M&S
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Marks and Spencer Group Plc
Full Year Results for 52 Weeks Ended 30 March 2024
"THE BEGINNINGS OF A NEW M&S"

Another year of strong financial performance

- Profit before tax and adjusting items of £716.4m (2022/23: £453.3m[1]).
- Statutory profit before tax of £672.5m (2022/23: £475.7m).
- Food sales up 13.0%; adjusted operating profit £395.3m (2022/23: £248.0m) and margin of 4.8%.
- Clothing & Home sales up 5.3%; adjusted operating profit £402.8m (2022/23: £323.8m) and margin of 10.3%.
- Ocado Retail JV; share of adjusted loss £37.3m (2022/23: £29.5m).
- International (exc. ROI) constant currency sales down 1%, adjusted operating profit £47.7m (2022/23: £67.9m).
- Adjusted return on capital employed 14.1% (2022/23: 10.6%).

The Beginnings of a New M&S

- Food delivers market-leading volume growth and strong innovation whilst broadening customer appeal.
- C&H delivers market-leading share growth. Trading model delivering style, value, quality, and lower markdown.
- Strong returns from store rotation and renewal. Increased renewal this year and pipeline of new stores developing.
- M&S.com accelerating growth, attracting new customers, and increasing profitability.
- Gist acquisition generating quick pay back, creating foundations for Food distribution network development.
- Structural cost savings of £180m in 2023/24, with 5-year objective increasing to £500m from £400m.
- Increased free cash flow of £414m driving further balance sheet improvement and net funds position at year end.
- Capacity to accelerate high returning investment and to restore a full year dividend of 3 pence per share.

Group Results (52 weeks ended)	30 March 24	1 April 23	Change (%)
Statutory revenue	£13,040.1m	£11,931.3m	9.3
Sales[2]	£13,109.3m	£11,988.0m	9.4
Operating profit before adjusting items	£838.6m	£626.6m	33.8
Profit before tax and adjusting items[1]	£716.4m	£453.3m	58.0
Adjusting items[1]	(£43.9m)	£22.4m	n/a
Profit before tax	£672.5m	£475.7m	41.4
Profit after tax	£425.2m	£364.5m	16.7
Basic earnings per share	21.9p	18.5p	18.4
Adjusted basic earnings per share[1]	24.6p	16.9p	45.6
Adjusted return on capital employed[1]	14.1%	10.6%	33.0
Free cash flow from operations	£413.7m	£170.4m	n/a
Net (debt)	(£2.17bn)	(£2.64bn)	n/a
Net funds/(debt) excl. lease liabilities	£45.7m	(£355.6m)	n/a

1. Adjusted measures for 1 April 2023 have been restated as a result of net pension finance income being reclassified as an adjusting item (2023/24 £24.0m, 2022/23 £28.7m).
2. References to 'sales' throughout this announcement are statutory revenue plus the gross value of consignment sales ex. VAT.
Non-GAAP measures and alternative profit measures (APMs) are discussed within this release. A glossary and reconciliation to statutory measures is provided at the end. Adjusted results are consistent with how business performance is measured internally and presented to aid comparability. Refer to Notes 1 and 3 of the financial information for further details.

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

We remained unswerving in our commitment to trusted value, offering customers exceptional quality at the very best price. Food's leading quality perception increased even further with over 1,000 products upgraded and 1,300 new lines launched. Continued progress was made on value perception with £60m invested in price. In Clothing & Home, style perception continued to improve and our decisive lead on quality and value perception was extended. Our commitment to 'First Price Right Price' supported full price sell through ahead of last year.

Investment in store rotation and the end-to-end supply chain is beginning to pay off. New stores and renewals are performing ahead of forecast and attracting new customers. Supply chain modernisation supported margin growth across both businesses. In Clothing & Home, stock flow improved enabling historically low levels of stock cover, and in Food, Gist is delivering payback ahead of expectations.

Disciplined capital allocation underpins our plan, and the financial health of the business is as strong as it's been in decades. Free cash flow has increased, financial net debt has been eliminated, and returns on investment have improved. The strength of the balance sheet, coupled with the sustained improvement in performance, means we have the headroom and confidence to invest for future growth as well as introduce a 3p dividend.

It has been a good year, and I would like to thank all of our colleagues for their hard work and commitment. However, there remains much work to do and that's a good thing as every challenge is an opportunity for growth. The soft wiring of the organisation – who we are and how we show up – is changing and we are building a culture where everyone is sleeves rolled up, M&S first, closer to customers and closer to colleagues. But culture change is a job that is never 'done' and it is critically important to reshaping M&S.

We have made progress on 'hardwiring' sustainable change – how and when we execute our strategic priorities – with progress in store rotation and supply chain. However, we need to move faster and be ruthlessly challenging on the areas where progress has been slower, building a more effective digital and technology infrastructure, accelerating the move to a truly personalised customer experience, and resetting priorities in International.

We have a clear plan, a clear vision for the future, and there is so much opportunity ahead of us. We are at the beginnings of a new M&S."

RESHAPING FOR GROWTH

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

Creating exceptional products

Our vision is to be the UK's most trusted retailer, with exceptional quality products at the heart of everything we do. The M&S Food model is focused on a tightly edited range and concentrated supply base, consistently innovating and improving products, whilst investing in trusted value. As we evolve the range and open larger renewal format stores, customer appeal is broadening to family shoppers. Clothing & Home's transition to a new trading model includes buying more deeply into core lines, translating fashion trends into greater newness and concentrating supply with strategic partners and a faster supply chain. This is resulting in improved perceptions in style, quality and value, and reduced promotion and markdown. Market share increased to 10.0% (from 9.6%) in Clothing and 3.7% (from 3.55%) in Food in the 52 weeks ending March 2024. There are substantial opportunities for growth to achieve our ambition of a 1% market share increase in both businesses between FY23 and FY28.

Reshaping the channels of growth

A more productive store estate is critical to long term growth as performance is constrained by legacy stores that are more expensive to operate and do not demonstrate the M&S brand of today. Rotation towards a target estate of 180 full line and 420 Food stores provides significant opportunity to invest and grow in the years ahead. New and renewed stores are attracting new customers and returns on investment have been strong. Investment is planned to increase as attractive new sites are secured, and as renewal performance continues to be robust.

Our long-term objective for M&S.com's share of Clothing & Home sales is to grow towards 50%, having increased from 22% five years ago. Online growth has increased, supported by better product and more effective marketing. Despite this, profitability is not yet market leading despite our scale advantage. There is much more to do to develop the online and M&S App experience and customer engagement, whilst growing partner brands. All of this will help retain customers within our M&S eco-system.

As a reminder, results for Ocado Retail are reported by Ocado Group, and are not consolidated in this release. We believe the Ocado Retail model of automated fulfilment powered by Ocado technology, and M&S product, could be the most competitive model for online grocery sales in the UK. M&S Food has worked closely with Ocado Retail to reset the business and we are now seeing encouraging active customer and sales growth, although profitability is well below the original business plan and expectations. There is enormous opportunity to improve trust in value, website experience, logistics, and supply chain, which will be the focus for the next two to three years.

The transformation in our International business has not made as much progress as our UK businesses, so it is now undergoing a reset. Over time, we plan to leverage our UK business and trusted brand to increase global reach through capital light partnerships and a multi-platform online business.

Increasing efficiency of operations

In Food, the integration of the Gist acquisition has generated strong returns and provides the foundation for a ten-year programme to invest in, and modernise, the supply chain.

The Clothing & Home supply chain is now more focused with fewer, more strategic suppliers having also rationalised the number of distribution centres in the UK. There is lots to do to reduce costs, improve stock flow and drive availability with plans underway to modernise our merchandise and range management technology.

With the evolution towards an omni-channel and personalised customer experience, a more effective digital and technology infrastructure is a critical enabling step and progress to date has been slower than planned. With new leadership soon to be in place, we expect to accelerate change and increase investment in core technology infrastructure, including an upgrade in SAP starting this year.

Overall, these operational improvements mean there is substantial further scope for structural cost reduction. With continuing cost headwinds, notably from investment in colleague pay, the structural cost programme is critical to our profit progression. The £180m delivered to date has supported a 0.8% pt. reduction in UK operating costs as a percent of sales. We are increasing the objective for cost reduction from £400m to £500m, to be delivered by 2027/28. This will support continued delivery of our target operating margins of over 4% in Food and over 10% in Clothing & Home, as well as further investment in quality and value.

Generating cash for investment and shareholder returns

Our financial goals prioritise operating cash flow generation and a strong balance sheet to provide the capacity for investment in growth and structural cost reduction. Free cash flow has increased and we have net funds excluding lease liabilities at the year end. The returns we are delivering on recent investments have been in excess of our cost of capital and the minimum hurdle rates set out at the last Capital Markets Day. The business now has the capacity to increase capital allocated to the rotation and renewal of stores, to invest in the Food and Clothing & Home supply chains and in improved digital and online capability.

The stronger financial position and performance also provides the opportunity to restore dividend payments at a sustainable level, with a proposed final dividend of 2p, resulting in a full year dividend of 3p for 2023/24.

OUTLOOK

Through the Reshaping M&S strategy, our focus continues to be on driving volume growth in Food and Clothing & Home to deliver the market share and margin objectives we set out at the Capital Markets Day.

This year we have made a further significant investment in colleague pay. This will be funded by structural cost reductions and other efficiencies. Other cost inflation will largely be offset by reduced energy costs.

Given our track record of delivering volume growth, market share and free cash flow we are confident that we will make further progress in 2024/25 and beyond.

FOOD INVESTING IN INNOVATION AND VALUE, ATTRACTING FAMILY SHOPPERS

M&S Food is gaining new customers and broadening its appeal. Our objective is to grow volume and market share by investing in value, quality, and innovation, growing through new space, store rotation and renewal, and investing in the supply chain to improve availability and efficiency.

Long term changes, improving the growth potential of Food include:

- Investing in trusted value, with promotions reducing to 12% sales versus 26% in 2017/18.
- Upgrading and innovating one third of the range each year, driving volume lines and development in health.
- Developing bigger, 'fresh market' style stores in the renewal format, offering a broader range and improved customer experience, increasingly catering to family shoppers.
- Increasing the share of larger baskets by a quarter since 2019/20.

Market leading volume growth in 2023/24

In 2023/24, Food sales grew 13.0% with LFL sales up 11.3%. As a result of sales and volume growth, the benefits of sourcing and structural cost reduction and the acquisition of Gist, adjusted operating profit increased to £395.3m (4.8% margin) from £248.0m (3.4% margin) last year.

- Prices were lowered on more of our 'Remarksable Value' products, with over half of the range in M&S's healthier 'eat well range'. Remarksable sales grew 34%. We also 'Dropped and Locked' prices on a further 90 lines, building customer trust in M&S value for money in an increasingly promotional market.
- 1,300 new lines were launched, including category resets in basket building products such as biscuits and hot beverages, and product development in high protein and gut health. We also upgraded the quality of more than 1,000 customer favourites.
- With the price of eating out increasing, the 'Dine-In' offer, which provides an 'always on' restaurant quality alternative, saw sales growth of over 40%.
- Market share of M&S sales in stores increased to 3.7% (from 3.6% in 2022/23) driven by growth in volume, larger baskets and across all demographics. Once M&S on Ocado is included, market share increases to 4.2% (from 4.0% in 2022/23).
- Customer perceptions of value, quality and sustainability all improved.

In 2024/25, further value investment is planned, with a focus on driving volume growth further, together with renewing and developing key product ranges such as the recent 'Cook' menu, 'Dine-In' launch and further investment in quality.

Store renewal and expansion continues to plan

Six new Foodhalls were opened as part of full line store rotations, and we opened eight standalone Food stores. New Simply Food stores averaged c.13,000 sq. ft. compared with a current average of c.8,000 sq. ft., enabling the ranging of a fuller catalogue and illustrating the growth opportunity for the business.

- 8 Food stores were also renewed, bringing the total to 104, with renewal store sales performing ahead of plan.
- Renewals that opened in 2022/23 saw sales increase by a further 14% in 2023/24, with healthy customer metrics for frequency and basket size.
- The ten 'full' Food renewals opened since 2019 with annualised trading are expected to pay back the capital invested in four years.
- This year, we expect to open 9 new Food locations and to accelerate investment in renewal, completing around 25 schemes, strengthening the pipeline of openings.

Good progress on the Food 'backbone' programme

The Food supply chain programme is driving a series of changes to create a more modern cost competitive flow of product from field or factory through to checkout. This will drive availability and reduce waste and costs to distribute whilst creating a more sustainable operation.

- Long term supplier commitments and joint efficiency plans delivered cost of goods savings enabling investment in value and quality, with further progress planned this year.
- The Gist acquisition has delivered logistics savings which were greater than expected and a rapid pay back on invested capital, largely through integrated management. Despite this, the network is old and a high cost to serve. This year will see the first steps in new capacity investment as we develop the longer term network plan.
- The roll out of a new forecasting and ordering system reached c.50% of lines with availability increasing without increasing waste, although there is substantial scope for improvement. In 2024/25 we expect to complete roll out to all categories. Alongside this, we are working on a more consistent approach to space and range changes.
- A new retail operations programme 'One Best Way' was trialled in the year, succeeding the former 'Operation Vangarde', and started to deliver further availability and productivity benefits.

- Over 100m pieces of plastic packaging have been removed including through the introduction of first-to-market fully recyclable takeaway cups. £1m is being invested to reduce carbon emissions in the creation of our RSPCA assured milk.

M&S Food is a unique model driven by its focussed own label range, integrated relationships with core suppliers, continuous focus on quality and innovation and its commitment to provide better quality and sustainability at great value for money. Our confidence in growth is underpinned by the fact that market share is substantially higher than average in some parts of the UK, showing the potential.

CLOTHING & HOME GROWTH REFLECTING THE TRANSITION TO A NEW TRADING MODEL

The improved performance of Clothing & Home is driven by better product, style and quality at everyday great value. This is appealing to a broader customer base, showing the growth potential from improving the product and online shopping experience, and the store environment through renewal.

Long term changes, improving the growth potential of Clothing & Home include:

- Reducing the long tail of option count, with double digit percentage reduction in womenswear since 2019/20.
- Buying bolder and deeper, growing lines with over £1m of sales by c.50% over the last two years.
- A shift to everyday trusted value, with full price sales mix increasing from 63% to 81% since 2019/20.
- Improving stock flow with stock cover now less than 12 weeks, compared with 18 weeks in 2018/19.
- Increased focus on availability, with more controls on stock flow into the UK and on to stores based on demand.

Delivering sales and market share growth across categories

In 2023/24, overall Clothing & Home sales grew 5.3% with LFL sales up 5.2%. As a result of improved gross margin supported by full price sales growth and the benefits of the structural cost reduction programme, adjusted operating profit increased to £402.8m (10.3% margin) from £323.8m (8.7% margin) last year. Sales in heartland categories of women's and menswear outperformed, due to improved product style, quality, and value. Particular highlights were:

- Robust performance in core product in categories such as denim/casual bottoms, knitwear, and bras.
- Quality improvement translating into top tier sales growth with men's Autograph sales up over 50%.
- Growth in holiday sales of c15%, reflecting a return to travel and events.
- Clothing market share increased to 10.0% (from 9.6%), and full price share increased to 12.4% (from 11.6%).
- Customer perceptions of style, quality and value all improved further year on year.

We remain laser-focused on the growth opportunities across women's, men's, kids, and core Home. As part of this, we are simplifying the bulky 'two-person' delivered furniture operation. This will impact annual online sales by c.£80m but will release space and resources to expand the growing core Home business.

Store rotation generating strong returns

Store sales increased 4.1%, with a good performance in shopping centre and retail park stores. We opened six full line stores, which sell both Clothing & Home and Food and closed twelve, of which five were relocations. All replacement stores substantially outperformed the closed stores and exceeded forecast returns:

- Full line openings included the relocation to five former Debenhams stores in Leeds, Manchester, Liverpool, Birmingham and Thurrock and a new store in Purley Way.
- Performance of the relocations to date has been very strong, with the stores attracting new customers and delivering sales growth of c.50% from similar space, as we move to the renewal format in better locations.
- New stores typically require substantially less energy to operate relative to sales and generate a lower carbon footprint, supporting reduction in Scope 1 and 2 emissions.
- Since 2019, £100m of capital has been invested to open twelve full line stores, with expected pay back of c.2 years.
- In 2024/25 we anticipate opening up to four new full line stores and are implementing a refreshed renewal format, while progressing asset disposals.
- We continue to seek new sites, to enable us to accelerate store closures and create an estate we are proud of by 2027/28.

Online growth accelerating

Online sales increased 7.8%. Growth accelerated in the second half, as the effectiveness of online marketing started to improve, particularly in womenswear.

- Overall participation in C&H sales increased to 32%.
- The M&S App continued to grow, accounting for 44% of online orders (2022/23: 37%).

- Partner brand sales grew 33%, with new partners added including Adidas, Puma, and Sweaty Betty, supporting the growth of average basket value.
- The removal of unprofitable lines, logistics efficiencies and reduced failed deliveries enabled sales growth to convert to an increased online operating margin of 8.2% (2022/23: 5.0%).

There is substantial opportunity to improve the online and M&S App experience, make further improvements to fulfilment, and invest in systems changes to support delivery of the brands strategy.

Progress on phase one of the supply chain 'end to end' programme.

Our ambition is to move from a slow-moving operation with a broad supply base and DCs which store stock, to a group of strategic suppliers with a rationalised network of automated DCs, where full visibility enables us to flow stock more directly to the customer.

- We have begun to consolidate knitwear, denim, and lingerie across fewer suppliers. The number of fabric mills has also reduced as volumes are combined.
- In UK logistics, volumes were consolidated into nine core sites. Investment in omni-channel capability and the increased use of hub stores for returns consolidation delivered cost savings. This year, further investment will be made in boxed storage and hanging goods automation, creating capacity for growth.
- Investment into a new planning, merchandising and range management platform starts this year, to deliver efficiencies in the planning process, in sourcing, and in stock flow.
- Progress on Plan A was made with the use of recycled polyester increasing to c70%, and 100% of cotton is now responsibly sourced in clothing.

We are at the beginnings of a new Clothing, Home and Beauty business, with a better product and trading model and an improving customer proposition, which is resonating with a broader customer base. There is substantial opportunity and restructuring plans are underway across the product offer, store estate, online experience, and supply chain which offer the potential for sustained growth.

INTERNATIONAL RESET TO ADDRESS SLOW GROWTH

The International business' objective is to drive growth by leveraging the UK business and M&S brand through capital light franchise partnerships and a multi-platform online business with global reach. In more recent years, the business has not delivered consistent growth. This year, priorities for International have been reset under new leadership to provide stronger foundations for long term growth. We remain committed to the opportunity to expand global reach as outlined at the Capital Markets Day in 2022.

Slow growth in partnership markets

International (excluding Republic of Ireland) sales declined 1.0% at constant currency to £719.1m. As a result of weaker sales growth in the second half and action to reduce stock levels, adjusted operating profit declined to £47.7m (6.6% margin) from £67.9m (9.1% margin) last year.

- Retail sales growth was weaker in the second half, declining 3.6% in constant currency against tough comparatives and a softer market backdrop. Action was taken in India to clear overstocks and reduce inventory holdings.
- Online sales were £118.6m in 2023/24, down 10.2% as promotional activity was reduced and changes were made to the delivery proposition to improve profitability.
- Operational investments are focused on reducing delivery times and cost to serve, for instance through a new e-commerce distribution centre in Poland for direct shipment of online orders to the EU from Q4 2024/25.

The business has strong franchise and JV partnerships in high growth markets. The longer term opportunity is to work with partners to deliver the best of M&S on a global scale, with more choice and more timely flow of new products.

Improved profitability in the Republic of Ireland

Sales in the Republic of Ireland were encouraging, growing by 2.4% at constant currency to £320.7m.

- Operating profit before adjusting items improved to £27.9m from £16.9m last year.
- Lower supply chain costs in the Food business drove much of the improvement.
- Food has made progress on local sourcing and has successfully expanded its presence through franchising with Applegreen, which now operates 10 stores.

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

OCADO RETAIL STARTING TO DELIVER IMPROVED REVENUE GROWTH

Results for Ocado Retail are reported by Ocado Group and are not consolidated in this release. M&S accounts for the joint venture as an associate interest.

Our vision for Ocado Retail remains to combine the magic of M&S Food with Ocado's unique and proprietary technology to offer unbeatable choice, compelling service, and reassuringly good value, underpinned by efficient and effective operations.

Ocado Retail is in the early stages of driving growth

Revenue increased 11.2% to £2.47bn and adjusted EBITDA was £26.8m (2022/23: loss £15.1m). While adjusted EBITDA improved, M&S group's share of adjusted loss increased to £37.3m (2022/23: £29.5m) due to higher interest costs on shareholder loan funding and a write off of a deferred tax asset in the current year.

The rate of revenue growth accelerated during the year, driven by increased choice of M&S products, and improved value for money and service as part of the Ocado Retail 'Perfect Execution' programme. This has been reflected in a sharp improvement in net promoter scores. Despite this, profitability is well below original expectations and there is considerable scope to leverage our combined capabilities in sourcing and marketing, and to develop Ocado's delivery service and online experience.

Increased choice, availability, and value

- 4,800 M&S Food products were available on Ocado.com by year end, a 20% increase on last year. Availability has improved considerably, although there is further opportunity on the most important lines and at key event periods.
- Ocado's price inflation was less than the market, driven by improved value for money on M&S products as well as reductions under the Big Price Drop campaign. As a result of greater choice and improved value, sales of M&S products grew 15% in Q4 and represented 30% of basket items.

Developing more effective and efficient operations

- The new Luton CFC opened in September 2023 and delivered a rapid ramp up in operations as business transferred from less productive capacity at Hatfield, with the new site also providing a test bed for on-grid robotic picking. With capacity fees for Hatfield continuing to be charged by Ocado Group, we do not currently expect Ocado Retail to reap the full financial benefit of transferring to the new site.
- Ocado Retail still operates on legacy technology for its website, last mile delivery and supply chain systems. It will be migrating to Ocado Technology's much delayed 'OSP' solution over the course of the next 18 months, which is anticipated to offer customers increased convenience and greater personalisation, as well as long term operational efficiencies for the business.

Although the financial performance of Ocado Retail remains disappointing, the revenue improvement this year under the new management team has been marked. And in a world where several operators have exited the online food delivery market, the potential competitive advantages of the M&S / Ocado combination are increasingly evident.

STRONG BALANCE SHEET AND RETURN ON CAPITAL IMPROVEMENT, GIVING SCOPE FOR INCREASED INVESTMENT

M&S ended the year in the strongest financial health since 1997, with net funds of £45.7m excluding lease liabilities (2022/23: net debt £355.6m). A focus on operational cash flow generation combined with a disciplined approach to capital allocation has driven improved return on capital employed and substantial deleveraging. We therefore have the scope to increase investment, while restoring dividends to shareholders.

- In 2023/24 M&S generated free cash flow of £413.7m, compared with £170.4m last year, as a result of increased profits and supported by working capital inflows due to the timing of payments over year-end, including the effects of Easter.
- As a result of a stronger balance sheet, and the repayment of £405m of medium-term bonds, our credit metrics strengthened further, with S&P Global Ratings upgrading M&S to 'Investment Grade' in November 2023.
- Store rotation and renewal plus the acquisition of Gist generated pay back ahead of expectations, our cost of capital, and the minimum hurdle rates set out at the last Capital Markets Day. This provides the foundations to increase investment in 2024/25 when we plan for capital expenditure net of disposals to increase to c.£500m.
- Given the improved cash generation and balance sheet and allowing for the considerable opportunities to invest in the reshaping of M&S for growth, we are proposing a total dividend for the full year of 3 pence per share.

CREATING A HIGH-PERFORMANCE CULTURE

Creating a high-performance culture is critical to reshaping M&S for growth. Much progress has been made, with lots of opportunity ahead of us:

- In 2023/24 a clear vision, purpose and a set of behaviours that are valued at M&S were established. At the heart of this is a culture of 'always aiming higher' and one where we are closer to customers and closer to colleagues.
- The biggest ever investment in front line colleague pay of £89m was made this year. From 1 April 2024, the rate of pay for c.40,000 UK Customer Assistants increased from £10.90 to £12.00 per hour, a 26% increase since March 2022, alongside the introduction of additional benefits.
- New monthly pulse surveys have been launched for colleagues to feedback on the part they play in delivering change.
- Every support centre colleague is now required to spend seven days each year working in store as part of their performance objectives. Delivering change requires challenge, learning and creativity and we firmly believe that this happens best when colleagues are together. Most colleagues therefore work in the support centre at least three days a week, with one day in stores or with suppliers.
- Leadership is expected to be sleeves rolled up and, in the detail, and we have continued to attract and promote talent. Some examples of this include Rachel Higham who joins soon as Chief Digital & Technology Officer in June, and Mark Lemming who has recently been promoted from running the Clothing & Home supply chain to International Managing Director.

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Investor & Analyst presentation and Q&A:

A pre-recorded investor and analyst presentation will be available on the Marks and Spencer Group Plc website here from 7:30am on 22 May 2024.

Stuart Machin and Jeremy Townsend will host a Q&A session at 9.30am on 22 May 2024:

For the quickest joining experience, **please register prior to attending the call here.** After registering, you will be given unique dial in details to join the call.

Alternatively, you can use the below details to join the call but please join 5-10 minutes before the start time in order to register your details with the operator.

Dial in: +44 (0) 33 0551 0200
Passcode: Quote M&S Analyst Call when prompted by the operator
Replay: A recording will be available for 48 hours after the call here

Fixed Income Investor Conference Call

Jeremy Townsend will host a fixed income conference call at 2pm on 22 May 2024:

For the quickest joining experience, please register prior to attending the call here. After registering, you will be given unique dial in details to join the call.

Alternatively, you can use the below details to join the call but please join 5-10 minutes before the start time in order to register your details with the operator.

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2023/24 FULL YEAR FINANCIAL REVIEW

Financial Summary

52 weeks ended	30 Mar 24 £m	1 Apr 23 Restated £m[1]	Change vs 2022/23 %
Group statutory revenue	13,040.1	11,931.3	9.3
Group sales	13,109.3	11,988.0	9.4
UK Food	8,158.8	7,218.0	13.0
UK Clothing & Home	3,910.7	3,715.0	5.3
International	1,039.8	1,055.0	(1.4)
Group operating profit before adjusting items	838.6	626.6	33.8
UK Food	395.3	248.0	59.4
UK Clothing & Home	402.8	323.8	24.4
International	75.6	84.8	(10.8)
Share of result in Ocado Retail Limited	(37.3)	(29.5)	(26.4)
M&S Bank and other segments	2.2	(0.5)	n/a
Net interest payable on lease liabilities	(110.5)	(111.1)	0.5
Net financial interest	(11.7)	(62.2)	81.2
Profit before tax and adjusting items	716.4	453.3	58.0
Adjusting items	(43.9)	22.4	(296.0)
Profit before tax	672.5	475.7	41.4
Profit after tax	425.2	364.5	16.7
Basic earnings per share	21.9p	18.5p	18.4
Adjusted basic earnings per share	24.6p	16.9p	45.6
Dividend per share	3.0p	-	n/a
Net debt	(2.17bn)	(2.64bn)	(17.8)
Net funds/(debt) excluding lease liabilities	45.7	(355.6)	112.9
Group capex and disposals	(423.2)	(409.2)	(3.4)
Free cash flow from operations	413.7	170.4	
Adjusted return on capital employed	14.1%	10.6%	33.0

Notes:

[1]Due to a change in the Group's classification of pension net finance income as an adjusting item (see note 3 to the financial information), the comparative amounts have been restated. The impact on the 52 weeks ended 1 April 2023 income statement is a decrease to the adjusting items charge of £28.7m (resulting in a net adjusting items credit), a decrease to profit before tax & adjusting items of £28.7m, a decrease to adjusted earnings per share of 1.2p. There is no impact on profit before tax, earnings per share or net assets.

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

Group results

Group sales were £13,109.3m. This was an increase of 9.4% versus 2022/23, driven by Food sales up 13.0% and Clothing & Home sales up 5.3%. Statutory revenue in the period was £13,040.1m, an increase of 9.3% versus 2022/23.

The Group generated profit before tax and adjusting items of £716.4m compared with £453.3m in the prior year. Prior year results have been restated to reflect net finance income on the IAS19 pension surplus which has been reclassified as an adjusting item.

Adjusting items were a net charge of £43.9m, compared with a credit of £22.4m in the prior year. The net charge in the period primarily consists of costs relating to the UK store rotation plans and the ceasing of operations at Ocado Retail's Hatfield CFC, partially offset by a credit relating to the remeasurement of Ocado Retail contingent consideration to nil.

As a result, the Group generated a statutory profit before tax of £672.5m, compared with £475.7m in the prior year.

Adjusted basic EPS was 24.6p, up 45.6% on 2022/23 reflecting higher adjusted profit in the period. Basic EPS was 21.9p, up 18.4% on 2022/23, reflecting the increased profit in the period.

A final dividend of 2p per share has been declared, payable on 5 July 2024, resulting in a full year dividend of 3p.

For full details the Group's related policy and adjusting items, read more in notes 1 and 3 to the financial information.

UK: Food

UK Food sales increased 13.0%, with like-for-like sales up 11.3%, underpinned by strong innovation and broadening customer appeal.

Change vs 22/23 %	Q1	Q2	Q3	Q4	FY
Food	15.1	14.2	10.5	13.0	13.0
Food like-for-like sales	12.5	11.0	9.9	11.9	11.3

M&S Food has an online grocery presence with Ocado Retail and these sales are reported through Ocado Retail and are not included within these numbers.

52 weeks ended	30 Mar 24	1 Apr 23	Change vs 2022/23 %
Transactions, m (average/week)	9.7	9.0	7.8
Basket value inc VAT (£)	16.0	15.2	5.3
Total sales ex VAT £m[1]	**8,158.8**	**7,218.0**	**13.0**

[1] *Includes M&S.com and third-party sales by Gist Limited.*

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

52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 %
Sales	8,158.8	7,218.0	13.0
Operating profit before adjusting items	395.3	248.0	59.4
Adjusted operating margin	*4.8%*	*3.4%*	*1.4% pts*

Operating profit before adjusting items was £395.3m compared with £248.0m in 2022/23, with an adjusted operating margin of 4.8%.

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

Operating costs as a percent to sales reduced 0.7% pts as sales growth of 13.0% exceeded cost growth of 9.9%. The impact of investment in colleague pay and energy headwinds was largely offset by structural cost savings and other efficiencies, part of which came from the acquisition of Gist. Cost growth was therefore largely driven by volume and investments in colleagues and technology.

The 0.7% pt reduction breaks down as follows:

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

Operating profit margin before adjusting items	%
2022/23	**3.4**
Gross margin	0.7
Store staffing	0.3
Other store costs	0.0
Distribution and warehousing	0.2
Central costs	0.2
2023/24	**4.8**

UK: Clothing & Home

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

Change vs 22/23 %	Q1	Q2	Q3	Q4	FY
Clothing & Home sales[1]	7.4	4.1	4.8	5.0	5.3
Clothing & Home like-for-like sales	7.2	3.8	4.8	5.1	5.2
Clothing & Home online sales	3.1	6.0	10.9	10.3	7.8
Clothing & Home store sales	9.4	3.2	2.0	2.4	4.1
Clothing & Home statutory revenue	*7.1*	*4.1*	*4.5*	*4.7*	*5.0*

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

To enable greater insight into these movements, further detail is provided on the performance of each channel.

Online

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

[1] *Active customers is the count of unique customers who transacted online in the last 52 weeks.*
[2] *Frequency is the count of purchasing transactions divided by customers.*
[3] *Prior year average basket value has been restated to reflect alternative source data as a result of cookie compliance tracking*
[4] *Returns rate represents returns on dispatch sales.*

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

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

Stores

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

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

Total Clothing & Home

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

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

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

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

The 0.1% pt reduction breaks down as follows:

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

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

As outlined above, the overall Clothing & Home adjusted operating margin increased by 1.6% pts. Store margin increased 0.8% pts to 11.3% and online margin increased 3.25% pts to 8.2%.

International

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

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

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

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

Ocado Retail Limited

The Group holds a 50% interest in Ocado Retail Limited ("Ocado Retail"). The remaining 50% interest is held by Ocado Group Plc ("Ocado Group"). Full Year Results are consistent with the quarterly results reported by Ocado Group on behalf of Ocado Retail for the quarterly periods ended 28 May 2023, 27 August 2023, 3 December 2023 and 3 March 2024.

Revenue increased by £248.3m in the 53 weeks to 3 March 2024. This was driven by active customer growth and higher average selling prices, whilst items per basket declined.

M&S penetration of basket increased by 0.2% pts versus the prior year, with growth increasing to 1.3% pts in the final quarter reflecting an increased number of M&S products on the Ocado website and improved availability.

53 weeks ended	3 Mar 24 £m	26 Feb 23 £m	Change £m
Revenue	2,470.3	2,222.0	248.3
Adjusted EBITDA	26.8	(15.1)	41.9
Adjusting items[1]	(61.1)	21.2	(82.3)
Depreciation and amortisation	(61.2)	(69.4)	8.2
Operating loss	**(95.5)**	**(63.3)**	**(32.2)**
Net interest charge	(30.3)	(14.3)	(16.0)
Taxation	(7.9)	18.6	(26.5)
Loss after tax	**(133.7)**	**(59.0)**	**(74.7)**
M&S 50% share of loss after tax	**(67.0)**	**(29.5)**	**(37.5)**
Reported in M&S Group adjusted profit before tax	(37.3)	(29.5)	(7.8)
Reported in M&S Group adjusting items	(29.7)	-	(29.7)

[1]Adjusting items are defined within the Ocado Group Plc Annual Report and Accounts 2023. Adjusting items relating to UK network capacity review, which is new in the year, have been reported in M&S Group adjusting items. All other adjusting items have been reported in M&S Group underlying results.

EBITDA before adjusting items improved versus last year driven by revenue growth and leverage over fixed costs.

Adjusting items within the Ocado Retail results primarily relate to the ceasing of operations at the Hatfield site. These are reported within adjusting items in M&S Group share of Ocado Retail results.

Net interest charge increased, driven by higher interest expense on loans from shareholders, of which the M&S share is reported in the Group's finance income (£6.0m in 2023/24, £0.9m in 2022/23).

Tax was a charge of £7.9m compared with a credit of £18.6m last year, driven by the write-off of a deferred tax asset in the current year.

Overall Ocado Retail reported a loss after tax of £133.7m. M&S group share was £67.0m, of which £37.3m is reported in M&S Group adjusted profit before tax and £29.7m primarily related to the ceasing of operations at Hatfield, is reported within M&S Group adjusting items.

M&S Bank and Services

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

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

Net finance cost

52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 £m
Interest payable	(53.3)	(76.3)	23.0
Interest income	52.3	23.8	28.5
Net interest payable	**(1.0)**	**(52.5)**	**51.5**
Unwind of discount on Scottish Limited Partnership liability	(4.1)	(4.3)	0.2
Unwind of discount on provisions	(6.6)	(5.4)	(1.2)
Net financial interest	**(11.7)**	**(62.2)**	**50.5**
Net interest payable on lease liabilities	**(110.5)**	**(111.1)**	**0.6**
Net finance cost before adjusting items	**(122.2)**	**(173.3)**	**51.1**
Adjusting items included in net finance cost	80.5	133.9	(53.4)
Net finance cost	**(41.7)**	**(39.4)**	**(2.3)**

Net finance cost before adjusting items decreased £51.1m to £122.2m. This was driven by higher average interest rates on cash balances, an increase in interest receivable on shareholder loans to Ocado Retail, and reduced interest expense with 2023 maturing bonds being fully repaid in the period, and part of 2025 and 2026 bonds repurchased.

Adjusting items within net finance costs reflects a credit of £80.5m, £64.7m relates to the remeasurement of Ocado Retail contingent consideration to nil; £24.0m net finance income relating to the IAS19 pension surplus, which was reclassified as an adjusting item in the period and the comparative restated; and a charge of £8.2m reflecting the discount unwind on deferred and contingent consideration on the acquisition of Gist Limited.

Group profit before tax and adjusting items

Group profit before tax and adjusting items was £716.4m, up 58.0% on 2022/23. The profit increase was primarily due to strong growth in Food and Clothing & Home and reduced interest expense, partly offset by an increased share of net loss of the Ocado Retail investment.

Group profit before tax

Group profit before tax was £672.5m, up 41.4% on 2022/23. This includes a net charge for adjusting items of £43.9m (2022/23: credit of £22.4m).

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 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 3 to the financial information. These (charges)/gains are reported as adjusting items on the basis that they are significant in quantum in current or future years and aid comparability from one period to the next.

52 weeks ended	30 Mar 24 £m	1 Apr 23 Restated £m	Change vs 2022/23 £m
Included in share of result of associate – Ocado Retail Limited	**(42.6)**	**(14.0)**	**(28.6)**
Ocado Retail Limited – UK network capacity review	(29.7)	-	(29.7)
Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited	(12.9)	(14.0)	1.1
Included in operating profit	**(81.8)**	**(97.5)**	**15.7**
Strategic programmes – Store estate	(93.0)	(51.3)	(41.7)
Strategic programmes – Furniture simplification	(18.3)	-	(18.3)
Strategic programmes – Organisation	(3.5)	(10.7)	7.2
Strategic programmes – Structural simplification	-	(16.4)	16.4
Strategic programmes – UK logistics	5.3	(10.5)	15.8
Store impairments, impairment reversals and other property charges	35.1	15.1	20.0
M&S Bank transformation and insurance mis-selling provisions	(7.0)	(2.0)	(5.0)
Acquisition of Gist Limited	(0.4)	(22.1)	21.7
Franchise restructure	-	0.4	(0.4)
Included in net finance income/(costs)	**80.5**	**133.9**	**(53.4)**
Remeasurement of Ocado Retail Limited contingent consideration	64.7	108.0	(43.3)
Pension net finance income	24.0	28.7	(4.7)
Net finance costs incurred in relation to Gist Limited deferred and contingent consideration	(8.2)	(2.8)	(5.4)
Adjustments to profit before tax	**(43.9)**	**22.4**	**(66.3)**

Adjusting items recognised were a net charge of £43.9m. These include:

A charge of £29.7m included within the share of result in associate. This reflects the group share of costs relating to the ceasing of operations at Ocado Retail's Hatfield CFC and wider network review. A non-cash charge of £12.9m with respect to the amortisation of intangible assets acquired on the purchase of our share in Ocado Retail is included in the Group results.

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

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

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

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

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

A charge of £7.0m in relation to M&S Bank transformation and insurance mis-selling provisions. £2.0m of which has been incurred in relation to M&S Bank insurance mis-selling provisions. The remaining £5.0m relates to legal and consultancy costs recognised in the period in connection to the new seven-year deal with HSBC. Under the terms of the new agreement, material charges are expected over the next seven years. For further details see note 3 to the financial information.

Taxation

The effective tax rate on profit before tax and adjusting items was 33.2% (2022/23 restated for pension income: 26.4%). This was higher than the UK statutory tax rate primarily due to the impact of the recapture of tax relief on distributions to the Scottish Limited Partnership (SLP), non-deductible Ocado JV Losses, and due to a deferred tax charge arising from the reduction of buildings residual value to nil.

Without the impact of the above deferred tax item, the effective tax rate on adjusted profit before tax and adjusting items was 30.2%. In 2024/25 we expect the effective tax rate on profit before tax and adjusting items to be at a similar rate of c30%.

The effective tax rate on statutory profit before tax was 36.8% (2022/23: 23.4%). This is higher than the effective tax rate on profit before adjusting items due to the impact of non-taxable adjusting items.

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

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

Earnings per share

Basic earnings per share was 21.9p (2022/23: 18.5p). Adjusted basic earnings per share was 24.6p (2022/23 restated for pension income: 16.9p) due to higher adjusted profit year on year.

The weighted average number of ordinary shares in issue during the period was 1,973.2m (2022/23: 1,963.5m), with the weighted average number of diluted ordinary shares 2,075.9m (2022/23: 2,033.9m).

Cash flow

	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 £m
Operating profit	**714.2**	**515.1**	**199.1**
Adjusting items within operating profit	124.4	111.5	12.9
Operating profit before adjusting items	**838.6**	**626.6**	**212.0**
Depreciation and amortisation before adjusting items	526.3	523.2	3.1
Cash lease and surrender payments	(345.5)	(353.8)	8.3
Working capital	77.2	(14.7)	91.9
Non-cash pension expense	5.3	4.6	0.7
Defined benefit scheme pension funding	(0.4)	(36.8)	36.4
Capex and disposals	(423.2)	(409.2)	(14.0)
Financial interest	(31.2)	(66.5)	35.3
Taxation	(191.2)	(70.6)	(120.6)
Employee-related share transactions	22.2	37.9	(15.7)
Share of result from Associate	37.3	29.5	7.8
Loans to Associates	(62.0)	(30.0)	(32.0)
Share of results in other joint ventures	0.3	-	0.3
Adjusting items in cash flow	(40.0)	(69.9)	29.9
Free cash flow from operations	**413.7**	**170.4**	**243.3**
Acquisitions, investments, and divestments	(2.6)	(106.8)	104.2
Free cash flow	**411.1**	**63.6**	**347.5**
Dividends paid	(19.6)	-	(19.6)
Free cash flow after shareholder returns	**391.5**	**63.6**	**327.9**
Opening net debt excluding lease liabilities	**(355.6)**	**(420.1)**	**64.5**
Free cash flow after shareholder returns	391.5	63.6	327.9
Exchange and other non-cash movements excluding leases	9.8	0.9	8.9
Closing net funds/ (debt) excluding lease liabilities	**45.7**	**(355.6)**	**401.3**
Opening net debt	**(2,637.2)**	**(2,698.8)**	**61.6**
Free cash flow after shareholder returns	391.5	63.6	327.9
Decrease in lease obligations	243.5	231.8	11.7
New lease commitments and remeasurements	(176.0)	(249.4)	73.4
New leases from acquisitions	-	(21.3)	21.3
Exchange and other non-cash movements	12.4	36.9	(24.5)
Closing net debt	**(2,165.8)**	**(2,637.2)**	**471.4**

The business generated free cash flow from operations of £413.7m, a year on year improvement of £243.3m. This was driven by higher operating profit as a result of strong performance across Food and Clothing & Home, working capital inflow and reduced interest expense.

Cash inflow from working capital was £77.2m, an improvement of £91.9m versus the prior year, which was driven by a higher year-end payables balance partly due to the timing of Easter.

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

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

Cash outflow from adjusting items was £40.0m. This included £24.5m relating to the store estate strategy, £5.9m relating to structural simplification, £2.6m relating to the logistics strategy, £2.6m in relation to M&S financial services transformation, £2.0m relating to the M&S Bank insurance mis-selling provisions, and £1.4m payment to Gist.

Loans to Associates principally reflects a £60.0m drawdown of the shareholder loan facility by Ocado Retail.

After dividend payments of £19.6m, reflecting payment of an interim dividend in January, the business generated free cash flow after shareholder returns of £391.5m, resulting in a further reduction of net debt.

Capital expenditure

52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 £m
UK store remodelling	51.5	70.5	(19.0)
New UK stores	77.4	55.0	22.4
International	18.0	28.9	(10.9)
Supply chain	69.3	36.8	32.5
IT and M&S.com	80.8	109.5	(28.7)
Property asset replacement	99.1	102.1	(3.0)
Capital expenditure before property acquisitions and disposals	**396.1**	**402.8**	**(6.7)**
Property acquisitions and disposals	(6.1)	(1.1)	(5.0)
Capital expenditure	**390.0**	**401.7**	**(11.7)**
Movement in capital accruals and other items	33.2	7.5	25.7
Capex and disposals as per cash flow	**423.2**	**409.2**	**14.0**

Group capital expenditure before property acquisitions and disposals decreased £6.7m to £396.1m due to increased investment in new UK stores and supply chain, partially offset by reduced spend UK store remodelling, technology and International.

UK store remodelling costs were primarily driven by 8 store renewals in the period, 4 of which were full line renewals, and one extension.

Spend on new UK stores primarily related to the opening of 6 full line and 8 Food stores in the period.

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

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

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

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

Net debt

Group net debt decreased £471.4m since the start of the year driven by free cash flow after shareholder returns of £391.5m and a net decrease in lease liabilities of £70.1m.

The composition of Group net debt is as follows:

52 weeks ended	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 £m
Cash and cash equivalents	1,022.4	1,067.9	(45.5)
Medium Term Notes	(921.7)	(1,346.4)	424.7
Current financial assets and other	26.9	44.8	(17.9)
Partnership liability	(81.9)	(121.9)	40.0
Net funds / (debt) excluding lease liabilities	**45.7**	**(355.6)**	**401.3**
Lease liabilities	(2,211.5)	(2,281.6)	70.1
Group net debt	**(2,165.8)**	**(2,637.2)**	**471.4**

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

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

Lease Liabilities	30 Mar 24 £m	1 Apr 23 £m	Change vs 2022/23 £m	Average lease length to break[1]
Full line stores[2]	(860.1)	(882.2)	22.1	c.19yrs
Simply Food stores[2]	(682.2)	(689.9)	7.7	c.9yrs
Offices, warehouses and other[2]	(459.7)	(504.8)	45.1	c.15yrs
International	(209.5)	(204.7)	(4.8)	
Total lease liability	**(2,211.5)**	**(2,281.6)**	**70.1**	

[1] *Liability-weighted average lease length to break.*
[2] *Last year comparative categories have been restated.*

New lease commitments and remeasurements in the period were £176.0m, largely relating to 16 UK lease additions, lease additions in India, and UK property liability remeasurements. This was offset by £243.5m of capital lease repayments.

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

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

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

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

Pension

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

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

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

Marks and Spencer Scottish Limited Partnership

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

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

The Group and the Pension scheme are in ongoing discussions to ensure that the distributions to the scheme are appropriate. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates in relation to the first limited partnership interest so that the Pension Scheme received £40.0m in October 2023 and is scheduled to receive £89.7m in June 2024. Additionally, the Group and the Pension Scheme Trustees agreed to amend the distribution dates in respect of the second interest so that the Pension Scheme is entitled to £38.3m in June 2024 and is scheduled an annual distribution of £36.4m from June 2024 to June 2031. If the ongoing discussions are successfully concluded, the profile of contributions to the scheme would be revised so that distributions in the year would substantially reduce and the Group would commit to extending the distribution profile, if required, to ensure that the scheme was fully funded.

Liquidity

At 30 March 2024, the Group held cash and cash equivalents of £1,022.4m (2022/23: £1,067.9m). In the period, the Group bought back £276.8m of medium-term maturities and subsequently fully repaid £128.1m for the 2023 maturing bond.

The Group currently has an unused £850m revolving credit facility, the expiry of which has been extended to June 2027, on terms linked to delivery of its net zero roadmap. With the facility undrawn, the Group had total liquidity headroom of £1.9bn at 30 March 2024.

Dividend

With the Group generating a further improvement in operating performance, balance sheet and credit metrics, a final dividend of 2p has been declared, resulting in a full year dividend of 3p in 2023/24. The final dividend is due to be paid on 5 July 2024 to shareholders on the register of members as at close of business on 31 May 2024.

Statement of financial position

Net assets were £2,830.1m at the period end. The profit made in the period and the reduction in borrowings was largely offset by a decrease in the net retirement benefit surplus, resulting in an overall increase in net assets of 5.6% since the start of the year.

Consolidated income statement

	Notes	52 weeks ended 30 March 2024 Total £m	52 weeks ended 1 April 2023 Total £m
Revenue	2	13,040.1	11,931.3
Share of result in associate - Ocado Retail Limited	17	(79.9)	(43.5)
Operating profit	3	714.2	515.1
Finance income	3, 4	146.7	166.1
Finance costs	3, 4	(188.4)	(205.5)
Profit before tax	3	672.5	475.7
Income tax expense	5	(247.3)	(111.2)
Profit for the year		425.2	364.5
Attributable to:			
Owners of the parent		431.2	363.4
Non-controlling interests		(6.0)	1.1
		425.2	364.5
Earnings per share			
Basic earnings per share	6	21.9p	18.5p
Diluted earnings per share	6	20.8p	17.9p
Reconciliation of profit before tax & adjusting items:			
Profit before tax		672.5	475.7
Adjusting items[1]	3	43.9	(22.4)
Profit before tax & adjusting items[1] - non-GAAP measure		716.4	453.3
Adjusted earnings per share - non-GAAP measure			
Adjusted basic earnings per share[1]	6	24.6p	16.9p
Adjusted diluted earnings per share[1]	6	23.3p	16.4p

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

Consolidated statement of comprehensive income

	Notes	52 weeks ended 30 March 2024 £m	52 weeks ended 1 April 2023 £m
Profit for the year		425.2	364.5
Other comprehensive income/ (expense):			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit schemes	8	(419.2)	(622.8)
Tax on retirement benefit schemes		104.8	158.0
		(314.4)	(464.8)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences			
- movements recognised in other comprehensive income		(11.5)	4.3
Cash flow hedges			
- fair value movements recognised in other comprehensive income		(27.5)	77.0
- reclassified and reported in profit or loss		5.3	(14.4)
Tax credit/(charge) on cash flow hedges		6.1	(18.6)
		(27.6)	48.3
Other comprehensive (expense) for the year, net of tax		(342.0)	(416.5)
Total comprehensive income/(expense) for the year		83.2	(52.0)
Attributable to:			
Owners of the parent		89.2	(53.1)
Non-controlling interests		(6.0)	1.1
		83.2	(52.0)

Consolidated statement of financial position

	Notes	As at 30 March 2024 £m	As at 1 April 2023 (restated) £m	As at 3 April 2022 (restated) £m
Assets				
Non-current assets				
Intangible assets	10	**179.5**	163.1	192.5
Property, plant and equipment	11	**5,190.1**	5,203.7	4,902.3
Investment property		**11.6**	11.8	15.0
Investments in joint ventures and associates	17	**684.2**	767.9	810.9
Other financial assets		**12.6**	7.9	4.5
Retirement benefit assets	8	**81.8**	482.0	1,043.9
Trade and other receivables		**356.7**	298.7	270.6
Derivative financial instruments		**0.7**	0.1	21.4
Deferred tax assets		**11.7**	7.6	-
		6,528.9	6,942.8	7,261.1
Current assets				
Inventories		**776.9**	764.4	706.1
Other financial assets		**12.3**	13.0	17.6
Trade and other receivables		**302.0**	280.6	217.1
Derivative financial instruments		**6.8**	22.6	43.6
Current tax assets		**32.9**	6.5	-
Cash and cash equivalents		**1,022.4**	1,067.9	1,197.9
		2,153.3	2,155.0	2,182.3
Total assets		**8,682.2**	9,097.8	9,443.4
Liabilities				
Current liabilities				
Trade and other payables		**2,107.9**	2,048.8	1,960.9
Partnership liability to the Marks & Spencer UK Pension Scheme	9	**88.8**	73.0	71.9
Borrowings and other financial liabilities		**250.4**	444.0	247.2
Derivative financial instruments		**20.0**	58.1	3.2
Provisions		**47.6**	44.0	53.6
Current tax liabilities		**1.5**	38.5	34.0
		2,516.2	2,706.4	2,370.8
Non-current liabilities				
Retirement benefit deficit	8	**4.6**	4.6	5.7
Trade and other payables		**116.7**	181.3	188.2
Partnership liability to the Marks & Spencer UK Pension Scheme	9	**-**	51.8	120.4
Borrowings and other financial liabilities		**2,882.8**	3,184.0	3,561.0
Derivative financial instruments		**21.9**	7.1	0.4
Provisions		**104.1**	75.4	91.8
Deferred tax liabilities		**205.8**	206.4	321.3
		3,335.9	3,710.6	4,288.8
Total liabilities		**5,852.1**	6,417.0	6,659.6
Net assets		**2,830.1**	2,680.8	2,783.8
Equity				
Issued share capital		**20.5**	19.8	19.7
Share premium account		**967.0**	910.7	910.6
Capital redemption reserve		**2,680.4**	2,680.4	2,680.4
Hedging reserve		**(8.4)**	(31.9)	17.6
Cost of hedging reserve		**5.4**	4.2	3.6
Other reserve		**(6,542.2)**	(6,542.2)	(6,542.2)
Foreign exchange reserve		**(81.1)**	(69.6)	(73.9)
Retained earnings		**5,789.6**	5,705.0	5,763.8
Equity attributable to owners of the parent		**2,831.2**	2.676.4	2,779.6
Non-controlling interests		**(1.1)**	4.4	4.2
Total equity		**2,830.1**	2,680.8	2,783.8

Deferred tax and retained earnings have been restated in the comparative information. See note 1 for further details.

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	Other reserve[1] £m	Foreign exchange reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total £m
As at 3 April 2022	19.7	910.6	2680.4	17.6	3.6	(6,542.2)	(73.9)	5,897.9	2,913.7	4.2	2,917.9
Prior year restatement	-	-	-	-	-	-	-	(134.1)	(134.1)	-	(134.1)
As at 3 April 2022 (restated)	19.7	910.6	2,680.4	17.6	3.6	(6,542.2)	(73.9)	5,763.8	2,779.6	4.2	2,783.8
Profit for the year	-	-	-	-	-	-	-	363.4	363.4	1.1	364.5
Other comprehensive (expense)/income:											
Foreign currency translation											
- movements recognised in other comprehensive income	-	-	-	-	-	-	4.3	-	4.3	-	4.3
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	-	(622.8)	(622.8)	-	(622.8)
Tax on retirement benefit schemes	-	-	-	-	-	-	-	158.0	158.0	-	158.0
Cash flow hedges											
- fair value movement in other comprehensive income	-	-	-	76.2	0.8	-	-	-	77.0	-	77.0
- reclassified and reported in profit or loss	-	-	-	(14.4)	-	-	-	-	(14.4)	-	(14.4)
Tax on cash flow hedges	-	-	-	(18.4)	(0.2)	-	-	-	(18.6)	-	(18.6)
Other comprehensive (expense)/income:	-	-	-	43.4	0.6	-	4.3	(464.8)	(416.5)	-	(416.5)
Total comprehensive (expense)/income	-	-	-	43.4	0.6	-	4.3	(101.4)	(53.1)	1.1	(52.0)
Cash flow hedges recognised in inventories	-	-	-	(123.9)	-	-	-	-	(123.9)	-	(123.9)
Tax on cash flow hedges recognised in inventories	-	-	-	31.0	-	-	-	-	31.0	-	31.0
Transactions with owners:											
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-	(0.9)	(0.9)
Shares issued in respect of employee share options	0.1	0.1	-	-	-	-	-	(0.1)	0.1	-	0.1
Purchase of shares held by employee trusts	-	-	-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Credit for share-based payments	-	-	-	-	-	-	-	38.0	38.0	-	38.0
Deferred tax on share schemes	-	-	-	-	-	-	-	4.8	4.8	-	4.8
As at 1 April 2023	19.8	910.7	2,680.4	(31.9)	4.2	(6,542.2)	(69.6)	5,705.0	2,676.4	4.4	2,680.8
As at 2 April 2023	19.8	910.7	2,680.4	(31.9)	4.2	(6,542.2)	(69.6)	5,705.0	2,676.4	4.4	2,680.8
Profit for the year	-	-	-	-	-	-	-	431.2	431.2	(6.0)	425.2
Other comprehensive income/(expense):											
Foreign currency translation											
- movements recognised in other comprehensive income	-	-	-	-	-	-	(11.5)	-	(11.5)	-	(11.5)
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	-	(419.2)	(419.2)	-	(419.2)
Tax on retirement benefit schemes	-	-	-	-	-	-	-	104.8	104.8	-	104.8
Cash flow hedges											
- fair value movement in other comprehensive income	-	-	-	(29.1)	1.6	-	-	-	(27.5)	-	(27.5)
- reclassified and reported in profit or loss	-	-	-	5.3	-	-	-	-	5.3	-	5.3
Tax on cash flow hedges	-	-	-	6.5	(0.4)	-	-	-	6.1	-	6.1
Other comprehensive (expense)/income	-	-	-	(17.3)	1.2	-	(11.5)	(314.4)	(342.0)	-	(342.0)
Total comprehensive (expense)/income	-	-	-	(17.3)	1.2	-	(11.5)	116.8	89.2	(6.0)	83.2
Cash flow hedges recognised in inventories	-	-	-	54.4	-	-	-	-	54.4	-	54.43
Tax on cash flow hedges recognised in inventories	-	-	-	(13.6)	-	-	-	-	(13.6)	-	(13.6)
Transactions with owners:											
Dividends	-	-	-	-	-	-	-	(19.6)	(19.6)	-	(19.6)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-	0.5	0.5
Shares issued in respect of employee share options	0.7	56.3	-	-	-	-	-	-	57.0	-	57.0
Purchase of shares held by employee trusts	-	-	-	-	-	-	-	(83.1)	(83.1)	-	(83.1)
Credit for share-based payments	-	-	-	-	-	-	-	48.3	48.3	-	48.3
Tax on share schemes	-	-	-	-	-	-	-	22.2	22.2	-	22.2
As at 30 March 2024	20.5	967.0	2,680.4	(8.4)	5.4	(6,542.2)	(81.1)	5789.6	2,831.2	(1.1)	2,830.1

[1] The "Other reserve" was originally created as part of the capital restructuring that took place in 2002. It represents the difference between the nominal value of the shares issued prior to the capital reduction by the Company (being the carrying value of the investment in Marks and Spencer plc) and the share capital, share premium and capital redemption reserve of Marks and Spencer plc at the date of the transaction.

Consolidated statement of cash flows

	Notes	52 weeks ended 30 March 2024 £m	52 weeks ended 1 April 2023 £m
Cash flows from operating activities			
Cash generated from operations	14	1,492.9	1,100.5
Income tax paid		(191.2)	(70.6)
Net cash inflow from operating activities		1,301.7	1,029.9
Cash flows from investing activities			
Proceeds on property disposals		6.1	1.1
Purchase of property, plant and equipment		(359.5)	(325.8)
Purchase of intangible assets		(69.8)	(84.5)
Proceeds on disposal of current financial assets		0.7	5.3
Purchase of non-current financial assets		(2.6)	(4.2)
Proceeds on disposal of non-current financial assets		-	0.2
Acquisition of subsidiary, net of cash acquired[1]		-	(102.8)
Loans to related parties	16	(62.0)	(30.0)
Interest received		51.8	24.1
Net cash used in investing activities		(435.3)	(516.6)
Cash flows from financing activities			
Interest paid[2]		(185.0)	(212.5)
Redemption of Medium Term Notes[3]		(395.6)	(189.9)
Repayment of lease liabilities		(243.5)	(231.8)
Payment of partnership liability to the Marks & Spencer UK Pension Scheme		(40.0)	(66.0)
Equity dividends paid		(19.6)	-
Shares issued on exercise of employee share options		57.0	-
Purchase of own shares by employee trust		(83.1)	(0.1)
Cash received from settlement of derivatives		-	56.5
Net cash used in financing activities		(909.8)	(643.8)
Net cash outflow from activities		(43.4)	(130.5)
Effects of exchange rate changes		(2.1)	0.5
Opening net cash		1,067.9	1,197.9
Closing net cash	15	1,022.4	1,067.9

[1] Last year includes £102.8m relating to the purchase of Gist Limited, being consideration of £170.6m net of cash acquired of £67.8m.
[2] Includes interest paid on the partnership liability to the Marks & Spencer UK Pension Scheme of £nil (last year: £5.9m) and interest paid on lease liabilities of £102.0m (last year: £121.9m).
[3] Includes £267.5m of outstanding 2023, 2025 and 2026 notes repurchased in June 2023, resulting in a gain of £10.3m recognised within 'interest payable on Medium Term Notes' in net finance costs.

1 Accounting policies

General information
The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 30 March 2024 or 1 April 2023. The financial information for the year ended 1 April 2023 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. The statutory accounts for the year ended 30 March 2024 will be delivered to the Registrar of Companies following the Company's annual general meeting.

Basis of preparation
While the financial information included in this press release has been prepared in accordance with the recognition and measurement criteria of UK-adopted International Accounting Standards, this announcement does not itself contain sufficient information to comply with these standards. The financial information has been prepared using accounting policies and methods of computation consistent with those applied in the financial statements for the year ended 1 April 2023, with the exception of the change in accounting policy and new accounting standards adopted in the year set out below. The Company's full financial statements will be prepared in compliance with UK-adopted International Accounting Standards.

Going concern basis
The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board has considered the business activities, the financial position of the Group, its cash flows, liquidity position and borrowing facilities, the Group's financial risk management objectives and exposures to liquidity and other financial risks as set out in note 12 and the principal risks and uncertainties.

The Group continues to maintain a robust financial position providing it with sufficient access to liquidity, through a combination of cash and committed facilities, to meet its needs in the short and medium term. At 30 March 2024, the Group had liquidity of £1,897.4m (last year: £1,942.9m), comprising cash and cash equivalents of £1,022.4m, an undrawn committed syndicated bank revolving credit facility ("RCF") of £850.0m, and undrawn uncommitted facilities amounting to £25.0m.

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

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

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

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

- There will be a period of economic recession in 2024/25, resulting in a decline in sales of 2.0 – 5.0% across all three business units compared to the Budget and Three-Year Plan.
- A delay on transformation benefits results in incremental sales expected from the transformation declining by 7.5%, 15% and 30% respectively across the three-year period across all three business units.
- Ocado Retail Limited experiences limited customer demand, with a 5.0% decline in volumes each year across the three-year period compared to the Budget and Three-Year Plan.

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

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

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

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

- IFRS 17 Insurance Contracts.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 8: Definition of Accounting Estimates.

- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 12: International Tax reform – Pillar Two Model rules.

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

New accounting standards in issue but not yet effective

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

- Amendment to IFRS 16: Lease Liability in a Sale and Leaseback.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 1: Non-current Liabilities with Covenants.
- Amendments to IAS 7 and IFRS7: Supplier Finance Arrangements.
- Amendments to IAS 21: Lack of Exchangeability.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- IFRS 18: Presentation and Disclosure in Financial Statements.

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

IFRS 18 was issued in April 2024 and is effective for periods beginning on or after 1 January 2027. Early application is permitted and comparatives will require restatement. The standard will replace IAS 1 'Presentation of financial statements' and although it will not change how items are recognised or measured, the standard brings a focus on the income statement and reporting of financial performance. Specifically classifying income and expenses into three new defined categories – "operating", "investing" and "financing" and two new subtotals "operating profit or loss" and "profit or loss before financing and income tax", introducing disclosures of management defined performance measures (MPMs) and enhancing general requirements on aggregation and disaggregation. The impact of the standard on the Group is currently being assessed and it is not yet practicable to quantify the effect of IFRS 18 on these consolidated financial statements, however there is no impact on presentation for the Group in the current year given the effective date – this will be applicable for the Group's 2027/28 Annual Report.

Prior year restatement

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

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

The financial impact of the errors identified are as follows:

	As at 1 April 2023			As at 2 April 2022		
	Reported £m	Adjustment £m	Restated £m	Reported £m	Adjustment £m	Restated £m
Deferred tax liability	72.3	134.1	206.4	187.2	134.1	321.3
Retained earnings	5,839.1	(134.1)	5,705.0	5,897.9	(134.1)	5,763.8

Alternative performance measures

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

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

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

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

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

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

Refer to note 3 for a summary of the adjusting items.

Due to a change in the Group's classification of pension net finance income as an adjusting item (see note 3), the comparative amounts have been restated. The impact on the 52 weeks ended 1 April 2023 income statement is a decrease to the adjusting items charge of £28.7m (resulting in a net adjusting items credit), a decrease to profit before tax & adjusting items of £28.7m, a decrease to adjusted basic earnings per share of 1.2p and a decrease to adjusted diluted earnings per share of 1.1p. There is no impact on profit before tax, earnings per share or net assets.

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, UK Food franchise operations and UK supply chain services, with the following five main categories: protein deli and dairy; produce; ambient and in-store bakery; meals, dessert and frozen; 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.
- Ocado – includes the Group's share of profits or losses from the investment in Ocado Retail Limited.

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

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

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

	52 weeks ended 30 March 2024						52 weeks ended 1 April 2023					
	UK Clothing & Home	UK Food	International	Ocado	All other segments	Group	UK Clothing & Home	UK Food	International	Ocado	All other segments	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sales [1]	3,910.7	8,158.8	1,039.8	-	-	13,109.3	3,715.0	7,218.0	1,055.0	-	-	11,988.0
Revenue	3,841.5	8,158.8	1,039.8	-	-	13,040.1	3,658.3	7,218.0	1,055.0	-	-	11,931.3
Adjusted operating profit/(loss) [2]	402.8	395.3	75.6	(37.3)	2.2	838.6	323.8	248.0	84.8	(29.5)	(0.5)	626.6
Finance income before adjusting items [3]						58.0						29.4
Finance costs before adjusting items [3]						(180.2)						(202.7)
Profit/(loss) before tax and adjusting items [3]	402.8	395.3	75.6	(37.3)	2.2	716.4	323.8	248.0	84.8	(29.5)	(0.5)	453.3
Adjusting items [3]						(43.9)						22.4
Profit/(loss) before tax	402.8	395.3	75.6	(37.3)	2.2	672.5	323.8	248.0	84.8	(29.5)	(0.5)	475.7

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

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

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

Other segmental information

	52 weeks ended 30 March 2024						52 weeks ended 1 April 2023					
	UK Clothing & Home	UK Food	International	Ocado	All other segments	Group	UK Clothing & Home	UK Food	International	Ocado	All other segments	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Additions to property, plant and equipment, and intangible assets (excluding goodwill and right-of-use assets)	193.5	201.0	18.9	-	-	413.4	170.4	221.1	29.9	-	-	421.4
Depreciation and amortisation [1,2]	(219.6)	(236.6)	(45.4)	-	-	(501.6)	(267.9)	(274.8)	(35.7)	-	-	(578.4)
Impairment charges, impairment reversals and asset disposals [1]	(43.4)	(29.0)	-	-	-	(72.4)	10.2	6.1	(1.9)	-	-	14.4

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

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

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

3 Adjusting items

The total adjusting items reported for the 52-week period ended 30 March 2024 is a net charge of £43.9m (last year: restated net credit of £22.4m). Refer to note 1 for further details on the restatement. The adjustments made to reported profit before tax to arrive at adjusted profit are:

	Notes	2024 £m	2023 £m
Included in share of result of associate - Ocado Retail Limited			
Ocado Retail Limited - UK network capacity review	17	(29.7)	-
Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited	17	(12.9)	(14.0)
		(42.6)	(14.0)
Included in operating profit			
Strategic programmes – Store estate	11	(93.0)	(51.3)
Strategic programmes – Furniture simplification		(18.3)	-
Strategic programmes – Organisation		(3.5)	(10.7)
Strategic programmes – Structural simplification		-	(16.4)
Strategic programmes – UK logistics	11	5.3	(10.5)
Store impairments, impairment reversals and other property charges	11	35.1	15.1
M&S Bank transformation and insurance mis-sellling provisions		(7.0)	(2.0)
Acquisition of Gist Limited		(0.4)	(22.1)
Franchise restructure		-	0.4
		(81.8)	(97.5)
Included in net finance income/(costs)			
Remeasurement of Ocado Retail Limited contingent consideration		64.7	108.0
Pension net finance income[1]	8	24.0	28.7
Net finance costs incurred in relation to Gist Limited deferred and contingent consideration		(8.2)	(2.8)
		80.5	133.9
Adjustments to profit before tax[1]		(43.9)	22.4

[1]See note 1 for details on restatement

Ocado Retail Limited – UK network capacity review (£29.7m)

On 25 April 2023, Ocado Retail Limited announced the plan to cease operation at its Customer Fulfilment Centre ("CFC") in Hatfield as part of the wider review of UK network capacity. During H2 2023/24, Ocado Retail Limited also undertook a strategy and capacity review for the Zoom network.

As a result, Ocado Retail Limited has recorded impairment charges, restructuring costs and other related costs of closure.

The Group's share of these costs, reported within the Group's "share of result of associate – Ocado Retail Limited", 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 Ocado segment. No further charges are expected in this programme.

Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited (£12.9m)

Intangible assets of £366.0m were acquired as part of the investment in Ocado Retail Limited in 2019/20 relating to the Ocado brand and acquired customer relationships. These intangibles are being amortised over their useful economic lives of 10 – 40 years with an amortisation charge of £17.2m (last year: £17.1m) recognised in the period and a related deferred tax credit of £4.3m (last year: £3.1m).

The amortisation charge and changes in the related deferred tax liability are included within the Group's share of the profit or loss of the associate and are considered to be adjusting items as they are based on judgments about their value and economic life and are not related to the Group's underlying trading performance. These charges are reported as adjusting items on the basis that they are significant in quantum and to aid comparability from one period to the next.

Strategic programmes - Store estate (£93.0m)

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

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

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

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

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

Strategic programmes - Furniture simplification (£18.3m)

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

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

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

Strategic programmes – Organisation (£3.5m)

During 2016/17, the Group announced a wide-ranging strategic review across a number of areas of the business which included UK organisation and the programme to centralise our London Head Office functions into one building. In the period, an impairment charge of £3.5m has been recognised (last year: £10.7m impairment). This relates to the updating of assumptions and market fluctuations over the life of the sub-let of previously closed offices. Total costs of centralising our London Head Office functions into one building incurred to date are c.£101m. Any future charges/reversals will relate to the updating of assumptions and market fluctuations over the life of the sub-let lease to September 2040.

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

Strategic programmes – UK logistics (£5.3m credit)

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

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

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

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

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

The Group has performed impairment testing based on the latest Board approved budget and three year plan future cash flow projections for UK and International stores (excluding those stores that have been captured as part of the store estate programme). As a result, store impairment testing has identified stores where the current and anticipated future performance does not support the carrying value of the stores. A charge of £0.5m (last year: £18.0m) has been incurred primarily in respect of the impairment of assets associated with these stores. In addition, a credit of £35.6m (last year: £33.1m) has been recognised for the reversal of store impairments incurred in previous periods, where revised future cash flow projections more than support the carrying value of the stores, reflecting improved trading expectations compared to those assumed at the prior year end. Refer to note 11 for further details on the impairments.

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

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

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

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

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

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

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

All of these costs are considered to be adjusting items as they are significant in quantum and have crystalised as a result of major business change linked to M&S Bank. Recognition of these costs within adjusting items is consistent with the disclosure of costs relating to the deficit previously recognised within adjusting items. Furthermore these costs are significant in value to the results of both the Group and to the 'all other segments' segment.

Acquisition of Gist Limited (£0.4m)

On 30 September 2022 the Group completed the acquisition of Gist Limited from Storeshield Limited, a subsidiary of The BOC Group Limited, as part of M&S' multi-year programme to modernise its Food supply chain network to support growth. As part of the transaction the Group has incurred charges of £0.4m in the period relating to retention bonuses and had in the previous year incurred £28.3m of one-off charges to date that are not considered to be day-to-day operational costs of the business. Transaction costs of £6.8m were incurred and £3.3m of other costs, mainly retention bonuses, along with £18.2m of charges relating to the settlement of our pre-existing relationship with Gist Limited. This was offset by a £6.2m gain on bargain purchase.

These costs are adjusting items as they relate to a major transaction and, but for the transaction, the business would not have incurred these costs and as a result are not considered to be normal operating costs of the business. No future charges are expected in this programme.

Remeasurement of contingent consideration including discount unwind (£64.7m credit)

Contingent consideration, resulting from the investment in Ocado Retail Limited, is remeasured at fair value at each reporting date with the changes in fair value recognised in profit or loss. A credit of £64.7m has been recognised in the period, representing the revaluation of the contingent consideration payable. See note 12 for further details. The change in fair value is considered to be an adjusting item as it relates to a major transaction and consequently is not considered representative of the normal operating performance of the Group.

Net pension finance income (£24.0m credit)

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

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

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

Net finance costs incurred in relation to Gist Limited deferred and contingent consideration (£8.2m)

Deferred consideration, resulting from the acquisition of Gist Limited, is held at amortised cost, whilst the contingent consideration is remeasured at fair value at each reporting date with the changes in fair value recognised in profit or loss. A charge of £8.2m (last year: £2.8m) has been recognised in the period, representing the discount unwind of the deferred consideration and revaluation of the contingent consideration payable. See note 12 for further details. The discount unwind and change in fair value is considered to be an adjusting item as it relates to a major transaction and consequently is not considered representative of the normal operating performance of the Group. The discount unwind and remeasurement will be recognised in adjusting items until the final payments are made.

4 Finance income/(costs)

	2024 £m	2023 £m
Bank and other interest receivable	52.3	22.9
Other finance income	-	0.9
Interest income of subleases	5.7	5.6
Finance income before adjusting items[1]	**58.0**	29.4
Finance income in adjusting items[1]	88.7	136.7
Finance income	**146.7**	166.1
Other finance costs	(6.3)	(6.4)
Interest payable on syndicated bank facility	(4.8)	(4.5)
Interest payable on Medium Term Notes	(42.2)	(65.4)
Interest payable on lease liabilities	(116.2)	(116.7)
Unwind of discount on provisions	(6.6)	(5.4)
Unwind of discount on Partnership liability to the Marks & Spencer UK Pension Scheme (see note 9)	(4.1)	(4.3)
Finance costs before adjusting items	**(180.2)**	(202.7)
Finance costs in adjusting items	(8.2)	(2.8)
Finance costs	**(188.4)**	(205.5)
Net finance costs	**(41.7)**	(39.4)

1. Due to a change in classification of pension net finance income as an adjusting item, the comparative amounts have been restated. See notes 1 and 3 for details.

5 Income tax expense

The effective tax rate was 36.8% (last year: 23.4%) and the effective tax rate of profit excluding adjusting items was 33.2% (last year: 26.4% restated).

6 Earnings per share

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the year.

The adjusted earnings per share figures have also been calculated based on earnings before adjusting items that are significant in nature and/or quantum and are considered distortive to underlying results (see note 3). These have been presented to provide shareholders with an additional measure of the Group's year-on-year performance.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has four types of dilutive potential ordinary shares, being: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year; unvested shares granted under the Deferred Share Bonus Plan; unvested shares granted under the Restricted Share Plan; and unvested shares within the Performance Share Plan that have met the relevant performance conditions at the end of the reporting period.

Details of the adjusted earnings per share are set out below:

	2024 £m	2023 £m
Profit attributable to equity shareholders of the Company	**431.2**	363.4
Add/(less):		
Adjusting items (see note 3)[1]	**43.9**	(22.4)
Tax on adjusting items[1]	**9.5**	(8.2)
Profit before adjusting items attributable to equity shareholders of the Company	**484.6**	332.8

	Million	Million
Weighted average number of ordinary shares in issue	**1,973.2**	1,963.5
Potentially dilutive share options under Group's share option schemes	**102.7**	70.4
Weighted average number of diluted ordinary shares	**2,075.9**	2,033.9

	Pence	Pence
Basic earnings per share	**21.9**	18.5
Diluted earnings per share	**20.8**	17.9
Adjusted basic earnings per share[1]	**24.6**	16.9
Adjusted diluted earnings per share[1]	**23.3**	16.4

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

7 Dividends

	2024 per share	2023 per share	2024 £m	2023 £m
Dividends on equity ordinary shares				
Paid interim dividend	1.0p	-	19.6	-
	1.0p	**-**	**19.6**	**-**

With the Group generating a further improvement in operating performance, balance sheet and credit metrics, the Board restored a dividend to shareholders in the year, starting with an interim dividend of 1.0p per share (last year: 0.0p per share), paid on 12 January 2024.

The directors have approved a final dividend of 2.0p per share (last year: 0.0p per share), which, in line with the requirements of IAS 10 Events after the Reporting Period, has not been recognised within these results. This final dividend of c.£40.8m (last year: £nil) will be paid on 5 July 2024 to shareholders whose names are on the Register of Members at the close of business on 31 May 2024. The ordinary shares will be quoted ex dividend on 30 May 2024.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP, the last date for receipt of a new election is 14 June 2024

8 Retirement benefits

	2024 £m	2023 £m
Opening net retirement benefit surplus	477.4	1,038.2
Current service cost	(0.1)	(0.1)
Administration cost	(5.2)	(4.8)
Net interest income	24.0	28.7
Employer contributions	0.5	38.1
Remeasurements	(419.2)	(622.8)
Exchange movement	(0.2)	0.1
Closing net retirement benefit surplus	77.2	477.4

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

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. The most significant of these are the discount rate and the inflation rate which are 4.80% (last year: 4.75%) and 3.20% (last year: 3.25%). The inflation rate of 3.20% (last year: 3.25%) reflects the Retail Price Index (RPI) rate.

The amount of the surplus varies if the main financial assumptions change, particularly the discount rate. If the discount rate decreased by 0.25% the surplus would decrease by c.£30m. If the inflation rate decreased by 0.25%, the surplus would decrease by c.£20m.

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

9 Marks and Spencer Scottish Limited Partnership

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

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

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

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

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

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

10 Intangible assets

	Goodwill £m	Brands £m	Computer software £m	Computer software under development £m	Total £m
At 2 April 2022					
Cost	140.6	118.7	1,570.1	76.1	1,905.5
Accumulated amortisation, impairments and disposals	(112.0)	(113.1)	(1,455.8)	(32.1)	(1,713.0)
Net book value	**28.6**	**5.6**	**114.3**	**44.0**	**192.5**
Year ended 1 April 2023					
Opening net book value	28.6	5.6	114.3	44.0	192.5
Additions	-	-	5.3	79.1	84.4
Acquired through business combinations	-	-	1.5	1.2	2.7
Transfers and reclassifications	-	-	35.6	(64.2)	(28.6)
Disposals	-	-	(0.7)	-	(0.7)
Amortisation charge	-	(0.6)	(86.4)	-	(87.0)
Exchange difference	(0.2)	-	-	-	(0.2)
Closing net book value	**28.4**	**5.0**	**69.6**	**60.1**	**163.1**
At 1 April 2023					
Cost	140.6	118.7	1,612.5	92.2	1,964.0
Accumulated amortisation, impairments and disposals	(112.2)	(113.7)	(1,542.9)	(32.1)	(1,800.9)
Net book value	**28.4**	**5.0**	**69.6**	**60.1**	**163.1**
Year ended 30 March 2024					
Opening net book value	28.4	5.0	69.6	60.1	163.1
Additions	-	-	1.0	68.8	69.8
Transfers and reclassifications	-	-	89.3	(82.2)	7.1
Disposals	-	-	(5.6)	-	(5.6)
Amortisation charge	-	(0.7)	(54.0)	-	(54.7)
Exchange difference	-	-	(0.2)	-	(0.2)
Closing net book value	**28.4**	**4.3**	**100.1**	**46.7**	**179.5**
At 30 March 2024					
Cost	140.6	118.7	1,702.5	78.8	2,040.6
Accumulated amortisation, impairments and disposals	(112.2)	(114.4)	(1,602.4)	(32.1)	(1,861.1)
Net book value	28.4	4.3	100.1	46.7	179.5

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 1 April 2023 and 30 March 2024	16.5	6.4	4.8	0.7	28.4

Goodwill impairment testing

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

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

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

The per una brand is a definite life intangible asset amortised on a straight-line basis over a period of 15 years. The brand intangible was acquired for a cost of £80.0m and has been fully amortised. It is held at a net book value of £nil (last year: £nil). The per una goodwill of £16.5m is tested 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 2.0% (last year: 1.6%), which is the same as the overall Group long-term growth rate of 2.0% (last year: 2.0%). The Group's current view of achievable long-term growth for India is 5.5% (last year: 5.5%).

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

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

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

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

11 Property, plant and equipment

The Group's property, plant and equipment of £5,190.1m (last year: £5,203.7m) consists of owned assets of £3,760.8m (last year: £3,747.7m) and right-of-use assets of £1,429.3m (last year: £1,456.0m).

Property, plant and equipment - owned

	Land and buildings	Fixtures, fittings and equipment	Assets in the course of construction	Total
	£m	£m	£m	£m
At 2 April 2022				
Cost	2,764.8	5,275.7	141.2	8,181.7
Accumulated depreciation, impairments and disposals	(812.5)	(3,864.5)	(18.2)	(4,695.2)
Net book value	**1,952.3**	**1,411.2**	**123.0**	**3,486.5**
Year ended 1 April 2023				
Opening net book value	1,952.3	1,411.2	123.0	3,486.5
Additions	0.8	40.0	296.2	337.0
Acquired through business combinations	150.5	38.7	3.8	193.0
Transfers and reclassifications	15.0	292.3	(280.7)	26.6
Disposals	-	(0.7)	-	(0.7)
Impairment reversals	25.8	14.4	-	40.2
Impairment charge	(22.5)	(9.3)	-	(31.8)
Depreciation charge	(59.9)	(250.4)	-	(310.3)
Exchange difference	5.5	1.6	0.1	7.2
Closing net book value	**2,067.6**	**1,537.7**	**142.4**	**3,747.7**
At 1 April 2023				
Cost	2,911.4	5,532.3	160.6	8,604.3
Accumulated depreciation, impairments and disposals	(843.8)	(3,994.6)	(18.2)	(4,856.6)
Net book value	**2,067.6**	**1,537.7**	**142.4**	**3,747.7**
Year ended 30 March 2024				
Opening net book value	2,067.6	1,537.7	142.4	3,747.7
Additions	3.4	26.9	313.3	343.6
Transfers and reclassifications	10.3	304.9	(324.0)	(8.8)
Disposals	(46.5)	(1.6)	(1.1)	(49.2)
Impairment reversals	19.2	12.8	-	32.0
Impairment charge	(9.1)	(14.9)	-	(24.0)
Depreciation charge	(32.5)	(242.3)	-	(274.8)
Exchange difference	(3.5)	(2.1)	(0.1)	(5.7)
Closing net book value	2,008.9	1,621.4	130.5	3,760.8
At 30 March 2024				
Cost	2,852.7	5,709.5	148.8	8,711.0
Accumulated depreciation, impairments and disposals	(843.8)	(4,088.1)	(18.3)	(4,950.2)
Net book value	2,008.9	1,621.4	130.5	3,760.8

Disposals in the year include assets with gross book value of £216.1m (last year: £240.9m).

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	Fixtures, fittings and equipment	Total
	£m	£m	£m
At 2 April 2022	1,368.4	47.4	1,415.8
Additions	198.0	37.3	235.3
Acquired through business combinations	6.7	14.1	20.8
Transfers and reclassifications	2.1	(0.1)	2.0
Disposals	(27.8)	(10.7)	(38.5)
Impairment reversals	14.9	-	14.9
Impairment charge	(14.8)	-	(14.8)
Depreciation charge	(159.0)	(21.9)	(180.9)
Exchange difference	1.3	0.1	1.4
At 1 April 2023	1,389.8	66.2	1,456.0
Additions	161.1	15.0	176.1
Transfers and reclassifications	1.7	-	1.7
Disposals	(17.6)	-	(17.6)
Impairment reversals	13.6	-	13.6
Impairment charge	(21.7)	-	(21.7)
Depreciation charge	(148.8)	(23.3)	(172.1)
Exchange difference	(6.6)	(0.1)	(6.7)
As at 30 March 2024	1,371.5	57.8	1,429.3

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

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

Each CGU is tested for impairment at the balance sheet date if any indicators of impairment and impairment reversal have been identified. Stores identified within the Group's store estate programme are automatically tested for impairment (see note 3).

The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows, covering a three-year period, which have regard to historic performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed initiatives. The cash flows include ongoing capital expenditure required to maintain the store network, but exclude any growth capital initiatives not committed. Cash flows beyond this three-year period are extrapolated using a long-term growth rate based on management's future expectations, with reference to forecast GDP growth. These growth rates do not exceed the long-term growth rate for the Group's retail businesses in the relevant territory. If the CGU relates to a store which the Group has identified as part of the store estate programme, the value in use calculated has been modified by estimation of the future cash flows up to the point where it is estimated that trade will cease and then estimation of the timing and amount of costs associated with closure detailed fully in note 3. The immediately quantifiable impacts of climate change and costs expected to be incurred in connection with our net zero commitments, are included within the Group's budget and three year plan which have been used to support the impairment reviews, with no material impact on cash flows. We also expect any potential store refurbishments to be phased over multiple years and therefore any changes required due to climate change would not have a material impact in any given year and the warehouse and support centres are located in areas which we would not expect to be physically impacted by climate change. As a consequence there has been no material impact in the forecast cash flows used for impairment testing.

The key assumptions in the value in use calculations are the growth rates of sales and gross profit margins, changes in the operating cost base, long-term growth rates and the risk-adjusted pre-tax discount rate. The pre-tax discount rates are derived from the Group's weighted average cost of capital, which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The pre-tax discount rates range from 12.5% to 17.6% (last year: 12.5% to 18.1%). If the CGU relates to a store which the Group has identified as part of the 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 store estate programme

During the year, the Group has recognised an impairment charge of £0.5m and impairment reversals of £31.5m in property, plant and equipment as a result of UK store impairment testing unrelated to the store estate programme (last year: impairment charge of £17.3m and impairment reversals of £33.1m). These have been recognised within adjusting items (see note 3). The impaired stores were impaired to their value-in-use recoverable amount of £37.4m, which is their carrying value at year end. The stores with impairment reversals were written back to the lower of their value-in-use recoverable amount, and the carrying value if the impairment had not occurred, of £171.7m.

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

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

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

Impairments –store estate programme

During the year, the Group has recognised an impairment charge of £37.0m and impairment reversals of £14.1m relating to the ongoing store estate programme (last year: impairment charge of £28.6m and impairment reversals of £22.0m). These stores were impaired to their value-in-use recoverable amount of £120.2m, which is their carrying value at year end. The impairment charge relates to the store closure programme and has been recognised within adjusting items (see note 3). Impairment reversals predominantly reflect changes to expected store closure dates and improved trading expectations compared to those assumed at the end of the prior year end.

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

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

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

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

Impairments – International stores

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

12 Financial instruments

Fair value hierarchy

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

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

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

				2024				2023
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value								
Financial assets at fair value through profit or loss (FVTPL)								
- derivatives held at FVTPL	-	0.2	-	0.2	-	-	-	-
– other investments[1]	-	12.3	12.6	24.9	-	12.3	8.6	20.9
Derivatives used for hedging	-	7.5	-	7.5	-	22.7	-	22.7
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss								
- derivatives held at FVTPL	-	(1.8)	-	(1.8)	-	(2.1)	-	(2.1)
- Ocado contingent consideration[2]	-	-	-	-	-	-	(64.7)	(64.7)
- Gist contingent consideration[3]	-	-	(25.6)	(25.6)	-	-	(25.0)	(25.0)
Derivatives used for hedging	-	(40.2)	-	(40.2)	-	(63.1)	-	(63.1)

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

1 Within Level 3 other investments, the Group holds £9.4m of venture capital investments, managed by True Capital Limited, measured at FVTPL (last year: £7.3m) 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 As part of the investment in Ocado Retail Limited, a contingent consideration arrangement was agreed. The arrangement comprises three separate elements which only become payable on the achievement of three separate financial and operational performance targets. In 2021/22, £33.8m was settled, relating to the first two targets. The final target relates to Ocado Retail Limited achieving a specified target level of earnings in the financial year ending November 2023, with any resulting payment due in 2024 following completion of the Ocado Retail Limited audited FY23 statutory accounts. The performance target is binary, meaning that a payment of £156.3m plus interest will be made if the performance target is met. Should the target not be met, no consideration would be payable.

Previously, the fair value of the contingent consideration was estimated using an expected present value technique and was based on probability-weighting possible scenarios. With Ocado Retail Limited's FY23 year now closed, the end of the measurement period for the target has been reached and the valuation of the contingent consideration has been revisited.

The actual FY23 performance is below the target required for automatic payment of the contingent consideration. However, there is a mechanism for reasonable adjustments to be made to the performance target to reflect certain events, if applicable. Both shareholders have proposed adjustments which are currently being evaluated but we have not, to date, seen evidence we believe would result in a payment being made.

In these circumstances, the fair value of the liability has been recorded as £nil.

3 As part of the investment in Gist Limited, the Group has agreed to pay the former owners of Gist Limited additional consideration of up to £25.0m plus interest when freehold properties are disposed of under certain conditions. There is no minimum amount payable. The Group has the ability to retain the properties should it wish to do so, in which case the full amount of £25.0m plus interest will be payable on the third anniversary of completion.

The fair value of the contingent consideration arrangement of £25.6m was estimated by calculating the present value of the future expected cashflows. The estimates are based on a discount rate of 5.1%. A 2.5% change in the discount rate would result in a change in fair value of £0.9m.

The Marks & Spencer UK Pension Scheme holds a number of financial instruments which make up the pension asset of £6,108.9m (last year: £6,781.9m). Level 1 and Level 2 financial assets measured at fair value through other comprehensive income amounted to £2,074.3m (last year: £2,754.7m). Additionally, the scheme assets include £4,034.6m (last year: £4,027.2m) of Level 3 financial assets. See note 8 for information on the Group's retirement benefits.

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

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

Fair value of financial instruments

With the exception of the Group's fixed rate bond debt and the Partnership liability to the Marks & Spencer UK Pension Scheme (note 9), there were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values as at the balance sheet date.

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

13 Contingencies and commitments

A. Capital commitments

	2024 £m	2023 £m
Commitments in respect of properties in the course of construction	175.2	100.8
Software capital commitments	6.5	6.1
	181.7	106.9

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

B. Other material contracts

See note 9 for details on the Partnership arrangement with the Marks & Spencer UK Pension Scheme.

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

Cash flows from operating activities

	2024 £m	2023 £m
Profit on ordinary activities after taxation	425.2	364.5
Income tax expense	247.3	111.2
Finance costs	188.4	205.5
Finance income	(146.7)	(166.1)
Operating profit	714.2	515.1
Share of results of Ocado Retail Limited	37.3	29.5
Share of results in other joint ventures	0.3	-
Increase in inventories	(31.3)	(58.5)
Increase in receivables	(17.5)	(33.7)
Increase in payables	126.0	82.1
Depreciation, amortisation and disposals	526.3	523.2
Non-cash share based payment expense	48.3	38.0
Non-cash pension expense	5.3	-
Defined benefit pension funding	(0.4)	(36.8)
Adjusting items net cash outflows[1,2]	(38.0)	(67.9)
Adjusting items M&S Bank[3]	(2.0)	(2.0)
Adjusting operating profit items	124.4	111.5
Cash generated from operations	1,492.9	1,100.5

[1] Excludes £24.1m (last year: £11.5m) of surrender payments included within repayment of lease liabilities in the consolidated statement of cashflows relating to leases within the store estate programme.
[2] Adjusting items net cash outflows relate to strategic programme costs associated with the Store estate, UK logistics, Structural simplification programme, M&S financial services transformation and interest payments relating to the deferred and contingent consideration for the acquisition of Gist Limited.
[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.

15 Analysis of net debt

A. Reconciliation of movement in net debt

	At 3 April 2022 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash movements[1] £m	At 1 April 2023 £m
Net debt						
Bank loans and overdrafts	-	-	-	-	-	-
Cash and cash equivalents	1,197.9	(130.5)	-	-	0.5	1,067.9
Net cash per statement of cash flows	1,197.9	(130.5)	-	-	0.5	1,067.9
Current other financial assets	17.6	(5.3)	-	-	0.7	13.0
Liabilities from financing activities						
Medium Term Notes	(1,529.5)	262.3	-	-	(79.2)	(1,346.4)
Lease liabilities	(2,278.7)	353.8	-	(270.7)	(86.0)	(2,281.6)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 9)	(187.9)	66.0	-	-	-	(121.9)
Derivatives held to hedge Medium Term Notes	18.5	(57.4)	33.7	-	-	(5.2)
Liabilities from financing activities	(3,977.6)	624.7	33.7	(270.7)	(165.2)	(3,755.1)
Less: Cashflows related to interest and derivative instruments	63.3	(171.7)	(33.7)	-	179.1	37.0
Net debt	(2,698.8)	317.2	-	(270.7)	15.1	(2,637.2)

	At 2 April 2023 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash movements[1] £m	**At 30 March 2024 £m**
Net debt						
Cash and cash equivalents	1,067.9	(43.4)	-	-	(2.1)	**1,022.4**
Net cash per statement of cash flows	1,067.9	(43.4)	-	-	(2.1)	**1,022.4**
Current other financial assets	13.0	(0.7)	-	-	-	**12.3**
Liabilities from financing activities						
Medium Term Notes	(1,346.4)	461.3	-	-	(36.6)	**(921.7)**
Lease liabilities	(2,281.6)	345.5	-	(176.0)	(99.4)	**(2,211.5)**
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 9)	(121.9)	40.0	-	-	-	**(81.9)**
Derivatives held to hedge Medium Term Notes	(5.2)	-	(16.4)	-	-	**(21.6)**
Liabilities from financing activities	(3,755.1)	846.8	(16.4)	(176.0)	(136.0)	**(3,236.7)**
Less: Cashflows related to interest and derivative instruments	37.0	(185.7)	16.4	-	168.5	**36.2**
Net debt	(2,637.2)	617.0	-	(176.0)	30.4	**(2,165.8)**

[1]Exchange and other non-cash movements includes interest charges on Medium Term Notes of £42.2m (last year: £65.4m), interest charges on lease liabilities of £116.2m (last year: £116.7m) and interest charges on the Partnership liability to the Marks & Spencer UK Pension Scheme of £4.1m (last year: £4.3m).

B. Reconciliation of net debt to statement of financial position

	2024 £m	2023 £m
Statement of financial position and related notes		
Cash and cash equivalents	1,022.4	1,067.9
Current other financial assets	12.3	13.0
Medium Term Notes – net of foreign exchange revaluation	(937.2)	(1,356.6)
Lease liabilities	(2,211.5)	(2,281.6)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 9)	(88.8)	(124.8)
	(2,202.8)	**(2,682.1)**
Interest payable included within related borrowing and the partnership liability to the Marks & Spencer UK Pension Scheme	37.0	44.9
Net debt	**(2,165.8)**	**(2,637.2)**

16 Related party transactions

A. Joint ventures and associates

Ocado Retail Limited

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

Loan to Ocado Retail Limited

	2024 £m	2023 £m
Opening balance	30.9	-
Loans advanced	60.0	30.0
Interest charged	6.0	0.9
Interest repaid	(4.7)	-
Closing balance	92.2	30.9

The loan matures during 2039/40 and accrues interest at Sterling Overnight Index Average ("SONIA") plus an applicable margin.

Parent guarantee

Ocado Retail Limited, an associate of the Group, had entered into a £30m revolving credit facility which expired on 19 December 2023 (last year: £25.0m drawn) and subsequent to the year end, on 9 May 2024, was renewed. The Group, along with Ocado Group plc, jointly guarantee the facility.

Sales and purchases of goods and services

	2024 £m	2023 £m
Sales of goods and services	44.9	35.7
Purchases of goods and services	0.1	0.1

Included within trade and other receivables is a balance of £4.1m (last year: £2.9m) owed by Ocado Retail Limited.

Nobody's Child Limited

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

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

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

B. Other related party transactions

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 Group (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.

17 Investments in joint ventures and associates

The Group holds a 50% interest in Ocado Retail Limited, a company incorporated in the UK. The remaining 50% interest is held by Ocado Group Plc. Ocado Retail Limited is an online grocery retailer, operating through the ocado.com and ocadozoom.com websites.

Ocado Retail Limited is considered an associate of the Group as certain rights are conferred on Ocado Group plc for an initial period of at least five years from acquisition in August 2019, giving Ocado Group plc control of the company. Through Board representation and shareholder voting rights, the Group is currently considered to have significant influence and therefore the investment in Ocado Retail Limited is treated as an associate and the Group applies the equity method of accounting. It is currently expected that Ocado Group plc will give up those rights to the Group in early April 2025. There will be no change in economic interest of both shareholders in Ocado Retail Limited, or any consideration paid by the Group, as a result of this proposed change. After Ocado Group plc give up the rights, it is expected that Ocado Retail Limited will then be consolidated as a subsidiary of the Group.

Ocado Retail Limited had a financial year end date of 3 December 2023, aligning with its parent company, Ocado Group plc. For the Group's purpose of applying the equity method of accounting, Ocado Retail Limited has prepared financial information to the nearest quarter-end date of its financial year end, as to do otherwise would be impracticable. The results of Ocado Retail Limited are incorporated in these financial statements from 27 February 2023 to 3 March 2024. There were no significant events or transactions in the period from 3 March 2024 to 30 March 2024.

The carrying amount of the Group's interest in Ocado Retail Limited is £677.1m (last year: £756.9m). The Group's share of Ocado Retail Limited losses of £79.9m (last year: loss of £43.5m) includes the Group's share of underlying losses of £37.3m (last year: share of underlying losses: £29.5m) and the Group's share of adjusting items of £29.7m (last year: £nil) and adjusting item charges of £12.9m (last year: £14.0m) (see note 3).

Summarised financial information in respect of Ocado Retail Limited (the Group's only material associate) is set out below and represents amounts in the Ocado Retail Limited financial statements prepared in accordance with IFRS, adjusted by the Group for equity accounting purposes.

	As at 3 March 2024 £m	As at 26 February 2023 £m
Ocado Retail Limited		
Current assets	261.7	220.0
Non-current assets	517.4	618.7
Current liabilities	(272.3)	(267.7)
Non-current liabilities	(491.2)	(421.7)
Net assets	15.6	149.3

	27 February 2023 to 3 March 2024 £m	28 February 2022 to 26 February 2023 £m
Revenue	2,470.3	2,222.0
Loss for the period	(133.7)	(59.0)
Total comprehensive loss	(133.7)	(59.0)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Ocado Retail Limited recognised in the consolidated financial statements:

	As at 30 March 2024 £m	As at 1 April 2023 £m
Ocado Retail Limited		
Net assets	15.6	149.3
Proportion of the Group's ownership interest	7.8	74.6
Goodwill	449.1	449.1
Brand	229.7	236.2
Customer relationships	56.5	67.1
Other adjustments to align accounting policies	(71.7)	(75.8)
Acquisition costs	5.7	5.7
Carrying amount of the Group's interest in Ocado Retail Limited	677.1	756.9

In addition, the Group holds immaterial investments in joint ventures and associates totaling £7.1m (last year: £11.0m). The Group's share of losses totaled £0.5m (last year: £0.5m profit) and an impairment of £3.5m (last year: £nil) was recognised.

18 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 judgments in similar claims. The value of the claim is confidential and is therefore not disclosed.

19 Subsequent events

On 10 April 2024 M&S and HSBC UK announced a new seven-year deal focused on enhancing M&S' credit and payments offering through M&S Bank. See note 3 for further details.

The Board have approved a tender offer to repurchase the Group's 2025 and 2026 Medium Term Notes on an "any and all" basis, which will be announced on 22 May 2024.

Principal risks & uncertainties

The Board reviews and monitors the principal risks and uncertainties which could have a material effect on the Group's results. The updated principal risks and uncertainties for 2023/24 are listed below. A fuller disclosure of the risks, including the associated mitigating activities will be set out in the Strategic Report of the 2023/24 Annual Report and Accounts.

An uncertain environment	The business continues to operate in an uncertain environment impacted by a suite of challenging events which could individually, or in aggregate, negatively impact our performance. Some of the factors we are currently monitoring include: supply chain disruption; the political environment; cost of goods sold; financial instability; and health & wellbeing.
Business transformation	Ongoing business transformation is dependent on our ability to prioritise capital spend and resources to accelerate and successfully implement the suite of strategic projects. Delays or deferrals of transformation activity could impact the delivery of our medium- and longer-term growth ambitions.
Joint ventures, including Ocado Retail, and franchise	The successful long-term performance of any joint venture is inherently complex due to a number of factors, including the ownership and/or operational structure and the need to align different perspectives. Similarly, the success of our franchise operations is dependent on our ability to work effectively with both domestic and international partners.
Business continuity and resilience	A major operational or resilience failure at a key business location, such as one of our distribution centres, could result in business interruption. More broadly, an inability to effectively respond to large, disruptive external events like extreme weather or infrastructure failures could also impact our performance.
Information security	A significant or wide-reaching data breach or cyber-attack, directly or at a connected third party, could result in loss of information for our customers, colleagues and/or business and loss of confidence in M&S. This could adversely impact our reputation, result in legal exposure including significant fines, and potentially cause business disruption.
Culture, talent and capability	The success of the business is dependent upon being an employer of choice – attracting, retaining and developing the right talent, skills and capabilities and having a clear focus on: driving a high-performance culture; meeting the financial and wellbeing expectations of our colleagues; effectively managing labour cost pressures; and working collaboratively with our Business Involvement Group and unions. Any shortfall in executing against these objectives could impact the delivery of core operational activities and longer-term strategy, including aspects of our transformation programme.
Product safety and integrity	A failure to prevent and/or effectively respond to a major food or product safety incident, or to maintain product integrity, could impact customer confidence in our brand and business performance.
Corporate compliance and responsibility	A failure to consistently deliver against an increasingly demanding set of legal and regulatory obligations or broader corporate responsibility commitments would undermine our reputation as a responsible retailer. The consequences include a loss of trust by customers, investors and other stakeholders; and/or legal exposure or regulatory sanctions which could negatively impact our ability to operate and/or cause financial losses and harm.
Climate change and environmental responsibility	There is increasing focus and pressure from carbon-conscious stakeholders for the business to operate in a more environmentally sound and sustainable manner. A failure to take appropriate actions to reduce the environmental impact of our business over time and progress towards our net zero targets – those linked to our directly controlled operations and externally within our supply chain – as well as effectively manage the consequences of climate-related risks (such as regulations or extreme weather events) could impact our brand, future trading performance and other business costs, including financing.

Liquidity and funding	Barriers to maintaining affordable short- and long-term funding to meet business needs or an inability to effectively manage associated market risks could impact our ability to transform at pace, as well as have an adverse impact on business performance and/or viability. Fragility in the financial markets could also impact the business directly (such as heightening counterparty risk or restricting access to capital), or indirectly (such as triggering liquidity or funding support for the M&S Pension Scheme).

Glossary and Alternative Performance Measures

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>Alternative performance measure ("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). 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.</td></tr>
<tr><td>Clothing & Home store / Clothing & Home online sales</td><td>None</td><td>Not applicable</td><td>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>2023/24
£m</th><th>2022/23
£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>2,642.3</td><td>2,538.6</td><td>4.1</td></tr>
<tr><td>Consignment sales</td><td>(18.6)</td><td>(21.4)</td><td></td></tr>
<tr><td>Store revenue</td><td>2,623.7</td><td>2,517.2</td><td>4.2</td></tr>
<tr><td>Online sales[1]</td><td>1,268.4</td><td>1,176.4</td><td>7.8</td></tr>
<tr><td>Consignment sales</td><td>(50.6)</td><td>(35.3)</td><td></td></tr>
<tr><td>Online revenue</td><td>1,217.8</td><td>1,141.1</td><td>6.7</td></tr>
<tr><td>UK Clothing & Home sales</td><td>3,910.7</td><td>3,715.0</td><td>5.3</td></tr>
<tr><td>Consignment sales</td><td>(69.2)</td><td>(56.7)</td><td></td></tr>
<tr><td>Total UK Clothing & Home revenue</td><td>3,841.5</td><td>3,658.3</td><td>5.0</td></tr>
</table>
[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>Alternative performance measure ("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 sales growth</td><td>Movement in revenue per the income statement

Revenue from non-retail businesses</td><td>Revenue from non like-for-like stores

Consignment sales</td><td>The period-on-period change in sales (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, stores with significant footage change and non-retail businesses such as supply chain services.
<table>
<tr><th></th><th>2023/24
£m</th><th>2022/23
£m</th><th>%</th></tr>
<tr><td>UK Food</td><td></td><td></td><td></td></tr>
<tr><td>Like-for-like</td><td>7,780.6</td><td>6,992.9</td><td>11.3</td></tr>
<tr><td>Net new space[1]</td><td>378.2</td><td>225.1</td><td></td></tr>
<tr><td>Total UK Food sales</td><td>8,158.8</td><td>7,218.0</td><td>13.0</td></tr>
<tr><td>UK Clothing & Home</td><td></td><td></td><td></td></tr>
<tr><td>Like-for-like</td><td>3,814.8</td><td>3,626.9</td><td>5.2</td></tr>
<tr><td>Net new space</td><td>95.9</td><td>88.1</td><td></td></tr>
<tr><td>Total UK Clothing & Home sales</td><td>3,910.7</td><td>3,715.0</td><td>5.3</td></tr>
</table>
[1] UK Food net new space includes Gist third party revenue.</td></tr>
<tr><td>M&S.com sales / Online sales</td><td>None</td><td>Not applicable</td><td>Total sales through the Group's online platforms. These sales are reported within the relevant UK Clothing & Home, UK Food and International segment results. The growth in sales on a year-on-year basis is a good indicator of the performance of the online channel and is a measure used within the Group's incentive plans. Refer to the Remuneration Report for an explanation of why this measure is used within incentive plans.</td></tr>
<tr><td>International online</td><td>None</td><td>Not applicable</td><td>International sales through International online platforms. These sales are reported within the International segment results. The growth in sales on a year-on-year basis is a good indicator of the performance of the online channel. This measure has been introduced given the Group's focus on online sales.
<table>
<tr><th></th><th>2023/24
£m</th><th>2022/23
£m</th><th>%</th></tr>
<tr><td>International sales</td><td></td><td></td><td></td></tr>
<tr><td>Stores</td><td>875.6</td><td>874.5</td><td>0.0</td></tr>
<tr><td>Online</td><td>164.2</td><td>180.5</td><td>(9.0)</td></tr>
<tr><td>At reported currency</td><td>1,039.8</td><td>1,055.0</td><td>(1.4)</td></tr>
</table></td></tr>
<tr><td>Sales growth at constant currency</td><td>None</td><td>Not applicable</td><td>The period-on-period change in sales retranslating the previous year sales at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.
<table>
<tr><th></th><th>2023/24
£m</th><th>2022/23
£m</th><th>%</th></tr>
<tr><td>International sales</td><td></td><td></td><td></td></tr>
<tr><td>At constant currency</td><td>1,039.8</td><td>1,039.9</td><td>0.0</td></tr>
<tr><td>Impact of FX retranslation</td><td>–</td><td>15.1</td><td></td></tr>
<tr><td>At reported currency</td><td>1,039.8</td><td>1,055.0</td><td>(1.4)</td></tr>
</table></td></tr>
</table>

Alternative performance measure ("APM")	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusting items	None	Not applicable	Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Executive Committee.
Adjusted operating profit Operating profit before adjusting items	Operating profit	Adjusting items (See note 3)	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.
Adjusted operating margin Operating margin before adjusting items	None	Not applicable	Adjusted operating profit as a percentage of sales.
Finance income before adjusting items	Finance income	Adjusting items (See note 3)	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 3)	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 4)	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 4)	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 3)	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.
Ocado Retail Limited Adjusted EBITDA	EBIT[1]	Not applicable	Calculated as Ocado Retail Limited earnings before interest, taxation, depreciation, amortisation, impairment and adjusting items.
Profit before tax and adjusting items	Profit before tax	Adjusting items (See note 3)	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 for an explanation of why this measure is used within incentive plans.

Alternative performance measure ("APM")	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted basic earnings per share	Earnings per share	Adjusting items (See note 3)	Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year. This is a measure used within the Group's incentive plans. Refer to the Remuneration Report for an explanation of why this measure is used.
Adjusted diluted earnings per share	Diluted earnings per share	Adjusting items (See note 3)	Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of any potentially dilutive options.
Effective tax rate before adjusting items	Effective tax rate	Adjusting items and their tax impact (See note 3)	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.
Balance Sheet Measures			
Net debt	None	Reconciliation of net debt (see note 15)	Net debt comprises total borrowings (bank and bonds net of accrued interest and lease liabilities), the spot foreign exchange component of net derivative financial instruments that hedge the debt and the Scottish Limited Partnership liability to the Marks and Spencer UK Pension Scheme less cash, cash equivalents and unlisted and short-term investments. Net debt does not include contingent consideration as it is conditional upon future events which are not yet certain at the balance sheet date. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.
Net funds/(debt) excluding lease liabilities	None	Reconciliation of net debt (see note 15)	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 from operations	Operating profit	See Financial Review	Calculated as operating profit less adjusting items within operating profit, depreciation and amortisation before adjusting items, cash lease payments, working capital, defined benefit scheme pension funding, capex and disposals, financial interest, taxation, employee-related share transactions, share of (profit)/loss from associate, adjusting items in cashflow and loans to associates.
Free cash flow	Operating profit	See Financial Review	Calculated as free cash flow from operations less acquisitions, investments and divestments. This measure shows the cash generated by the Group during the year that is available for returning to shareholders and is used within the Group's incentive plans.
Free cash flow after shareholder returns	Operating profit	See Financial Review	Calculated as free cash flow less dividends paid. This measure shows the cash retained by the Group in the year.
Other Measures			
Capital expenditure	None	Not applicable	Calculated as the purchase of property, plant and equipment, investment property and intangible assets during the year, less proceeds from asset disposals excluding any assets acquired or disposed of as part of a business combination or through an investment in an associate.

Alternative performance measure ("APM")	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Adjusted return on capital employed ("ROCE")	None	Not applicable	Calculated as being adjusted operating profit divided by the average of opening and closing capital employed. The measures used in this calculation are set out below:

	2023/24 £m	2022/23 £m
Operating profit	**714.2**	**515.1**
Adjusting items included in operating profit (see note 3)[1]	124.4	111.5
Adjusted operating profit	**838.6**	**626.6**
Net assets	**2,830.1**	**2,680.8**
Add back:		
Partnership liability to the Marks & Spencer UK Pension Scheme	88.8	124.8
Deferred tax liabilities	205.8	206.4
Non-current borrowings and other financial liabilities	2,882.8	3,184.0
Retirement benefit deficit	4.6	4.6
Derivative financial instruments	34.4	42.5
Current tax liabilities	1.5	38.5
Less:		
Investment property	(11.6)	(11.8)
Retirement benefit assets	(81.8)	(482.0)
Current tax assets	(32.9)	(6.5)
Deferred tax assets	(11.7)	(7.6)
Net operating assets	**5,910.0**	**5,773.7**
Add back: Provisions related to adjusting items	130.6	100.3
Capital employed	**6,040.6**	**5,874.0**
Average capital employed	**5,957.3**	**5,888.4**
ROCE %	**14.1%**	**10.6%**

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

This measure is used within the Group's incentive plans. Refer to the Remuneration Report for an explanation of why this measure is used within incentive plans.

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