5)
Net book value	862.4	0.5	862.9
Year ended 2 April 2022			
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**
Closing net book value	**896.6**	**0.5**	**897.1**
At 2 April 2022			
Cost	**1,204.4**	**0.5**	**1,204.9**
Provision for impairment	**(307.8)**	-	**(307.8)**
Net book value	**896.6**	**0.5**	**897.1**

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 2 April 2022 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 1, 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	Northcliffe House, Young Street, London, England, W8 5EH	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%	-

Ignazia Limited	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	£1 Ordinary	–	99.99%

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C9 INVESTMENTS CONTINUED

B. SUBSIDIARY UNDERTAKINGS

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	Studio 419, The Print Rooms, 164/180 Union Street, London, SE1 0LH	United Kingdom	£0.01 A Ordinary	-	94.078%
			£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	Registered Capital	–	100%
Manford (Textiles) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks & Spencer (Portugal) Lda.	Avenida da Liberdade 249, 8º, 1250-143, Lisbon, Portugal	Portugal	€1 Ordinary	–	100%
Marks & Spencer Company Archive CIC	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	Membership	–[1]	–
Marks & Spencer Outlet Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Sparks Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer (Australia) Pty Limited	Minter Ellison Governor Macquarie Tower, Level 40 1 Farrer Place Sydney NSW 2000 Australia	Australia	AUD 2 Ordinary	100%	–
Marks and Spencer (Bradford) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Marks and Spencer (Hong Kong) Investments Limited	Suites 807-13, 8/F, South Tower, World Finance Centre, Harbour City, Kowloon, Hong Kong	Hong Kong	No Par Value Ordinary	–	100%
Marks and Spencer (India) Pvt Limited	Tower C, RMZ Millenia, 4th Floor, Lake Wing, #1 Murphy Road, Bangalore, 560008, India	India	INR10 Ordinary	0.002%	99.998%
Marks and Spencer (Ireland) Limited	24-27 Mary Street, Dublin 1, Ireland	Republic of Ireland	€1.25 Ordinary	–	100%
Marks and Spencer Pensions Trust (Ireland) Company Limited By Guarantee	24-27 Mary Street, Dublin 1, Ireland	Republic of Ireland	NA[2]	-	-
Marks and Spencer (Nederland) B.V.	Basisweg 10, 1043 AP, Amsterdam, Netherlands	The Netherlands	€450 Ordinary	–	100%
Marks and Spencer (Northern Ireland) Limited	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%	–
Marks and Spencer (Investment 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 (Shanghai) Limited	Unit 03-04 6/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	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	0.01%	99.99%
			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%[3]
Marks and Spencer Hungary Limited	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%	–
Marks and Spencer Investments	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 BV	Basisweg 10, 1043 AP, Amsterdam, Netherlands	The Netherlands	€100 Ordinary	–	100%
Marks & Spencer Marinopoulos Greece SA	33-35 Ermou Street, Athens, Greece	Greece	€3 Ordinary	–	80%
			€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	–	–[4]
Marks and Spencer Scottish Limited Partnership	2-28 St Nicholas Street, Aberdeen, AB10 1BU	United Kingdom	Partnership interest	–[5]	–
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%	–
Minterton Services 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 (Thorncliffe) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Ruby Properties (Tunbridge) Limited	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	100%	–
Simply Food (Property Investments)	Waterside House, 35 North Wharf Road, London, W2 1NW	United Kingdom	£1 Ordinary	–	100%

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C9 INVESTMENTS CONTINUED

B. SUBSIDIARY UNDERTAKINGS

Simply Food (Property Ventures) 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	–	99.99%

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 designated members of the LLP are Teranis Limited, Ignazia Limited, Aprell Limited and Marks and Spencer (Ireland) Limited.
4. INR 5 Class C shares 100% owned by JV partner.
5. Marks and Spencer plc is the General Partner.

C. UK REGISTERED SUBSIDIARIES EXEMPT FROM AUDIT

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 2 April 2022. Unless otherwise stated, the undertakings listed below are registered at Waterside House, 35 North Wharf Road, London, W2 1NW, United Kingdom, and all have a single class of ordinary share with a nominal value of £1.

				Proportion of shares held by:	
Name	**Registered address**	**Share Class**	**Company Number**	**Company**	**A subsidiary**
St Michael Finance plc	Waterside House, 35 North Wharf Road, London, W2 1NW	£1 Ordinary	01339700	100%	–

The Company will guarantee the debts and liabilities of the above UK subsidiary undertakings at the balance sheet date of £0.7m in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

C10 OTHER FINANCIAL ASSETS

	2022 £m	2021 £m
Non-current		
Unlisted investments	-	9.7
Other investments[1]	**1.9**	0.8
	1.9	10.5
Current		
Short-term investments	**8.8**	9.2

[1]Non-current other investments are £1.9m (last year £0.8m) shares in Marks and Spencer Group plc held for employee share schemes.

Upon transition to IFRS 9, non-current unlisted investments were irrevocably designated as fair value through other comprehensive income. 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

	2022 £m	2021 £m
Non-current		
Prepayments	**113.4**	91.9
Lease receivables - net	**75.3**	62.8
Amounts owed by parent company	**2,541.2**	2,541.8
Amounts owed by subsidiary companies	**203.9**	147.3
	2,933.8	2,843.8

Current		
Trade receivables	**91.5**	104.8
Less: Provision for impairment of receivables	**(4.2)**	(3.4)
Trade receivables – net	**87.3**	101.4
Lease receivables - net	**-**	-
Other receivables	**12.7**	12.7
Prepayments	**84.2**	69.0
Amounts owed by subsidiary companies	**8.0**	80.2
	192.2	263.3

As at 2 April 2022, £140.0m (last year: £192.9m) of the amounts owed by group companies is interest bearing. Overall, the interest receivable during the year was £2.8m (last year: £4.0m). Interest rates are set within individual company loan agreements and reference SONIA plus an applicable margin. The remaining £2,605.1m (last year: £2,605.9m) 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 £7.7m (last year: £5.7m) 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:

	2022 £m	2021 £m
Timing of cash flows		
Within one year	**4.8**	4.8
Between one and two years	**4.7**	4.8
Between two and three years	**4.7**	4.7
Between three and four years	**6.1**	4.7
Between four and five years	**7.8**	6.1
More than five years	**120.8**	128.9
Total undiscounted cash flows	**148.9**	154.0
Effect of discounting	**(73.6)**	(79.3)
Present value of lease payments receivable	**75.3**	74.7
Less: provision for impairment of receivables	**-**	(11.9)
Net investment in the lease	**75.3**	62.8

C12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are £1,113.7m (last year: £621.0m). The carrying amount of these assets approximates their fair value.

The effective interest rate on short-term bank deposits is 0.7% (last year: 0.1%). These deposits have an average maturity of 39 days (last year: 5 days).

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2022 £m	2021 £m
Cash at bank and in hand	**1,113.7**	625.7
Bank loans and overdrafts	**-**	(4.7)
	1,113.7	621.0

C13 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Current		
Trade and other payables	**1,281.0**	1,092.7
Social security and other taxes	**43.1**	33.3
Accruals	**582.1**	403.9
Deferred income	**47.0**	49.6
Amounts owed to subsidiaries	**1,521.6**	1,148.4
	3,474.8	2,727.9
Non-current		
Other payables	**2.4**	1.0
Deferred income	**3.4**	3.5
Other payables and deferred income	**5.8**	4.5

As at 2 April 2022, £673.8m (last year: £492.4m) of the amounts owed to subsidiaries is interest bearing. Overall, the interest payable during the year was £1.0m (last year: £2.8m). Interest rates are set within individual company loan agreements and reference SONIA plus an applicable margin. The remaining £839.9m (last year: £656.0m) of the amounts owed to subsidiaries are interest-free. Amounts owed to subsidiaries are repayable on demand.

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

	2022 £m	2021 £m
Opening balance	**188.9**	175.3
Issues	**397.4**	363.9
Released to the income statement	**(405.9)**	(350.3)
Closing balance	**180.4**	188.9

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 2 April 2022, £330.0m (last year: £272.6m) of trade payables were amounts owed under these arrangements. During the year, the maximum facility available at any one time under the arrangements was £404.1m (last year: £305.0m).

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C14 BORROWINGS AND OTHER FINANCIAL LIABILITIES

	2022 £m	2021 £m
Current		
Bank loans and overdrafts	-	4.7
Lease liabilities	**171.9**	256.1
6.125% £300m Medium Term Notes 2021[1]	-	163.5
Interest accrued on Medium Term Notes	**47.0**	45.2
	218.9	469.5
Non-current		
3.00% £300m Medium Term Notes 2023[1]	**299.1**	298.5
4.75% £400m Medium Term Notes 2025[1,2]	**409.4**	412.2
3.75% £300m Medium Term Notes 2026[1]	**298.6**	298.3
3.25% £250m medium-term notes 2027[1]	**248.3**	248.0
7.125% US$300m Medium Term Notes 2037[3,4]	**192.3**	192.2
Revaluation of Medium Term Notes5	**34.8**	24.2
Lease liabilities	**2,889.8**	3,071.0
	4,372.3	4,544.4
Total	**4,591.2**	5,013.9

[1]These notes are issued under Marks and Spencer plc's £3bn Euro Medium Term Note programme and all pay interest annually.
[2]The Group occasionally enters into interest rate swaps to manage interest rate exposure. At year end, £10.5m (last year: £13.6m) of fair value adjustment for terminated hedges to bebamortised over the remaining debt maturity.
[3]Interest on these bonds is payable semi-annually.
[4]US$300m Medium Term Note exposure swapped to sterling (fixed-to-fixed cross currency interest rate swaps).
[5]Revaluation consists of foreign exchange loss on revaluation of the 7.125% US$300m Medium Term Notes 2037 of £34.8m (last year: £24.2m).

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

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

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

	2022 £m	2021 £m
Opening lease liabilities	**3,327.1**	3,490.9
Additions	**165.8**	63.3
Interest expense relating to lease liabilities	**173.5**	189.3
Payments	**(431.9)**	(401.6)
Disposals	**(171.8)**	(15.8)
Exchange and other movements	**(1.0)**	1.0
	3,061.7	3,327.1
Current	**171.9**	256.1
Non-current	**2,889.8**	3,071.0

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 £3,061.7m of lease liabilities held on the balance sheet.

The following amounts were recognised in profit or loss:

	2022 £m	2021 £m
Expenses relating to short-term leases	**5.1**	4.4
Expenses relating to low-value assets	-	0.9
Expenses relating to variable consideration	**2.8**	1.2

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

C15 FINANCIAL INSTRUMENTS

Treasury policy

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

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

The Group treasury function also enters into derivative transactions, principally interest rate swaps, 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.

During the year, the Company terminated its committed syndicated bank revolving credit facility and entered a new committed *syndicated bank revolving credit facility of £850.0m with a current maturity date of 13 June 2025. The new 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 semi-annually. The Company was not in breach of this covenant at the reporting date.

The new revolving credit facility includes four additional sustainability metrics where the margin payable on the facility is adjusted to reflect the Company's performance against a number of ESG targets material to the Company's Plan A objectives. The Company was not in breach of these metrics at the reporting date.

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 £1.3bn (last year: £1.4bn) 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 from the next interest payment date following a relevant credit rating downgrade. 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 and other payables and accruals. The carrying value of all trade and other payables and accruals of £1,865.5m (last year: £1,497.5m) is equal to their contractual undiscounted cash flows (see note C13) which are due within one year.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Bank loans and overdrafts £m	Medium Term Notes £m	Lease liabilities[1] £m	Total borrowings and other financial liabilities £m	Cash inflow on derivatives[2] £m	Cash outflow on derivatives[2] £m	Total derivative liabilities £m
Timing of cash flows							
Within one year	(4.7)	(244.8)	(426.2)	(675.7)	1,449.4	(1,542.1)	(92.7)
Between one and two years	-	(74.8)	(398.1)	(472.9)	162.7	(164.4)	(1.7)
Between two and five years	-	(898.8)	(1,094.0)	(1,992.8)	46.5	(43.8)	2.7
More than five years	-	(987.7)	(4,041.9)	(5,029.6)	404.0	(368.6)	35.4
Total undiscounted cash flows	(4.7)	(2,206.1)	(5,960.2)	(8,171.0)	2,062.6	(2,118.9)	(56.3)
Effect of discounting	-	524.0	2,633.1	3,157.1			
At 3 April 2021	(4.7)	(1,682.1)	(3,327.1)	(5,013.9)			
Timing of cash flows							
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)**			

[1]Total undiscounted lease payments of £599.7m 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.
[2]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[1]	-	-	49.0	166.3	245.0	-	-	-	460.3
Derivative assets[2]	-	-	-	2.4	19.9	0.4	0.2	-	23.0
At 3 April 2021	-	-	49.0	174.6	245.5	-	-	-	469.1

	AAA £m	**AA+ £m**	**AA £m**	**AA- £m**	**A+ £m**	**A £m**	**A- £m**	**BBB+ £m**	**Total £m**
Other investments[1]	-	-	-	**158.5**	**288.6**	**462.0**	**89.0**	-	**998.1**
Derivative assets[2]	-	-	-	-	**31.8**	**24.4**	**8.7**	-	**64.9**
At 2 April 2022	-	-	-	**158.5**	**320.4**	**486.4**	**97.7**	-	**1,063.0**

[1]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 £217.4m (last year: £174.6m).
[2]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 £113.4m (last year: £101.4m), lease receivables £75.3m (last year: £62.8m), other receivables £12.7m (last year: £12.7m), amounts owed by group companies £2,753.1m (last year: £2,769.3m), cash and cash equivalents £1,113.7m (last year: £625.7m) and derivatives £44.4m (last year: £23.0m).

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, 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 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 3 April 2021	Current	Up to 30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	181 days or more past due	Total
	£m	£m	£m	£m	£m	£m	£m
Gross carrying amount - trade receivables	91.5	9.4	1.8	0.5	0.4	1.2	104.8
Expected loss rate	1.62%	5.13%	8.13%	14.88%	4.05%	100.0%	3.28%
Lifetime expected credit loss	1.5	0.5	0.1	0.1	-	1.2	3.4
Net carrying amount	90.0	8.9	1.7	0.4	0.4	-	101.4

As at 2 April 2022	**Current**	**Up to 30 days past due**	**31-60 days past due**	**61-90 days past due**	**91-180 days past due**	**181 days or more past due**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Gross carrying amount - trade receivables	**65.8**	**15.5**	-	**1.7**	**7.5**	**1.0**	**91.5**
Expected loss rate	**3.80%**	**0.65%**		**5.88%**	**6.67%**	**100.00%**	**4.59%**
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**

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

Trade receivables expected loss provision	**2022 £m**	2021 £m
Opening loss allowance	**3.4**	3.7
Increase/(decrease) in loss allowance recognised in profit and loss during the year	**1.2**	(0.3)
Receivables written off during the year as uncollectable	**(0.4)**	-
Closing loss allowance	**4.2**	3.4

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

Trade receivables expected loss provision	2022 £m	2021 £m
Opening loss allowance	**11.9**	4.7
(Decrease)/increase in loss allowance recognised in profit and loss during the year[1]	**(11.9)**	7.2
Receivables written off during the year as uncollectable	-	-
Closing loss allowance	-	11.9

[1] Relates to the sub-let of previously closed offices associated with the strategic programme to centralise the Company's London Head Office functions.

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

C. Foreign currency risk

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

Group Treasury hedges these 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 Company's treasury policy, hedges are entered into by business line and by season.

At the balance sheet date the gross notional value in sterling terms of forward foreign exchange contracts amounted to £2,099.0m (last year: £1,835.8.0m) 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 2 April 2022 will be released to the income statement at various dates over the following 15 months (last year: 16 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 December 2017). The hypothetical derivative is based on the original critical terms and so ineffectiveness may result.

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 £0.6m loss (last year: £0.5m loss) in the income statement. As at the balance sheet date, the gross notional value of intercompany loan hedges was £166.8m (last year: £310.8m).

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:

	2022			2021		
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m
Currency						
Sterling	**3,504.8**	-	**3,504.8**	5,003.0	4.7	5,007.7
	3,504.8	-	**3,504.8**	5,003.0	4.7	5,007.7

The prior year floating rate sterling borrowings were cash balances classified as overdrafts.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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: 5.3%) and the weighted average time for which the rate is fixed is five years (last year: six years).

During the prior year, the Company closed out all interest rate swaps designated in hedge relationships.

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 £3,504.8m (last year: £5,003.0m) representing the public bond issues and lease liabilities, amounting to 100% (last year: 99%) of the Company's gross borrowings.

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

	2022 %	2021 %
Committed and uncommitted borrowings	**N/A**	N/A
Medium Term Notes	**5.1%**	5.3%
Leases	**5.3%**	5.5%

The Company has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority ("FCA")) regarding the transition away from GBP LIBOR to the Sterling Overnight Index Average Rate ("SONIA"). In March 2021, the FCA announced that it will no longer seek to persuade, or compel, banks to submit LIBOR from 31 December 2021 (for USD LIBOR: 30 June 2023).

Last year, the Company identified all contracts with reference to LIBOR and ensured that these were terminated or amended to specify the date on which the interest rate benchmark would be replaced, the alternative benchmark rate and the relevant spread adjustment. Where applicable, fallback language was included to incorporate any future transitions to new benchmark interest rates.

The Company no longer holds any financial instruments that reference LIBOR and is therefore not exposed to any liquidity, basis or accounting risks arising from benchmark reform. All necessary system and operational changes have been made to reference SONIA.

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.

	3 April 2021			
	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	1,334.3	310.8	193.5	190.7
Carrying amount assets	22.0	0.8	-	0.3
Carrying amount (liabilities)	(82.4)	(10.7)	(8.1)	(2.7)
Maturity date	to Sep 2021	to Jan 2022	to Dec 2037	to May 2022
Hedge ratio	100%	100%	100%	100%
Description of hedged item	Highly probable transactional FX exposures	Inter-company loans/ deposits & subsidiary FX exposures	USD fixed rate borrowing	Highly probable transactional FX exposures
Change in fair value of hedging instrument[1]	(104.7)	(9.8)	(91.7)	(11.8)
Change in fair value of hedged item used to determine hedge effectiveness	104.7	11.2	93.0	11.8
Weighted average hedge rate for the year	GBP/USD 1.32, GBP/EUR1.13	-	GBP/USD 1.55	GBP/USD 1.28, GBP/EUR1.12
Amounts recognised within finance costs in profit and loss	-	1.4	1.3	-
Balance on cash flow hedge reserve at 3 April 2021	45.8	-	25.4	2.3
Balance on cost of hedging reserve at 3 April 2021	-	-	(5.8)	-

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	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	1,770.2	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)
Maturity date	to Sep 2022	to May 2022	to Dec 2037	to Apr 2023
Hedge ratio	100%	100%	100%	100%
Description of hedged item	Highly probable transactional FX exposures	Inter-company loans/ deposits & subsidiary FX exposures	USD fixed rate borrowing	Highly probable transactional FX exposures
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)
Weighted average hedge rate for the year	GBP/USD 1.37, GBP/EUR1.18	-	GBP/USD 1.55	GBP/USD 1.34, GBP/EUR1.17
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)	-

[1]Last year, the £(9.8)m fair value change represented in the fair value movement of the forward contracts under FVTPL consisted of economic hedges of certain intercompany loans/deposits and forward contracts that were no longer in hedge relationships (total equivalent notional: £310.8m; current year: nil). Of this fair value change, £(10.2)m related to movements in valid hedge relationships that de-designated at the end of the respective financial year and were reclassified to the cost of inventory (current year: nil). This line also includes the cash settlements of the derivative positions during each respective year.

		2 April 2022				3 April 2021			
		Notional Value		Fair Value		Notional Value		Fair Value	
		Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current									
Forward foreign exchange contracts	- cash flow hedges	1,429.4	340.8	44.3	(5.0)	241.0	1,093.4	22.0	(82.4)
	- FVTPL	37.2	129.6	0.6	(0.9)	49.2	261.6	0.8	(10.7)
		1,466.6	470.4	44.9	(5.9)	290.2	1,355.0	22.8	(93.1)
Non-current									
Cross-currency swaps	- cash flow hedges	193.5	-	18.5	-	-	193.5	-	(8.1)
Forward foreign exchange contracts	- cash flow hedges	131.1	30.9	2.9	(0.4)	46.2	144.5	0.3	(2.7)
		324.6	30.9	21.4	(0.4)	46.2	338.0	0.3	(10.8)

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

	Cost of hedging reserve CCIRS[1] £m	Deferred tax £m	Total cost of hedging reserve £m	Hedge reserve FX derivatives £m	Hedge reserve CCIRS £m	Hedge reserve gilt locks £m	Deferred tax £m	Total hedge reserve £m
Opening balance 29 March 2020	(7.1)	1.4	(5.7)	(49.5)	(40.1)	0.1	17.1	(72.4)
Add: Change in fair value of hedging instrument recognised in OCI[2]	-	-	-	113.9	92.0	-	-	205.9
Add: Costs of hedging deferred and recognised in OCI	1.3	-	1.3	-	-	-	-	-
Less: Reclassified to the cost of inventory	-	-	-	(16.3)	-	-	-	(16.3)
Less: Reclassified from OCI to profit or loss - included in finance costs	-	-	-	-	(26.5)	-	-	(26.5)
Less: Deferred tax	-	(0.2)	(0.2)	-	-	-	(31.6)	(31.6)
Closing balance 3 April 2021	(5.8)	1.2	(4.6)	48.1	25.4	0.1	(14.5)	59.1
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)**

[1] Cross-currency interest rate swaps
[2] Other comprehensive income

During the year, the Company closed out all interest rate swaps designating its GBP fixed debt to floating debt which were reported as fair value hedges (see note C14 for details of fair value adjustment). At 2 April 2022, the Company had a deferred fair value adjustment of £10.5m (last year: £13.6m) in borrowings relating to terminated fair value hedges. The ineffective portion recognised in profit or loss that arose from fair value hedges amounted to a nil gain or loss as the loss on the hedged items was £nil (last year: loss of £4.4m) and the gain on the hedging instruments was £nil (last year: gain of £4.4m).

Movement in hedged items and hedging instruments

	2022 £m	2021 £m
Net gain in fair value of interest rate swap	-	4.4
Net gain/(loss) on hedged items	-	(4.4)
Ineffectiveness	-	-

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 £1.3m gain (last year: £1.3m gain) as the loss on the hedged items was £25.4m (last year: £93.0m gain) and the movement on the hedging instruments was a £26.7m gain (last year: £91.7m loss). A nil gain or loss (last year: nil gain or loss) was recognised in profit or loss as previously realised ineffectiveness reversed out.

Movement in hedged items and hedging instruments

	2022 £m	2021 £m
Net gain/(loss) in fair value of cross-currency interest rate swap	**26.7**	(91.7)
Net (loss)/gain on hedged items	**(25.4)**	93.0
Ineffectiveness	**1.3**	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 represents a reasonably possible change. However, this analysis is for illustrative purposes only. The Company believes that these illustrative assumed movements continue to provide sufficient guidance.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

	2% decrease in interest rates	2% increase in interest rates	20% weakening in sterling	20% strengthening in sterling
	£m	£m	£m	£m
At 3 April 2021				
Impact on income statement: (loss)/gain	(9.2)	9.2	-	-
Impact on other comprehensive income: (loss)/gain	(2.6)	4.1	230.5	(230.5)
At 2 April 2022				
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)**

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)	Gross financial (liabilities)/ assets set off	Net financial assets/ (liabilities) per statement of financial position	Related amounts not set off in the statement of financial position	Net
	£m	£m	£m	£m	£m
At 3 April 2021					
Trade and other receivables	16.5	(12.8)	3.7	-	3.7
Derivative financial assets	23.1	-	23.1	(23.1)	-
	39.6	(12.8)	26.8	(23.1)	3.7
Trade and other payables	(257.4)	12.8	(244.6)	-	(244.6)
Derivative financial liabilities	(103.9)	-	(103.9)	23.1	(80.8)
	(361.3)	12.8	(348.5)	23.1	(325.4)

	Gross financial assets/ (liabilities)	Gross financial (liabilities)/ assets set off	Net financial assets/ (liabilities) per statement of financial position	Related amounts not set off in the statement of financial position	Net
	£m	£m	£m	£m	£m
At 2 April 2022					
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)**

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 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.
- 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:

	2022				2021			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value								
Financial assets at fair value through profit or loss (FVTPL)								
– other investments	**0.4**	-	-	**0.4**	0.8	-	-	0.8
– derivatives held at FVTPL	-	**0.6**	-	**0.6**	-	0.8	-	0.8
Derivatives used for hedging	-	**65.7**	-	**65.7**	-	22.3	-	22.3
Short-term investments	-	**8.8**	-	**8.8**	-	9.2	-	9.2
Unlisted equity investments[1]	-	-	-	-	-	-	9.7	9.7
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss (FVTPL)								
– derivatives held at FVTPL	-	**(0.9)**	-	**(0.9)**	-	(10.7)	-	(10.7)
Derivatives used for hedging	-	**(5.4)**	-	**(5.4)**	-	(93.2)	-	(93.2)

[1] The Company holds £nil in unlisted equity securities measured at fair value through other comprehensive income (last year: £9.7m) (see note C10) which is a level 3 instrument. The fair value of this investment was determined with reference to the net asset value of the entity in which the investment was held, which in turn derived the majority of its net asset value through a third-party property valuation.

The Marks & Spencer UK Pension Scheme holds a number of financial instruments which make up the pension asset of £10,295.8m (last year: £10,700.5m). Level 1 and Level 2 financial assets measured at fair value through other comprehensive income amounted to £5,203.9m (last year: £5,703.6m). Additionally, the pension scheme assets include £5,091.9m (last year: £4,996.9m) 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:

	2022 £m	2021 £m
Opening balance	**4,996.9**	4,325.1
Fair value gain recognised in other comprehensive income	**138.6**	68.3
(Withdrawal)/additional investment	**(43.6)**	603.5
Closing balance	**5,091.9**	4,996.9

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 £1,482.5m (last year: £1,682.1m); the fair value of this debt was £1,549.6m (last year: £1,807.6m) which has been calculated using quoted market prices and includes accrued interest.

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Capital policy

The Company's objectives when managing capital (defined as net debt plus equity) are to fund investment in the transformation and rebuild balance sheet metrics towards levels consistent with investment grade, 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 rebuild a capital structure commensurate with 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: six 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 may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

C16 PROVISIONS

	Property £m	Restructuring £m	Other £m	Total £m
At 29 March 2020	55.1	11.0	4.9	71.0
Provided in the year – charged to profit or loss	21.9	88.3	3.1	113.3
Provided in the year - charged to property, plant and equipment	25.9	-	-	25.9
Released in the year	(29.8)	(7.5)	(0.1)	(37.4)
Utilised during the year	(4.6)	(80.7)	-	(85.3)
Discount rate unwind	2.6	-	-	2.6
Reclassified to the pension liability	-	-	(2.5)	(2.5)
At 3 April 2021	71.1	11.1	5.4	87.6
Analysed as:				
Current				18.7
Non-current				68.9

	Property £m	**Restructuring £m**	**Other £m**	**Total £m**
At 4 April 2021	**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**
At 2 April 2022	**89.6**	**34.9**	**3.9**	**128.4**
Analysed as:				
Current				**42.7**
Non-current				**85.7**

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 reduce roles across central support centres, regional management and our UK stores; the strategic programme to transition to a single-tier UK distribution network; and costs associated with the decision to fully exit our Russian 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 exit our Russian 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 £118.2m at 2 April 2022 (last year: £76.2m), with a net charge in the year of £128.4m (last year: £72.6m).

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 19% and 25% as applicable (last year: 19%) 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 29 March 2020	(21.2)	1.4	(449.1)	83.5	(385.4)
Credited/(charged) to the income statement	(27.5)	21.1	(12.5)	4.9	(14.0)
Credited/(charged) to equity	-	-	267.8	35.9	303.7
At 3 April 2021	(48.7)	22.5	(193.8)	124.3	(95.7)
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)**

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 £236.6m (last year: £228.0m) and a tax value of £58.6m (last year: £43.3m). The tax value has increased in comparison to the prior year due to the effects of the change in rate, whereby, UK deferred tax assets and liabilities have been remeasured at 25% where these are expected to be realised or settled on or after 1 April 2023.

C18 ORDINARY SHARE CAPITAL

	2022		2021	
	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

	2022 £m	2021 £m
Commitments in respect of properties in the course of construction	**58.8**	87.8
Software capital commitments	**5.9**	10.6
	64.7	98.4

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

	2022 £m	2021 £m
Profit/(loss) on ordinary activities after taxation	**16.8**	(475.6)
Income tax expense	**60.9**	14.0
Finance costs	**259.4**	280.9
Finance income	**(42.5)**	(81.0)
Operating profit/(loss)	**294.6**	(261.7)
(Increase)/decrease in inventories	**(61.6)**	46.6
(Increase)/decrease in receivables	**(45.9)**	109.2
Increase in payables	**278.4**	253.6
Depreciation, amortisation and asset impairments	**544.5**	572.5
Shares in Group undertakings impairment (reversal)/charge	**(29.7)**	44.5
Non-cash share-based payment charges	**38.6**	19.3
Defined benefit pension funding	**(36.3)**	(36.6)
Adjusting items net cash outflows[1,2]	**(30.7)**	(115.2)
Adjusting items M&S Bank[3]	**(16.0)**	(2.4)
Adjusting operating profit items	**119.4**	185.6
Cash generated from operations	**1,055.3**	815.4

1 Excludes £5.6m (last year: £12.2m) 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 28 March 2020 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash Movements[1] £m	At 3 April 2021 £m
Net debt						
Bank loans and overdrafts (see note C14)	(15.5)	10.8	-	-	-	**(4.7)**
Cash and cash equivalents (see note C12)	171.5	454.2	-	-	-	**625.7**
Net cash per statement of cash flows	**156.0**	**465.0**	-	-	-	**621.0**
Current other financial assets (see note C10)	**6.0**	**3.2**	-	-	-	**9.2**
Liabilities from financing activities						
Medium Term Notes (see note C14)	(1,536.2)	(87.9)	-	-	(58.0)	**(1,682.1)**
Lease liabilities (see note C14)	(3,490.9)	590.9	-	63.3	(490.4)	**(3,327.1)**
Derivatives held to hedge Medium Term Notes	102.2	(14.0)	(96.3)	-	-	**(8.1)**
Liabilities from financing activities	**(4,924.9)**	**489.0**	**(96.3)**	**63.3**	**(548.4)**	**(5,017.3)**
Less: Cash flows related to interest and derivative instruments	(2.3)	(212.6)	96.3	-	196.1	**77.5**
Net debt	**(4,765.2)**	**744.6**	-	**63.3**	**(352.3)**	**(4,309.6)**

	At 4 April 2021 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash Movements[1] £m	At 2 April 2022 £m
Net debt						
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**
Net cash per statement of cash flows	**621.0**	**492.7**	-	-	-	**1,113.7**
Current other financial assets (see note C10)	**9.2**	**(0.4)**	-	-	-	**8.8**
Liabilities from financing activities						
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**
Liabilities from financing activities	**(5,017.3)**	**588.3**	**26.6**	**165.8**	**(336.1)**	**(4,572.7)**
Less: Cash flows related to interest and derivative instruments	77.5	(208.7)	(26.6)	-	221.1	**63.3**
Net debt	**(4,309.6)**	**871.9**	-	**165.8**	**(115.1)**	**(3,386.9)**

COMPANY NOTES TO THE FINANCIAL STATEMENTS CONTINUED

B. Reconciliation of net debt to statement of financial position

	2022 £m	2021 £m
Statement of financial position and related notes		
Cash and cash equivalents (see note C12)	1,113.7	625.7
Current other financial assets (see note C10)	8.8	9.2
Bank loans and overdrafts (see note C14)	-	(4.7)
Medium Term Notes – net of foreign exchange revaluation (see note C14)	(1,494.7)	(1,657.9)
Lease liabilities (see note C14)	(3,061.7)	(3,327.1)
	(3,433.9)	(4,354.8)
Interest payable included within related borrowing	47.0	45.2
Total net debt	(3,386.9)	(4,309.6)

[1]Exchange and other non-cash movements includes interest charge on Medium Term Notes of £79.6m (last year: £86.4m) and interest charge on lease liabilities of £173.5m (last year: £189.3m).

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 £0.6m (last year decrease of £1.6m). The outstanding balance was £2,541.2m (last year £2,541.8m) 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.

Sales of goods and services:

	2022 £m	2021 £m
Sales of goods and services	36.1	28.5
Purchase of goods and services	0.2	-

Transactions between the Company and its subsidiaries, which are related parties, are summarised below:

	2022 Transactions £m	2021 Transactions £m
Trading sales	(359.4)	(319.0)
IFRS 16 depreciation	75.7	75.6
IFRS 16 interest	66.6	75.0
Loan interest	(1.7)	(1.2)

B. Marks & Spencer Pension Scheme

Details of other transactions and balances held with the Marks & Spencer UK Pension Scheme are set out in notes C4 and C5.

C. Key management compensation

Payments and benefits relating to key management are set out in note 28 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. Last year, the Company recognised £125.2m in relation to furlough programmes, such as the Coronavirus Job Retention Scheme (CJRS) in the UK. This income was recognised as a deduction against the related expense.

The Company benefited from business rates relief of £59.8m in the year (last year: £172.2m).

There are no unfulfilled conditions or contingencies attached to these grants.

C24 ULTIMATE PARENT COMPANY

The immediate and ultimate parent undertaking and controlling party is Marks and Spencer Group plc.

Marks and Spencer Group plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 2 April 2022. The consolidated financial statements of Marks and Spencer Group plc are available from Waterside House, 35 North Wharf Road, London, W2 1NW.

C25 SUBSEQUENT EVENTS

In June 2022, following a tender offer, the Company repurchased £150.6m of its Medium Term Notes.

On 21 July 2022, the ultimate parent company, Marks and Spencer Group plc, announced the acquisition of Gist Limited for an initial consideration of £145m in cash. A further amount of £85m plus interest will be payable in cash from the proceeds of the intended onward disposal of freehold properties or, at the latest, on the third anniversary of completion. An additional profit share from the disposal proceeds of up to £25m plus interest will be payable under certain conditions. The parent company has the ability to retain the freehold properties should it wish to do so in which case the full amount of £110m plus interest will be payable.

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.

<table>
<tr><th>APM</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td colspan="4">Income statement measures</td></tr>
<tr><td>Sales</td><td>Revenue</td><td>Consignment sales</td><td>Sales includes the gross value of consignment sales (excluding VAT) before the impact of adjusting items.</td></tr>
<tr><td>Clothing & Home store / Clothing & Home online sales</td><td>None</td><td>Not applicable</td><td>Where third-party branded goods are sold on a consignment basis, only the commission receivable is included in statutory revenue. This 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 revenue through stores and through the Clothing & Home online platforms. These revenues are reported within the UK Clothing & Home segment results. Store revenue excludes revenue from "shop your way" and click & collect, which are included in online revenue. The growth in revenues on a year-on-year basis is a good indicator of the performance of the stores and online channels.
<table>
<tr><th></th><th>2021/22
£m</th><th>2020/21
£m</th><th>%</th></tr>
<tr><td>UK Clothing & Home</td><td></td><td></td><td></td></tr>
<tr><td>Store sales[1]</td><td>2,209.5</td><td>1,088.9</td><td>102.9</td></tr>
<tr><td>Consignment sales</td><td>(8.6)</td><td>-</td><td></td></tr>
<tr><td>Store revenue</td><td>2,200.9</td><td>1,088.9</td><td>102.1</td></tr>
<tr><td>Online sales[1]</td><td>1,122.7</td><td>1,109.7</td><td>1.2</td></tr>
<tr><td>Consignment sales</td><td>(15.3)</td><td>-</td><td></td></tr>
<tr><td>Online revenue</td><td>1,107.4</td><td>1,109.7</td><td>(0.2)</td></tr>
<tr><td>UK Clothing & Home sales[1] – 52-week basis</td><td>3,332.2</td><td>2,198.6</td><td>51.6</td></tr>
<tr><td>Consignment sales</td><td>(23.9)</td><td>-</td><td></td></tr>
<tr><td>UK Clothing & Home revenue – 52-week basis</td><td>3,308.3</td><td>2,198.6</td><td>50.5</td></tr>
<tr><td>Week 53</td><td>-</td><td>40.4</td><td></td></tr>
<tr><td>Total UK Clothing & Home revenue</td><td>3,308.3</td><td>2,239.0</td><td>47.8</td></tr>
</table>
[1] UK Clothing & Home store sales excludes revenue from "shop your way" and click & collect, which are included in UK Clothing & Home online sales.

There is no material difference between sales and revenue for UK Food and International.</td></tr>
</table>

<table>
<tr><th>APM</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>Like-for-like revenue growth</td><td>Movement in revenue per the income statement</td><td>Revenue from non like-for-like stores</td><td>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.
<table>
<tr><th></th><th>2021/22
£m</th><th>2020/21
£m</th></tr>
<tr><td>UK Food</td><td></td><td></td></tr>
<tr><td>Like-for-like</td><td>6,414.1</td><td>5,831.1</td></tr>
<tr><td>Net new space[1]</td><td>225.5</td><td>163.7</td></tr>
<tr><td>Week 53</td><td>-</td><td>143.7</td></tr>
<tr><td>Total UK Food revenue</td><td>6,639.6</td><td>6,138.5</td></tr>
<tr><td>UK Clothing & Home</td><td></td><td></td></tr>
<tr><td>Like-for-like</td><td>3,218.3</td><td>2,164.5</td></tr>
<tr><td>Net new space</td><td>90.0</td><td>34.1</td></tr>
<tr><td>Week 53</td><td>-</td><td>40.4</td></tr>
<tr><td>Total UK Clothing & Home revenue</td><td>3,308.3</td><td>2,239.0</td></tr>
</table>
[1] UK Food net new space includes sales to Ocado Retail Limited.</td></tr>
<tr><td>Food ex hospitality and franchise</td><td>Movement in revenue per the income statement</td><td>Revenue from hospitality and franchise categories and sales to Ocado Retail Limited</td><td>The period-on-period change in Food revenue (before sales to Ocado Retail Limited) excluding the hospitality and franchise categories' revenue (excluding VAT). The hospitality category includes cafes, counters and marketplace. This measure is based on Food total revenue rather than like-for-like revenue which was presented in the 2020/21 annual report. This measure is used to provide consistency with other measures provided within this report.
<table>
<tr><th></th><th>2021/22
£m</th><th>2020/21
£m</th><th>%</th></tr>
<tr><td>UK Food</td><td></td><td></td><td></td></tr>
<tr><td>Revenue</td><td>6,639.6</td><td>6,138.5</td><td>8.2</td></tr>
<tr><td>Sales to Ocado Retail</td><td>(32.1)</td><td>(24.2)</td><td>32.6</td></tr>
<tr><td>Hospitality</td><td>(167.0)</td><td>(54.0)</td><td>209.3</td></tr>
<tr><td>Franchise</td><td>(586.6)</td><td>(438.4)</td><td>33.8</td></tr>
<tr><td>Food ex hospitality and franchise</td><td>5,853.9</td><td>5,621.9</td><td>4.1</td></tr>
</table></td></tr>
<tr><td>M&S.com revenue / Online revenue</td><td>None</td><td>Not applicable</td><td>Total revenue through the Group's online platforms. These revenues are reported within the relevant UK Clothing & Home, UK Food and International segment results. The growth in revenues 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 2022 for an explanation of why this measure is used within incentive plans.</td></tr>
</table>

<table>
<tr><th>APM</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>International online</td><td>None</td><td>Not applicable</td><td>International revenue through International online platforms. These revenues are reported within the International segment results. The growth in revenues 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.
<table>
<tr><th></th><th>2021/22
£m</th><th>2020/21
£m</th><th>%</th></tr>
<tr><td>International revenue</td><td></td><td></td><td></td></tr>
<tr><td>Stores</td><td>764.7</td><td>613.6</td><td>24.6</td></tr>
<tr><td>Online</td><td>172.5</td><td>165.7</td><td>4.1</td></tr>
<tr><td>Week 53</td><td>-</td><td>10.1</td><td></td></tr>
<tr><td>At reported currency</td><td>937.2</td><td>789.4</td><td>18.7</td></tr>
</table></td></tr>
<tr><td>Revenue growth at constant currency</td><td>None</td><td>Not applicable</td><td>The period-on-period change in revenue retranslating the previous year revenue 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.
<table>
<tr><th></th><th>2021/22
£m</th><th>2020/21
£m</th><th>%</th></tr>
<tr><td>International revenue</td><td></td><td></td><td></td></tr>
<tr><td>At constant currency</td><td>937.2</td><td>761.8</td><td>23.0</td></tr>
<tr><td>Impact of FX retranslation</td><td>-</td><td>17.5</td><td></td></tr>
<tr><td>International revenue – 52-week basis</td><td>937.2</td><td>779.3</td><td>20.3</td></tr>
<tr><td>Week 53</td><td>-</td><td>10.1</td><td></td></tr>
<tr><td>At reported currency</td><td>937.2</td><td>789.4</td><td>18.7</td></tr>
</table></td></tr>
<tr><td>Adjusting items</td><td>None</td><td>Not applicable</td><td>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.</td></tr>
<tr><td>Revenue before adjusting items</td><td>Revenue</td><td>Adjusting items (See note 5)</td><td>Revenue 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. This measure has been introduced as certain adjustments have been made to revenue for the first time in accordance with the Group's policy for adjusting items.</td></tr>
</table>

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Operating profit before adjusting items	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.
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.
Net financial interest	Finance income/costs	Finance income/costs (See note 6)	Calculated as net finance costs, excluding interest on leases and adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
EBIT before adjusting items	EBIT[1]	Adjusting items (See note 5)	Calculated as profit before the impact of adjusting items, net finance costs and tax as disclosed on the face of the consolidated income statement. This measure is used in calculating the return on capital employed for the Group.
Profit before tax and adjusting items	Profit before tax	Adjusting items (See note 5)	Profit before the impact of adjusting items and tax. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee. This is a measure used within the Group's incentive plans. Refer to the Remuneration Report of the Marks and Spencer Group plc Annual Report 2022 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.

<table>
<tr><th>APM</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>52-week basis for the 2020/21 financial year</td><td>Corresponding equivalent statutory measure</td><td>Last trading week of 2020/21</td><td>The Group's financial year ends on the nearest Saturday to 31 March. The current financial year is for the 52 weeks ended 2 April 2022 with the comparative financial year being for the 53 weeks ended 3 April 2021. In order to provide comparability with the prior year results, adjustments have been made to the 2020/21 53-week income statement to remove sales, operating costs and other items relating to the last trading week of the 2020/21 financial year. In determining the week 53 adjustment, revenue and cost of goods sold represent the actual trading performance in that week, with overhead expenses allocated proportionally to week 53.
<table>
<tr><th></th><th>2020/21 £m</th><th>Exclude week 53 £m</th><th>2020/21 52-week basis</th></tr>
<tr><td>Revenue</td><td></td><td></td><td></td></tr>
<tr><td>UK Food</td><td>6,138.5</td><td>(143.7)</td><td>5,994.8</td></tr>
<tr><td>UK Clothing & Home</td><td>2,239.0</td><td>(40.4)</td><td>2,198.6</td></tr>
<tr><td>Total UK Retail</td><td>8,377.5</td><td>(184.1)</td><td>8,193.4</td></tr>
<tr><td>International</td><td>789.4</td><td>(10.1)</td><td>779.3</td></tr>
<tr><td>Total Group</td><td>9,166.9</td><td>(194.2)</td><td>8,972.7</td></tr>
<tr><td>Operating profit/(loss) before adjusting items</td><td></td><td></td><td></td></tr>
<tr><td>UK Food</td><td>228.6</td><td>(15.0)</td><td>213.6</td></tr>
<tr><td>UK Clothing & Home</td><td>(130.8)</td><td>1.4</td><td>(129.4)</td></tr>
<tr><td>International</td><td>44.1</td><td>1.0</td><td>45.1</td></tr>
<tr><td>Adjusted profit before tax</td><td></td><td></td><td></td></tr>
<tr><td>Total Group</td><td>(28.1)</td><td>(8.7)</td><td>(36.8)</td></tr>
<tr><td>Loss before tax</td><td></td><td></td><td></td></tr>
<tr><td>Total Group</td><td>(266.8)</td><td>8.2</td><td>(258.6)</td></tr>
</table>
</td></tr>
<tr><td colspan="4">Balance sheet measures</td></tr>
<tr><td>Net debt</td><td>None</td><td>Reconciliation of net debt (see note 26)</td><td>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.</td></tr>
</table>

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Net debt excluding lease liabilities	None	Reconciliation of net debt (see note 26) Lease liabilities (see note 19)	Calculated as net debt less lease liabilities. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.
Cash flow measures			
Free cash flow after shareholder returns	Net cash inflow from operating activities	See Financial Review	The cash generated from the Group's operating activities less capital expenditure, cash lease payments and interest paid. This measure shows the cash retained by the Group in the year.
Free cash flow	Net cash inflow from operating activities	See Financial Review	Calculated as the cash generated from the Group's operating activities less capital expenditure and interest paid, excluding returns to shareholders (dividends and share buyback). 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.
Other measures			
Covid-19 scenario	None	Not applicable	As part of the Group's normal financial planning process, the Board approved the 2020/21 budget and three-year plan. As a result of the UK government restrictions on trade that were announced in response to the Covid-19 pandemic, the Group revisited the 2020/21 budget and three-year plan to determine a downside scenario. The downside scenario assumed the government guidelines at the period end continued for a period of at least four months, resulting in a significant decline in sales for the remainder of 2020/21, as outlined in the basis of preparation in the Group's 2020 Annual Report and Financial Statements. This downside scenario was approved by the directors and is defined as the Covid-19 scenario.
Capital expenditure	None	Not applicable	Calculated as the purchase of property, plant and equipment, investment property and intangible assets during the year, less proceeds from asset disposals excluding any assets acquired or disposed of as part of a business combination or through an investment in an associate.

[1] EBIT is not defined within IFRS but is a widely accepted profit measure being earnings before interest and tax.