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

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Marks and Spencer Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 29 March 2025 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated and Parent Company Statements of Cash Flows; and
- the related notes 1 to 32 to the Group Financial Statements and C1 to C7 to the Parent Company Financial Statements.

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

2. Basis for opinion

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

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 4 to the financial statements.

We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • accounting for the Store Estate Programme; • disclosure of adjusting items as part of alternative performance measures; and • valuation of the Group's interest in Ocado Retail Limited.
Materiality	The materiality that we used for the Group financial statements was £37.0m (2024: £34.0m) which was determined based on profit before tax and adjusting items. In the prior period we considered a number of different metrics including profit before tax, profit before tax and adjusting items, earnings before interest, tax and amortisation ("EBITDA"), and revenue. Following the stabilisation of profitability and in line with industry practice, we considered profit before tax and adjusting items the most appropriate benchmark in determining materiality.
Scoping	Balances subject to audit of the entire financial information represent 92% (2024: 92%) of Group revenue, 96% (2024: 97%) of profit before tax and adjusting items, 96% (2024: 98%) of profit before tax, 72% (2024: 72%) of total assets and 79% (2024: 79%) of total liabilities.
Significant changes in our approach	As a result of the impact on our audit strategy and allocation of resources, we have identified the valuation of the Group's interest in ORL, and the resulting impairment of the Group's investment, as a key audit matter in the current period. This is due to the inherent complexity and high degree of management judgement and estimation uncertainty that exists in respect of the underlying cash flows driving the valuation. As there has been little change in respect of the facts and circumstances related to the fair value of Ocado contingent consideration since the prior period, we no longer identify this as a key audit matter. In addition, as a result of reduction in risk of impairment and impairment reversal of UK store assets, we no longer identify this as a key audit matter.

Report on the audit of the financial statements continued

4. Conclusions relating to Going Concern

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

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

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

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

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

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

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

Report on the audit of the financial statements continued

5. Key audit matters continued

5.1. Accounting for the Store Estate Programme

Key audit matter description

In February 2018, the Board approved a list of stores marked for closure as part of its Store Estate Programme. The total charge recognised in connection with this closure programme in previous periods was £963 million. A further net charge of £84 million has been recognised in adjusting items in the current period due to:

- new stores being assessed as probable for closure and the update of estimates made considering known developments in the exit strategy, including current trading performance, negotiations with landlords and changes in the retail property market;
- strip out and dilapidation costs, as management update their assessment of costs associated with restoring stores to their original condition prior to disposal; and
- accelerated depreciation and impairment of buildings and fixtures and fittings in respect of additional stores added to the programme.

Further information is set out in notes 1, where this matter is also disclosed as a key source of estimation uncertainty, 5 and 15 to the financial statements.

Our key audit matter was focused on the specific assumptions applied in the discounted cash flow analysis prepared by the entity including the discount rate, expected sublet income, sublet lease incentives, void periods, freehold sales proceeds, leasehold surrender costs, store closure costs and dilapidations costs.

The Audit & Risk Committee considers this to be a significant matter. This is a significant matter considered by the Audit & Risk Committee on page 79.

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

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

- obtained an understanding of relevant controls relating to the review and approval of the Group's Store Estate Programme model;
- performed enquiries of the Board and inspected the latest strategic plans, Board and relevant sub-committee minutes of meetings;
- with the involvement of our real estate specialists, we evaluated the appropriateness of the entity's judgements for a representative sample of properties and benchmarked with reference to external data;
- assessed the mechanical accuracy of discounted cash flow models and other key provision calculations;
- assessed the reasonableness of key inputs to the discounted cash flow models including the discount rate, store closure costs, freehold sales proceeds, leasehold surrender costs, expected sublet income, sublet lease incentives, void periods, and dilapidations costs with reference to available evidence;
- recalculated the closing provision for a representative sample of stores;
- evaluated the accuracy and completeness of provisions recorded considering the status of the Group's Store Estate plan; and
- assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.

Key observations

We are satisfied that the Group's estimate of the store exit charges, and the associated disclosures are appropriate.

Report on the audit of the financial statements continued

5. Key audit matters continued

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

Key audit matter description	The Group has presented an alternative performance measure being profit before tax and adjusting items of £875.5 million (2024: £716.4 million), which is derived from profit before tax of £511.8 million (2024: profit before tax of £672.5 million) adjusted for a number of items totalling £363.7 million (2024: £43.9 million) which the Group considers meet their definition of an 'adjusting item'. Judgement is exercised by the entity in determining the classification of such items in accordance with guidance issued by the FRC and ESMA. We consider there to be a risk of fraud in the reporting of adjusting items within the alternative performance measures. In determining profit before tax and adjusting items, we identified the following risks: • the identification and classification of items as 'adjusting' as part of the presentation of alternative performance measures may be inappropriate, distorting the reported results; • the omission of items which are considered material, one-off or significant in nature, distorting the alternative performance measures; and • the clarity and detail of disclosures in respect of adjusting items as part of alternative performance measures may be insufficient, preventing investors from obtaining a clear understanding of the Group's results and performance. The Group's policy regarding adjusting items is set out in note 1, where this is also highlighted as a critical accounting judgement. This is a significant matter considered by the Audit & Risk Committee on page 79.
How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter, we completed the following audit procedures: • obtained an understanding of relevant controls, relating to the identification and disclosure of adjusting items within alternative performance measures; • evaluated the rationale applied in identifying items as adjusting and completed an independent assessment as to the selection and presentation of adjusting items based on their nature; • assessed the identification and consistency of items reported as adjusting period on period, with reference to guidance published by ESMA and the FRC; • tested a sample of adjusting items through agreement to supporting evidence; • benchmarked certain adjusting items identified by the entity with comparable companies; • use of our cumulative audit knowledge to identify other transactions outside of the normal course of business, or which display characteristics of being material, significant or one-off in nature; • considered the impact of the classification of programmes as adjusting items, as this affects the KPIs used in directors' remuneration targets and could result in management bias; and • assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.
Key observations	The value of adjusting items results in a material difference between the statutory and adjusted results. We are satisfied the adjusting items in their classification and presentation is consistent with the Group's policy and the amounts are appropriate.

Report on the audit of the financial statements continued

5. Key audit matters continued

5.3. Valuation of the Group's interest in Ocado Retail Limited

Key audit matter description

As at 29 March 2025 the Group held a 50% interest in Ocado Retail Limited (ORL). The remaining 50% interest is held by Ocado Group Plc (Ocado Group). Ocado Retail is treated as an associate and the Group applies the equity method of accounting in accordance with IAS 28 Investments in associates and joint ventures.

At the reporting date the carrying value of the investment is £385m following the recognition of a £249m impairment charge in adjusting items.

Under IAS 28, the Group is required to assess the value of its investment at each reporting date; specifically considering whether objective evidence of impairment exists.

The Group has estimated the recoverable amount of its investment, with the assistance of independent professional valuers, derived from a discounted cash flow based on the five-year plan prepared by ORL management. The valuation of the investment is dependent on estimates of future trading performance for which a degree of estimation uncertainty exists. The key assumptions applied by management in relation to the cash flows used in the impairment review are:

- revenue;
- fulfilment and delivery costs, and
- discount rate.

Further details on the Group's accounting policy and the impairment of the investment in Ocado Retail are included in Note 5 and 29.

This is a significant matter considered by the Audit & Risk Committee on page 80.

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

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

- obtained an understanding of the relevant controls over the valuation of the ORL business, including those relevant to the judgement applied by management in the impairment review;
- obtained an understanding of the basis of preparation of the cash flow forecasts used in the valuation of the ORL business, including the associated governance process for their compilation and approval, and the sensitivities applied by Group management;
- tested and challenged the key assumptions in the cash flow forecasts including revenue; fulfilment and delivery cost; and the discount rate, with reference to historical performance and external benchmarking data (where applicable);
- performing sensitivity analyses to assess the impact on impairment of a change in the key assumptions applied to the cash flow scenarios;
- assessed the appropriateness of the methodology applied to the valuation and impairment assessment in accordance with IAS 28 and IAS 36;
- assessed the competence, capabilities and objectivity of the Group's Independent professional valuers;
- engaged our valuation experts to assess the appropriateness of the valuation methodology and key valuation assumptions, including the discount rate applied, and to assess the mechanical accuracy of the model; and
- assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS.

Key observations

We are satisfied that the valuation of the ORL business, resulting impairment charge and the associated disclosure, are reasonable.

Report on the audit of the financial statements continued

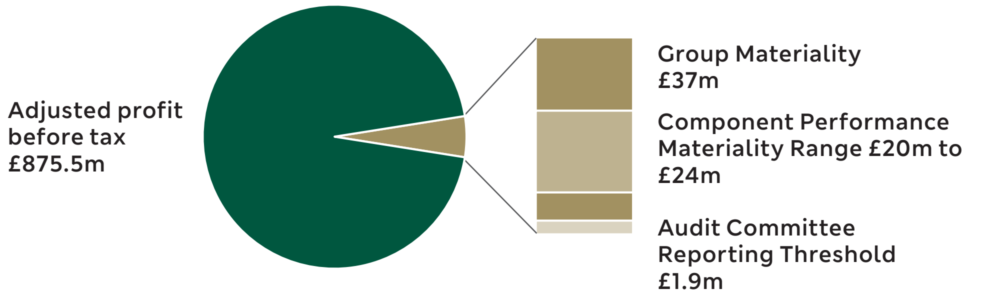
6. Our application of materiality

6.1. Materiality

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

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

	Group financial statements	Parent Company financial statements
Materiality	£37.0 million (2024: £34.0 million)	£33.3 million (2024: £30.6 million)
Basis for determining materiality	Using professional judgement, we determined materiality to be £37.0m based on 4.23% of profit before tax and adjusting items. (2024: 4.75%). The increase in materiality primarily reflects the year-on-year increase in the profitability of the Group.	We have used 3% of net assets in both the current and the prior period, capped at 90% of Group materiality, as the basis for materiality.
Rationale for the benchmark applied	As a listed business, profit before tax is typically the most appropriate benchmark to determine materiality, being the primary measure of performance for key stakeholders and is used by investors and other readers of the financial statements. In the prior period we considered a number of different metrics including profit before tax, profit before tax and adjusting items, earnings before interest, tax and amortisation ("EBITDA"), and revenue. Following the stabilisation of profitability, we considered profit before tax and adjusting items the most appropriate benchmark in determining materiality.	Net assets are used as the benchmark as the Parent Company operates primarily as a holding company for the Group and we therefore consider this as the key metric for the Parent Company. We capped materiality at 90% of Group materiality to reduce the risk of a material error arising as a result of the consolidation of the Parent Company's result in the Group financial statements.



Report on the audit of the financial statements continued

6. Our application of materiality continued

6.2. Performance materiality

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

	Group financial statements	Parent Company financial statements
Performance materiality	65% (2024: 65%) of Group materiality	65% (2024: 65%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our cumulative knowledge of the Group and its environment, including industry specific trends; • reliability on internal control over financial reporting; • the stability in key management personnel; • the centralisation in the Group's financial reporting controls and processes; and • the low level of misstatements identified in prior periods, both corrected and uncorrected.	

6.3. Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £1.9 million (2024: £1.7 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

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

Based on our assessment we have focused our audit on the UK and India businesses which were subject to an audit of the entire financial information and specified audit procedures respectively. We have performed our audit of the UK component using a performance materiality of £21.6 million (or 90% of Group performance materiality) (2024: £19.9 million), and our specified audit procedures in India using a component performance materiality of £5.0 million (2024: £5.0 million).

The Group holds 50% of the ordinary shares of Ocado Retail Limited (ORL). This interest is accounted for as an investment in associate in accordance with IAS 28 on the basis that the shareholders' agreement gives control over ORL to Ocado Group plc. In the current period the Group recorded a share of loss of associate from ORL of £43.6 million (2024: £79.9 million) and was subject to specified audit procedures.

At a Group level, we tested the consolidation and performed reviews at group level on the remaining aggregated financial information not subject to audit.

Revenue

Adjusted profit before tax

Profit before tax

Total assets

Total liabilities

7.2. Our consideration of the control environment

Our audit strategy is to rely on controls over certain processes within a number of UK business cycles. As part of our controls testing, we obtained an understanding of the Group's processes and tested controls through a combination of tests of inquiry, observation, inspection, and re-performance.

In addition to the above, we also obtained an understanding of certain controls relating to key audit areas including those noted in section 5, and inventory provisions, going concern, pensions, store impairment, and financial reporting processes.

Given the importance of information technology ("IT") to the recording of financial information and transactions, we have tested General IT controls relating to certain of the Group's IT systems where relevant to our audit work. We have been able to place IT controls reliance across these systems to support the audit of procurement, sales to cash and fixed assets business cycles.

All control deficiencies and control improvements have been reported to management and the Audit and Risk Committee. The Group continues to invest in responding and addressing our observations.

Report on the audit of the financial statements continued

7. An overview of the scope of our audit continued

7.2. Our consideration of the control environment continued

In response to a cyber incident, which occurred post year-end, the Group has set out its consideration of the systems of internal control during FY25 in the Audit & Risk Committee's statement at page 76.

We have held discussions with the Group's IT, legal and finance teams, together with management's cyber experts, and performed procedures with the assistance of our IT specialists, to understand the cause and timing of the cyber incident, which formed the basis of our challenge of whether this was a post year-end event. We also discussed the impact of the cyber incident and considered management's assessment regarding the availability and integrity of key information and data used in the financial reporting.

7.3. Our consideration of climate-related risks

The Group continues to reassess the potential impacts of climate change and set targets which the directors consider to be aligned with the Paris Agreement. During the year the group submitted new short and long-term targets for both scope 1 and 3 to Science Based Target Initiatives (SBTi) under their new Forest, Land and Agriculture (FLAG) guidance. These were approved by SBTi as set out in the Task Force on Climate-Related Financial Disclosures ('TCFD') disclosures pages 38-50.

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

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

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

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

7.4. Working with other auditors

We have two component audit teams: Deloitte UK and Deloitte India. We have issued detailed instructions to both component audit teams to perform audit procedures. Due to the non-co-terminus year-end of ORL, we have performed a review of the component auditor's files for the period ended 1 December 2024 and the reporting received from the component auditor for the period subsequent to 1 December 2024.

We have engaged regularly with the component auditors throughout the audit process, determining the nature, timing, and extent of the audit procedures (involved in risk assessment of the components, in particular significant and higher risk areas) to be performed and to review their component reporting.

8. Other information

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

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

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

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

We have nothing to report in this regard.

Report on the audit of the financial statements continued

9. Responsibilities of directors

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

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

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

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, the directors, internal audit and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
  - the post year-end cyber incident (page 182 of Annual Report); and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT, climate-change and analytics specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

Report on the audit of the financial statements continued

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

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

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

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

11.2. Audit response to risks identified

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

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit & Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC;
- assessing the Board's response to the cyber incident (set out in section 7.2); and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

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

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 108;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 108;
- the directors' statement on fair, balanced and understandable set out on page 80;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 52;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 81; and
- the section describing the work of the Audit & Risk Committee set out on page 76.

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

14.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit & Risk Committee, we were appointed by the shareholders to audit the financial statements for the year ending 29 March 2025 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 11 years, covering the years ending 28 March 2015 to 29 March 2025.

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

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

Report on other legal and regulatory requirements continued

16. Use of our report

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Jane Whitlock ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
20 May 2025

CONSOLIDATED INCOME STATEMENT

	Notes	52 weeks ended 29 March 2025 Total £m	52 weeks ended 30 March 2024 Total £m
Revenue	2, 3	**13,816.8**	13,040.1
Share of result in associate – Ocado Retail Limited	3, 29	**(43.6)**	(79.9)
Operating profit	3, 5	**624.3**	714.2
Finance income	5, 6	**64.7**	146.7
Finance costs	5, 6	**(177.2)**	(188.4)
Profit before tax	2, 4, 5	**511.8**	672.5
Income tax expense	7	**(219.9)**	(247.3)
Profit for the year		**291.9**	425.2
Attributable to:			
Owners of the parent		**295.7**	431.2
Non-controlling interests		**(3.8)**	(6.0)
		291.9	425.2
Earnings per share			
Basic earnings per share	8	**14.6p**	21.9p
Diluted earnings per share	8	**14.0p**	20.8p
Reconciliation of profit before tax and adjusting items:			
Profit before tax		**511.8**	672.5
Adjusting items	5	**363.7**	43.9
Profit before tax and adjusting items – non-GAAP measure		**875.5**	716.4
Adjusted earnings per share – non-GAAP measure			
Adjusted basic earnings per share	8	**31.9p**	24.6p
Adjusted diluted earnings per share	8	**30.6p**	23.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	52 weeks ended 29 March 2025 £m	52 weeks ended 30 March 2024 £m
Profit for the year		**291.9**	425.2
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit schemes	11	**(149.2)**	(419.2)
Tax on retirement benefit schemes		**49.7**	104.8
		(99.5)	(314.4)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences			
– movements recognised in other comprehensive income		**(8.3)**	(11.5)
Cash flow hedges			
– fair value movements recognised in other comprehensive income	21	**(19.2)**	(27.5)
– reclassified and reported in profit or loss	21	**5.7**	5.3
Tax credit on cash flow hedges		**2.7**	6.1
		(19.1)	(27.6)
Other comprehensive expense for the year, net of tax		**(118.6)**	(342.0)
Total comprehensive income for the year		**173.3**	83.2
Attributable to:			
Owners of the parent		**177.1**	89.2
Non-controlling interests		**(3.8)**	(6.0)
		173.3	83.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 29 March 2025 £m	As at 30 March 2024 £m
Assets			
Non-current assets			
Intangible assets	14	**187.4**	179.5
Property, plant and equipment	15	**5,408.5**	5,190.1
Investment property		**11.2**	11.6
Investments in joint ventures and associates	29	**392.5**	684.2
Other financial assets	16	**21.3**	12.6
Retirement benefit assets	11	**—**	81.8
Trade and other receivables	17	**382.8**	356.7
Derivative financial instruments	21	**0.1**	0.7
Deferred tax assets	23	**13.9**	11.7
		6,417.7	6,528.9
Current assets			
Inventories		**843.9**	776.9
Other financial assets	16	**289.5**	12.3
Trade and other receivables	17	**327.5**	302.0
Derivative financial instruments	21	**7.2**	6.8
Current tax assets		**71.1**	32.9
Cash and cash equivalents	18	**864.5**	1,022.4
		2,403.7	2,153.3
Total assets		**8,821.4**	8,682.2
Liabilities			
Current liabilities			
Trade and other payables	19	**2,370.3**	2,107.9
Partnership liability to the Marks & Spencer UK Pension Scheme	12	**—**	88.8
Borrowings and other financial liabilities	20	**355.8**	250.4
Derivative financial instruments	21	**25.1**	20.0
Provisions	22	**25.1**	47.6
Current tax liabilities		**1.2**	1.5
		2,777.5	2,516.2

	Notes	As at 29 March 2025 £m	As at 30 March 2024 £m
Non-current liabilities			
Retirement benefit deficit	11	**122.7**	4.6
Trade and other payables	19	**18.9**	116.7
Borrowings and other financial liabilities	20	**2,588.7**	2,882.8
Derivative financial instruments	21	**16.6**	21.9
Provisions	22	**146.2**	104.1
Deferred tax liabilities	23	**199.4**	205.8
		3 ,092.5	3,335.9
Total liabilities		**5,870.0**	5,852.1
Net assets		**2,951.4**	2,830.1
Equity			
Issued share capital	24	**20.6**	20.5
Share premium account		**982.7**	967.0
Capital redemption reserve		**2,680.4**	2,680.4
Hedging reserve	21	**(7.5)**	(8.4)
Cost of hedging reserve	21	**7.0**	5.4
Other reserve		**(6,542.2)**	(6,542.2)
Foreign exchange reserve		**(89.4)**	(81.1)
Retained earnings		**5,888.5**	5,789.6
Equity attributable to owners of the parent		**2,940.1**	2,831.2
Non-controlling interests		**11.3**	(1.1)
Total equity		**2,951.4**	2,830.1

The financial statements were approved by the Board and authorised for issue on 20 May 2025. The financial statements also comprise notes 1 to 32.

Stuart Machin
Chief Executive Officer

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 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 (expense)/income:											
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	—	54.4
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
Deferred 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)**	**5,789.6**	**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 CHANGES IN EQUITY CONTINUED

	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 31 March 2024	20.5	967.0	2,680.4	(8.4)	5.4	(6,542.2)	(81.1)	5,789.6	2,831.2	(1.1)	2,830.1
Profit for the year	—	—	—	—	—	—	—	295.7	295.7	(3.8)	291.9
Other comprehensive (expense)/income:											
Foreign currency translation											
– movements recognised in other comprehensive income	—	—	—	—	—	—	(8.3)	—	(8.3)	—	(8.3)
Remeasurements of retirement benefit schemes	—	—	—	—	—	—	—	(149.2)	(149.2)	—	(149.2)
Tax on retirement benefit schemes	—	—	—	—	—	—	—	49.7	49.7	—	49.7
Cash flow hedges											
– fair value movement in other comprehensive income	—	—	—	(21.4)	2.2	—	—	—	(19.2)	—	(19.2)
– reclassified and reported in profit or loss	—	—	—	5.7	—	—	—	—	5.7	—	5.7
Tax on cash flow hedges	—	—	—	3.3	(0.6)	—	—	—	2.7	—	2.7
Other comprehensive (expense)/income	—	—	—	(12.4)	1.6	—	(8.3)	(99.5)	(118.6)	—	(118.6)
Total comprehensive (expense)/income	—	—	—	(12.4)	1.6	—	(8.3)	196.2	177.1	(3.8)	173.3
Cash flow hedges recognised in inventories	—	—	—	17.7	—	—	—	—	17.7	—	17.7
Tax on cash flow hedges recognised in inventories	—	—	—	(4.4)	—	—	—	—	(4.4)	—	(4.4)
Transactions with owners:											
Dividends	—	—	—	—	—	—	—	(60.5)	(60.5)	—	(60.5)
Transactions with non-controlling shareholders	—	—	—	—	—	—	—	(15.9)	(15.9)	16.2	0.3
Shares issued in respect of employee share options	0.1	15.7	—	—	—	—	—	—	15.8	—	15.8
Purchase of shares held by employee trusts	—	—	—	—	—	—	—	(81.3)	(81.3)	—	(81.3)
Credit for share-based payments	—	—	—	—	—	—	—	52.4	52.4	—	52.4
Tax on share schemes	—	—	—	—	—	—	—	8.0	8.0	—	8.0
As at 29 March 2025	20.6	982.7	2,680.4	(7.5)	7.0	(6,542.2)	(89.4)	5,888.5	2,940.1	11.3	2,951.4

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 29 March 2025 £m	52 weeks ended 30 March 2024 £m
Cash flows from operating activities			
Cash generated from operations	26	**1,521.3**	1,492.9
Income tax paid		**(208.3)**	(191.2)
Net cash inflow from operating activities		**1,313.0**	1,301.7
Cash flows from investing activities			
Proceeds on property disposals		**48.3**	6.1
Purchase of property, plant and equipment		**(408.4)**	(359.5)
Purchase of intangible assets		**(98.5)**	(69.8)
(Purchase)/sale of current financial assets		**(277.2)**	0.7
Purchase of non-current financial assets		**(12.5)**	(2.6)
Proceeds on disposal of non-current financial assets		**0.6**	—
Loans to related parties	28	**—**	(62.0)
Interest received		**51.6**	51.8
Net cash used in investing activities		**(696.1)**	(435.3)
Cash flows from financing activities			
Interest paid[1]		**(158.1)**	(185.0)
Redemption of Medium-Term Notes[2]		**(187.8)**	(395.6)
Repayment of lease liabilities		**(258.6)**	(243.5)
Payment of partnership liability to the Marks & Spencer UK Pension Scheme	12	**(40.5)**	(40.0)
Equity dividends paid		**(60.5)**	(19.6)
Shares issued on exercise of employee share options	24	**15.8**	57.0
Transactions with non-controlling interest		**(2.6)**	—
Purchase of own shares by employee trust		**(81.3)**	(83.1)
Net cash used in financing activities		**(773.6)**	(909.8)
Net cash outflow from activities		**(156.7)**	(43.4)
Effects of exchange rate changes		**(1.2)**	(2.1)
Opening net cash		**1,022.4**	1,067.9
Closing net cash	27	**864.5**	1,022.4

1 Includes interest paid on lease liabilities of £103.4m (last year: £102.0m).
2 Includes £190.3m of outstanding 2025 and 2026 notes repurchased in June 2024, resulting in a gain of £2.9m recognised within 'interest payable on Medium-Term Notes' in net finance costs.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

General information

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

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

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

Basis of preparation

The financial statements have been prepared for the 52 weeks ended 29 March 2025 (last year: 52 weeks ended 30 March 2024) in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board has considered the business activities as set out on pages 12 to 21, the financial position of the Group, its cash flows, liquidity position and borrowing facilities as set out in the Financial Review on pages 23 to 31, the Group's financial risk management objectives and exposures to liquidity and other financial risks as set out in note 21 and the principal risks and uncertainties as set out on pages 54 to 59.

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 29 March 2025, the Group had liquidity of £1,739.5m (last year: £1,897.4m), comprising cash and cash equivalents of £864.5m, an undrawn committed syndicated bank revolving credit facility (RCF) of £850.0m (set to mature in June 2027), and undrawn uncommitted facilities amounting to £25.0m.

The RCF 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 its 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 or 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 2025/26, resulting in a reduction in sales growth of 2.0 – 4.0% 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.
- Ocado Retail Limited experiences limited customer demand, with a 5.0% reduction in volume growth 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. Based on latest assessments of the expected impact of the cyber incident on the business, and modelling a worst case impact on trade and a delayed recovery and return to website sales, the Board considers there are sufficient mitigating actions that could be adopted so that this downside scenario remains 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 31 March 2024:

- Amendment to IFRS 16: Lease Liability in a Sale and Leaseback.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current.

1 Accounting policies continued

New accounting standards adopted by the Group continued

- Amendments to IAS 1: Non-current Liabilities with Covenants.
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements.

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:

- Amendments to IAS 21: Lack of Exchangeability.
- Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments.
- 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.
- IFRS 19: Subsidiaries without Public Accountability: Disclosures.

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 and measured, the standard brings a focus on the income statement and reporting of financial performance. Specifically, it classifies income and expenses into three new defined categories – operating, investing and financing and two new subtotals operating profit and loss and profit or loss before financing and income tax, introduces disclosures of management defined performance measures (MPMs) and enhances 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.

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 29 March 2025:

- 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.

1 Accounting policies continued

Alternative performance measures continued

- Amortisation of the identified intangible assets arising as part of the investment in Ocado Retail Limited.
- Net finance costs incurred in relation to Gist Limited deferred and contingent consideration.
- Share of net charges associated with Ocado Retail Limited's UK network capacity review.
- Net pension finance income in relation to closed scheme not considered part of ongoing operating activities of the Group.
- Significant charges relating to the renegotiation of the Group's Relationship Agreement with M&S Bank.
- 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.
- (New) Net income associated with a significant legal settlement that is not considered to be a normal income stream of the business.

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

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

Accounting convention

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

Basis of consolidation

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

Subsidiaries

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

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

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

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control nor joint control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment.

Associated undertakings acquired during the year are recorded using the equity method of accounting and their results are included from the date of acquisition. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. The Group's share of the net fair value of identified intangible assets is amortised over the expected useful economic life of the assets.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

When a Group company transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised only to the extent of interests in the associate that are not related to the Group.

1 Accounting policies continued

Revenue

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

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

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

Revenue from the rendering of supply chain services is recognised when a performance obligation is satisfied.

Supplier income

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

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

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

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

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

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

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

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

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

In order to provide users of the accounts with greater understanding in this area, additional balance sheet disclosure is provided in note 17 to the financial statements.

M&S Bank

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

Dividends

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

Pensions

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

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

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

1 Accounting policies continued

Pensions continued

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

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

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

For further details on pension schemes and the partnership liability to the Marks & Spencer UK Pension Scheme, see notes 11 and 12.

Intangible assets

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

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

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

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

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

Property, plant and equipment

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

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

- Freehold land – not depreciated.
- Buildings – depreciated to their residual value over their estimated remaining economic lives of 10-50 years.
- Fixtures, fittings and equipment – 3-25 years, according to the estimated economic life of the asset.

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

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

Leasing

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

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

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

1 Accounting policies continued

Leasing continued

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

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

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

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

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

Cash and cash equivalents

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

Inventories

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

Provisions

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

Share-based payments

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

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

Foreign currencies

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

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

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

1 Accounting policies continued

Taxation

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

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

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

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

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

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

Financial instruments

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

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

	Note	Measurement
Financial assets:		
Other investments	16	FVTPL[1]
Loans to related parties	17	Amortised cost
Trade receivables	17	Amortised cost
Lease receivables	17	Amortised cost
Other receivables	17	Amortised cost
Cash and cash equivalents	18	Amortised cost[2]
Derivative financial instruments	21	FVTPL
Financial liabilities:		
Borrowings and overdrafts	20	Amortised cost
Trade payables	19	Amortised cost
Other payables	19	Amortised cost
Contingent consideration	19	FVTPL
Accruals	19	Amortised cost
Lease liabilities	20	Amortised cost
Derivative financial instruments	21	FVTPL

1 Fair value through profit or loss.
2 Deposits held in low-volatility net asset value money market funds are classified as FVTPL.

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

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

1 Accounting policies continued

Financial instruments continued

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

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

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

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

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

Derivative financial instruments and hedging activities

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

The Group designates certain hedging derivatives as either:

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

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

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

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

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

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

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

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

1 Accounting policies continued

Derivative financial instruments and hedging activities continued

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

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

Reserves

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

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

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

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

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

E. Other reserve 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.

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Critical accounting judgements

Adjusting items

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

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

UK defined benefit pension (deficit)/surplus

Where a surplus on a defined benefit scheme arises, the rights of the Trustees to prevent the Group obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised, or recognise an additional minimum funding liability. The UK defined benefit scheme is in deficit of £122.7m at 29 March 2025.

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

Assessment of control over Ocado Retail Limited

At the reporting date, the directors assessed that the Group had significant influence over Ocado Retail Limited and therefore accounted for the investment as an associate (see note 29). This assessment was based on the current rights held in the period by the respective shareholders and required judgement in assessing these rights. These rights included determinative rights held by Ocado Group Plc, after agreed dispute resolution procedures, in relation to the approval of the Ocado Retail Limited business plan and budget and the appointment and removal of Ocado Retail Limited's Chief Executive Officer. Subsequent to the year end, on 6 April 2025, Ocado Group Plc gave up those rights to the Group, resulting in a change in the status of the investment in Ocado Retail Limited from associate to subsidiary. See notes 29 and 30 for further details.

Determining the lease term

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

1 Accounting policies continued

Determining the lease term continued

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

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

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

Key sources of estimation uncertainty

Climate change impact

In preparing the consolidated financial statements, the Group has considered the impact of climate change, particularly in the context of the TCFD disclosures set out on pages 38 to 50 and the Group's sustainability targets. The Group's existing fixed asset replacement programme is phased over several years and therefore any changes in the requirements associated with climate change would not have a material impact in any given year. The costs expected to be incurred in connection with the Group's commitments are included within the Group's budget and three-year plan which have been used to support the impairment reviews of non-current assets and the going concern and viability assessments. Further disclosures in relation to the impact of climate change on the impairment assessment of intangibles and property, plant and equipment are included in notes 14 and 15. Given the identified risks are expected to be present in the medium to long-term, the impact of climate change on the going concern period and viability of the Group over the next three years is not expected to be material and is therefore not currently classified as a key source of estimation uncertainty.

Store estate programme

The Group is undertaking a significant strategic programme to review its store estate, resulting in a net charge of £84.4m (last year: £93.0m) in the year. A significant level of estimation has been used to determine the charges to be recognised in the year. The most significant judgement that impacts the charge is that the stores identified as part of the programme are more likely than not to close. Further significant closure costs and impairment charges may be recorded in future years, depending on decisions made about further store closures and the successful delivery of the transformation programme.

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

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

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

Post-retirement benefits

The determination of pension net interest income and the defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate and mortality rates. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. The fair value of unquoted investments within total plan assets is estimated with consideration of fair value estimates provided by the manager of the investment or fund. See note 11 for further details on the impact of changes in the key assumptions and estimates.

2 Segmental information

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

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

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

- Fashion, Home & Beauty – comprises the retailing of womenswear, menswear, lingerie, kidswear, beauty and home products through UK and ROI retail stores and online.
- Food – includes the results of the UK and ROI retail food business, UK Food franchise operations and UK supply chain services, with the following main categories: Meat, Fish, Protein Deli and Dairy; Produce & Horticulture; Meals, Frozen and 'food on the move'; Core Basket; Impulse & Events; Beers, wines & spirits; Hospitality; and direct sales to Ocado Retail Limited.
- International – consists of Marks and Spencer owned businesses in Europe (excluding Ireland) 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 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 29 March 2025						52 weeks ended 30 March 2024					
	UK & ROI Fashion, Home & Beauty[4] £m	UK & ROI Food £m	International £m	Ocado £m	All other segments £m	Group £m	UK & ROI Fashion, Home & Beauty[3,4] £m	UK & ROI Food[3] £m	International[3] £m	Ocado £m	All other segments £m	Group £m
Sales[1]	**4,235.3**	**9,021.0**	**658.0**	**—**	**—**	**13,914.3**	4,091.4	8,298.8	719.1	—	—	13,109.3
Revenue	**4,137.8**	**9,021.0**	**658.0**	**—**	**—**	**13,816.8**	4,022.2	8,298.8	719.1	—	—	13,040.1
Adjusted operating profit/(loss)[2]	**475.3**	**484.1**	**46.3**	**(28.7)**	**7.5**	**984.5**	437.5	388.4	47.8	(37.3)	2.2	838.6
Finance income before adjusting items						**60.6**						58.0
Finance costs before adjusting items						**(169.6)**						(180.2)
Profit/(loss) before tax and adjusting items	**475.3**	**484.1**	**46.3**	**(28.7)**	**7.5**	**875.5**	437.5	388.4	47.8	(37.3)	2.2	716.4
Adjusting items						**(363.7)**						(43.9)
Profit/(loss) before tax	**475.3**	**484.1**	**46.3**	**(28.7)**	**7.5**	**511.8**	437.5	388.4	47.8	(37.3)	2.2	672.5

1 Sales is revenue stated prior to adjustments for UK Fashion, Home & Beauty brand consignment sales of £97.5m (last year: £69.2m). There are no brand consignment sales in ROI.
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 The segments have been restated as the Group no longer includes the Republic of Ireland within the International segment and instead includes the Republic of Ireland within the Fashion, Home & Beauty and Food segments.
4 The UK and ROI Clothing & Home segment has been renamed UK and ROI Fashion, Home & Beauty during the year.

2 Segmental information continued

Other segmental information

	52 weeks ended 29 March 2025						52 weeks ended 30 March 2024					
	UK & ROI Fashion, Home & Beauty[4] £m	UK & ROI Food £m	International £m	Ocado £m	All other segments £m	Group £m	UK & ROI Fashion, Home & Beauty[3,4] £m	UK & ROI Food[3] £m	International[3] £m	Ocado £m	All other segments £m	Group £m
Additions to property, plant and equipment, and intangible assets (excluding goodwill and right-of-use assets)	**266.7**	**315.0**	**7.4**	**—**	**—**	**589.1**	196.3	203.8	13.3	—	—	413.4
Depreciation and amortisation[1,2]	**(200.6)**	**(240.9)**	**(30.7)**	**—**	**—**	**(472.2)**	(223.5)	(241.6)	(36.5)	—	—	(501.6)
Impairment charges, impairment reversals and asset disposals[1]	**(106.3)**	**(34.6)**	**—**	**—**	**—**	**(140.9)**	(43.4)	(29.0)	—	—	—	(72.4)

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 £0.4m (last year: £0.2m) depreciation and impairments on investment property.
3 The segments have been restated as the Group no longer includes the Republic of Ireland within the International segment and instead includes the Republic of Ireland within the Fashion, Home and Beauty and Food segments.
4 The UK and ROI Clothing & Home segment has been renamed UK and ROI Fashion, Home & Beauty during the year.

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

3 Expense analysis

	2025 Total £m	2024 Total £m
Revenue	**13,816.8**	13,040.1
Cost of sales[1, 2]	**(9,208.9)**	(8,711.9)
Gross profit	**4,607.9**	4,328.2
Selling and administrative expenses	**(3,989.5)**	(3,557.7)
Other operating income	**49.5**	23.6
Share of results of Ocado Retail Limited	**(43.6)**	(79.9)
Operating profit	**624.3**	714.2

The figures above include £360.2m (last year: £124.4m) adjusting item charges within operating profit (see note 5). These are further analysed against the categories of selling and administrative expenses (£351.8m; last year: £81.8m), other operating income (£6.5m; last year: £nil) and share of results of Ocado Retail Limited (£14.9m; last year: £42.6m).

The selling and administrative expenses are further analysed below:

	2025 Total £m	2024 Total £m
Employee costs[1]	**1,614.9**	1,505.9
Occupancy costs	**451.6**	493.8
Repairs, renewals and maintenance of property	**136.0**	134.5
Depreciation, amortisation and asset impairments and disposals[2, 3]	**812.7**	571.5
IT costs[4]	**325.1**	280.6
Marketing costs	**261.2**	249.4
Other costs[2, 4, 5]	**388.0**	322.0
Selling and administrative expenses	**3,989.5**	3,557.7

1 There are an additional £282.2m (last year: £268.2m) employee costs recorded within cost of sales. These costs are included within the aggregate remuneration disclosures in note 10A.
2 Last year is restated to reflect the correct classification of certain employee costs related to Gist Limited and Gist Distribution Limited.
3 Includes £0.4m (last year: £0.2m) depreciation and £nil (last year £nil) impairments charged on investment property. There has been a reclassification of FY24 depreciation from other costs (£35.7m) to depreciation, amortisation and asset impairments and disposals.
4 Last year is restated to reflect the correct classification of £51m of IT costs that were previously included under 'Other costs'.
5 Includes costs such as logistics, professional fees and sundry costs.

Adjusting items categorised as selling and administrative expenses are further analysed as employee costs of £5.2m (last year: income of £1.9m); occupancy income of £2.1m (last year: cost of £20.6m); depreciation, amortisation and asset impairments and disposals £316.8m (last year: £29.6m); and other costs of £31.9m (last year: £33.5m).

4 Profit before taxation

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

	2025 £m	2024 £m
Net foreign exchange (gains)/loss	**(1.8)**	(0.4)
Cost of inventories recognised as an expense	**7,842.4**	7,419.2
Cost of inventories recognised as an expense in respect of write-downs of inventory to net realisable value	**325.2**	300.6
Depreciation of property, plant, and equipment[1]:		
– owned assets	**265.7**	275.0
– right-of-use assets	**142.0**	172.1
Amortisation of intangible assets	**64.5**	54.7
Impairments of property, plant and equipment	**48.0**	24.0
Impairments reversals of property, plant and equipment	**(19.4)**	(32.0)
Disposals of property, plant and equipment	**63.6**	49.2
Disposals of intangible assets	**3.3**	5.6
Impairments of right-of-use assets	**47.0**	21.7
Impairment reversals of right-of-use assets	**(4.3)**	(13.6)

1 Includes £0.4m (last year: £0.2m) depreciation charged on investment property.

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

	2025 £m	2024 £m
Annual audit of the Company and the consolidated financial statements[1]	**2.4**	2.2
Audit of subsidiary companies[1]	**0.6**	0.8
Total audit fees	**3.0**	3.0
Audit-related assurance services	**0.5**	0.3
Total non-audit services fees	**0.5**	0.3
Total audit and non-audit services	**3.5**	3.3

1 Additional incremental fees and scope change-related charges are included in LY figures as they relate to the FY24 audit fee, however they were charged within FY25.

5 Adjusting items

The total adjusting items reported for the 52-week period ended 29 March 2025 is a net charge of £363.7m (last year: net charge of £43.9m). The adjustments made to reported profit before tax to arrive at adjusted profit are:

	Notes	2025 £m	2024 £m
Included in share of result of associate – Ocado Retail Limited			
Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited	29	**(12.9)**	(12.9)
Ocado Retail Limited – UK network capacity review	29	**(2.0)**	(29.7)
		(14.9)	(42.6)
Included in operating profit			
Strategic programmes – Store estate	15, 22	**(84.4)**	(93.0)
Strategic programmes – International reset	22	**(20.6)**	—
Strategic programmes – Digital and Technology transformation		**(10.2)**	—
Strategic programmes – Organisation	17	**—**	(3.5)
Strategic programmes – UK logistics	25, 22	**—**	5.3
Strategic programmes – Furniture simplification	22	**11.1**	(18.3)
Store impairments, impairment reversals and other property charges	15	**2.3**	35.1
Impairment of investment in Ocado Retail Limited	29	**(248.5)**	—
M&S Bank transformation and insurance mis-selling provisions		**(15.5)**	(7.0)
Acquisition of Gist Limited		**—**	(0.4)
Legal settlement		**20.5**	—
		(345.3)	(81.8)
Included in net finance income/(costs)			
Pension net finance income	11	**4.1**	24.0
Remeasurement of Ocado Retail Limited contingent consideration		**—**	64.7
Net finance costs incurred in relation to Gist Limited deferred and contingent consideration		**(7.6)**	(8.2)
		(3.5)	80.5
Adjustments to profit before tax		**(363.7)**	(43.9)

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: £17.2m) recognised in the period and a related deferred tax credit of £4.3m (last year: £4.3m).

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 judgements 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.

Ocado Retail Limited – UK network capacity review (£2.0m)

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. In the period a charge of £2.0m has been recognised (last year: £29.7m).

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.

Strategic programmes – Store estate (£84.4m)

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 £1,047m in the nine years up to March 2025 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 £84.4m 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.

5 Adjusting items continued

Strategic programmes – Store estate (£84.4m) continued

Further charges relating to the closure and rotation of the store estate are anticipated over the next six 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 29 March 2025, the total closure programme now consists of 220 stores, 139 of which have already closed. Further charges of c.£256m are estimated within the next six financial years, bringing anticipated total programme costs since 2016 to c.£1.3bn. In addition, where store exit routes in the next six 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.20 stores currently under consideration for closure within the next six years. At this stage these c.20 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.

Strategic programmes – International reset (£20.6m)

In September 2024 the Group announced a reset of priorities for the International business. This included closures of two European distribution centres, the exiting of legacy franchise businesses not aligned to the strategy and investing in technology relating to the strategy.

During the year the Group has incurred £20.6m of one-off charges that are not considered to be day-to-day operational costs of the business, which mainly related to contractual obligations due to the closure of the European distribution centres and the write-off of certain assets no longer required.

These costs are adjusting items as they are significant to the International business and the business would not have incurred these costs without the strategy reset. Further costs of c.£5m are expected in 2025/26.

Strategic programmes – Digital and Technology transformation (£10.2m)

During 2024/25, to reduce costs and transform our business, the Group confirmed our desire to build the Digital and Technology team we need for the future, investing in our core foundations and business platforms. We will reset our operating model under the new leadership team, bringing more capabilities in house, changing how we are structured and how we operate in service of the business.

In total we are targeting to deliver £100m of structural cost savings over the next five years, with an element of these savings coming from the new operating model and resetting our partnerships. During 2024/25, as part of the programme, the Group has incurred £6.9m of consultancy costs. The review of structures is expected to result in a proposed reduction of 34 roles across the Digital and Technology department, with a charge of £2.1m recognised in the period primarily for redundancy and exit costs associated with these changes. The provision is expected to be fully utilised during 2025/26. Further charges of c.£21m are expected in relation to this programme to 2027/28, taking total programme costs to c.£31m.

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

Strategic programmes – Furniture simplification (£11.1m credit)

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 ‘two-person delivery network’.

A net credit of £11.1m has been recognised in the period, mainly reflecting the settlement of the contractual obligations with suppliers and the profit on disposal of a distribution centre. As part of this closure the Group has incurred total programme net one-off charges of £7.2m that are not considered to be day-to-day operational costs of the business.

These costs are adjusting items as they relate to a significant withdrawal of an operation within the UK and ROI Fashion, Home & Beauty segment and the business would not have incurred these costs but for the closure. No further charges are expected in this programme.

Store impairments, impairment reversals and property charges (£2.3m 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, ROI 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 £0.2m (last year: £0.5m) has been incurred primarily in respect of the impairment of assets associated with these stores. In addition, a credit of £2.5m (last year: £35.6m) has been recognised for the reversal of store impairments incurred in previous periods, where revised future cash flow projections more than support the carrying value of the stores, reflecting improved trading expectations compared to those assumed at the prior year end. Refer to note 15 for further details on the impairments.

5 Adjusting items continued

Store impairments, impairment reversals and property charges (£2.3m credit) continued

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.

Impairment of investment in Ocado Retail Limited (£248.5m)

The Group has recognised an impairment charge of £248.5m against its investment in Ocado Retail Limited (ORL).

Ahead of the expected consolidation of ORL in April 2025 (see note 29), and in accordance with the relevant accounting standards, the Group performed a valuation exercise of ORL, which triggered a full impairment test of the Group's existing investment in ORL.

The enterprise value of the business has been based on the value of the cash flows that ORL is expected to generate in the future. This valuation was performed using the latest ORL Board-approved five-year cash flow forecast, adjusted for certain management assumptions, and having regard to historical ORL performance, future achievable growth and the impact of committed initiatives. A post-tax discount rate of 9.0% was applied, based on a market participant view of comparable companies to ORL.

The Group determined that the recoverable amount of its investment in ORL is £385.0m and as a result has recognised an impairment charge of £248.5m. Refer to note 29 for further details on the impairment.

The impairment charge has been classified as an adjusting item on the basis it is one-off and significant in nature, and value, to the results of the Group and to the Ocado segment.

M&S Bank transformation and insurance mis-selling provisions (£15.5m)

The Group has an economic interest in Marks and Spencer Financial Services plc (trading as M&S Bank), a wholly owned subsidiary of HSBC UK Bank plc (HSBC UK), by way of a Relationship Agreement that entitles the Group to a share of the profits of M&S Bank after appropriate deductions.

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.

As previously disclosed, a deficit had accumulated since September 2012, primarily relating to liabilities recognised by M&S Bank for redress to customers in respect of possible mis-selling of financial products. Under the terms of the renegotiated Relationship Agreement, the Group has agreed to settle the deficit by the end of the new contract. Other one-off fees are also payable to M&S Bank under the renegotiated Relationship Agreement which will be recognised as a reduction to income over the term of contract.

Costs of £15.5m have been recognised in the period, predominantly relating to the settlement of the deficit. Total programme costs to date are £20.5m with future net charges of £88.3m expected over the next six financial years.

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

Legal settlement (£20.5m credit)

During the period an agreement was reached in relation to damages from an independent third party following its involvement in anti-competitive behaviour that adversely impacted the Group. The income from this was offset by legal and professional fees incurred in relation to this claim and net income of £20.5m was recognised.

This net income is an adjusting item as it is significant in value, related to a litigation settlement and is not considered to be a normal income stream of the business. No future charges/credits are expected in relation to this settlement.

Net pension finance income (£4.1m credit)

In the period net finance income of £4.1m was recognised (last year: £24.0m).

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 assesses the performance of the business, the net pension finance income is considered to be an adjusting item.

Net finance costs incurred in relation to Gist Limited deferred and contingent consideration (£7.6m)

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 £7.6m (last year: £8.2m) has been recognised in the period, representing the discount unwind of the deferred consideration and revaluation of the contingent consideration payable. See note 21 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.

6 Finance income/(costs)

	2025 £m	2024 £m
Bank and other interest receivable	**54.9**	52.3
Interest income of subleases	**5.7**	5.7
Finance income before adjusting items	**60.6**	58.0
Finance income in adjusting items	**4.1**	88.7
Finance income	**64.7**	146.7
Other finance costs	**(4.6)**	(6.3)
Interest payable on syndicated bank facility	**(4.6)**	(4.8)
Interest payable on Medium-Term Notes	**(36.7)**	(42.2)
Interest payable on lease liabilities	**(115.9)**	(116.2)
Unwind of discount on provisions	**(6.4)**	(6.6)
Unwind of discount on Partnership liability to the Marks & Spencer UK Pension Scheme (see note 12)	**(1.4)**	(4.1)
Finance costs before adjusting items	**(169.6)**	(180.2)
Finance costs in adjusting items	**(7.6)**	(8.2)
Finance costs	**(177.2)**	(188.4)
Net finance costs	**(112.5)**	(41.7)

7 Income tax expense

A. Taxation charge

	2025 £m	2024 £m
Current tax		
UK corporation tax on profits for the year at 25% (last year: 25%)		
– current year	**157.2**	151.8
– adjustments in respect of prior years	**(0.3)**	(8.4)
UK current tax	**156.9**	143.4
Overseas current taxation		
– current year	**6.5**	9.6
– adjustments in respect of prior years	**(0.5)**	(2.9)
Total current taxation	**162.9**	150.1
Deferred tax		
– origination and reversal of temporary differences	**49.9**	65.6
– adjustments in respect of prior years	**7.0**	31.6
– changes in tax rate	**0.1**	—
Total deferred tax (see note 23)	**57.0**	97.2
Total income tax expense	**219.9**	247.3

7 Income tax expense continued

B. Taxation reconciliation

The effective tax rate was 43.0% (last year: 36.8%) and is explained below.

	2025 £m	2024 £m
Profit before tax	**511.8**	672.5
Notional taxation at standard UK corporation tax rate of 25% (last year: 25%)	**128.0**	168.1
Depreciation and other amounts in relation to land and buildings that do not qualify for tax relief	**(3.9)**	21.1
Depreciation and other amounts in relation to other fixed assets that do not qualify for tax relief	**13.5**	11.2
Other income and expenses that are not taxable or allowable for tax purposes	**(6.6)**	17.9
Joint venture results accounted for as profit after tax	**7.1**	8.6
Overseas profits taxed at rates different from those of the UK	**(3.0)**	(3.3)
Movement in unrecognised deferred tax assets	**0.1**	(1.1)
Controlled foreign companies charge	**1.3**	2.1
Pillar 2 top-up tax	**0.3**	—
Adjustments to the current and deferred tax charges in respect of prior periods	**6.2**	2.4
Adjusting items:		
– Store and strategic programme impairments and other property charges where no tax relief is available	**5.8**	1.3
– Cost incurred on acquisition of Gist	**1.9**	0.3
– Other strategic programme income and expenses that are not taxable or allowable for tax purposes	**6.6**	6.4
– Amortisation arising as a part of the investment in Ocado Retail Limited	**3.2**	3.2
– Release of Ocado contingent consideration	**—**	(8.7)
– Joint venture results accounted for as profit after tax	**0.5**	—
– Impairment of investment in Ocado Retail Limited	**62.1**	—
– Adjustments to the land and buildings deferred tax due to adjusting items	**(3.2)**	—
– Adjustments to the current and deferred tax charges in respect of prior periods	**—**	17.8
Total income tax expense	**219.9**	247.3

The effective tax rate in respect of the profit before adjusting items was 26.7% (last year: 33.2%).

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

The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operated are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective tax rate is close to 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions and a top up tax liability of £0.3m has been included in the total tax balance.

C. Current tax reconciliation

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

7 Income tax expense continued

C. Current tax reconciliation continued

	2025 £m	2024 £m
Profit before tax	**511.8**	672.5
Notional taxation at standard UK corporation tax rate of 25% (last year: 25%)	**128.0**	168.1
Disallowable accounting depreciation and other similar items	**68.4**	66.6
Deductible capital allowances	**(122.9)**	(108.0)
Adjustments in relation to employee share schemes	**8.9**	(2.4)
Adjustments in relation to employee pension schemes	**(0.2)**	14.6
Overseas profits taxed at rates different from those of the UK	**(3.0)**	(3.3)
Joint venture results accounted for as profit after tax	**7.1**	8.6
Utilisation or increase of unrecognised losses	**0.1**	—
Other income and expenses that are not taxable or allowable	**(3.9)**	15.4
Controlled foreign companies charge	**1.3**	2.1
Pillar 2 top-up tax	**0.3**	—
Adjusting items:		
– UK store and strategic programme impairments and other property charges where no tax relief is available	**6.3**	4.5
– Employee pension scheme	**(1.0)**	(6.0)
– Store estate lease surrender payments	**4.8**	6.0
– Other strategic programme income and expenses that are not taxable or allowable for tax purposes	**1.8**	0.4
– Cost incurred on acquisition of Gist	**1.9**	0.3
– Amortisation arising as a part of the investment in Ocado Retail Limited	**3.2**	10.7
– Release of Ocado contingent consideration	**—**	(16.2)
– Joint venture results accounted for as profit after tax	**0.5**	—
– Impairment of investment in Ocado Retail Limited	**62.1**	—
Current year current tax charge	**163.7**	161.4
Represented by:		
UK current year current tax	**157.2**	151.8
Overseas current year current tax	**6.5**	9.6
	163.7	161.4
UK adjustments in respect of prior years	**(0.3)**	(8.4)
Overseas adjustments in respect of prior years	**(0.5)**	(2.9)
Total current taxation (note 7A)	**162.9**	150.1

8 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 5). 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:

	2025 £m	2024 £m
Profit attributable to equity shareholders of the Company	**295.7**	431.2
Add/(less):		
Adjusting items (see note 5)	**363.7**	43.9
Tax on adjusting items	**(14.0)**	9.5
Profit before adjusting items attributable to equity shareholders of the Company	**645.4**	484.6
	Million	Million
Weighted average number of ordinary shares in issue	**2,021.9**	1,973.2
Potentially dilutive share options under Group's share option schemes	**88.8**	102.7
Weighted average number of diluted ordinary shares	**2,110.7**	2,075.9
	Pence	Pence
Basic earnings per share	**14.6**	21.9
Diluted earnings per share	**14.0**	20.8
Adjusted basic earnings per share	**31.9**	24.6
Adjusted diluted earnings per share	**30.6**	23.3

9 Dividends

	2025 per share	2024 per share	2025 £m	2024 £m
Dividends on equity ordinary shares				
Paid interim dividend	**1.0p**	1.0p	**20.3**	19.6
Paid final dividend	**2.0p**	—	**40.2**	—
	3.0p	1.0p	**60.5**	19.6

The directors have approved a final dividend of 2.6p per share (last year: 2.0p 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.£53.4m (last year: £40.2m) will be paid on 4 July 2025 to shareholders whose names are on the Register of Members at the close of business on 30 May 2025. The ordinary shares will be quoted ex-dividend on 29 May 2025.

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 13 June 2025.

10 Employees

A. Aggregate remuneration

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

	2025 £m	2024 £m
Wages and salaries	**1,835.8**	1,738.1
Social security costs	**151.2**	128.7
Pension costs	**112.7**	104.0
Share-based payments (see note 13)	**44.4**	42.3
Employee welfare and other personnel costs	**51.2**	47.5
Capitalised staffing costs	**(26.7)**	(20.5)
Total aggregate remuneration[1]	**2,168.6**	2,040.1

1 Excludes amounts recognised within adjusting items of £5.2m cost (last year: £1.9m income) (see notes 3 and 5).

Details of key management compensation are given in note 28.

B. Average monthly number of employees

	2025	2024
UK stores		
– management and supervisory categories	**4,847**	4,915
– other	**51,520**	52,150
UK support centre		
– management and supervisory categories	**3,725**	3,709
– other	**898**	917
UK operations		
– management and supervisory categories	**759**	723
– other	**6,544**	6,491
Overseas	**5,040**	5,392
Total average number of employees	**73,333**	74,297

If the number of hours worked was converted on the basis of a normal working week, the equivalent average number of full-time employees would have been 51,279 (last year: 52,639).

11 Retirement benefits

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

The legacy UK DB Pension Scheme operated on a final pensionable salary basis and is governed by a Trustee board which is independent of the Group. The UK DB Pension Scheme closed to future accrual on 1 April 2017. There will be no further service charges relating to the scheme and no future monthly employer contributions for current service. At year end, the UK DB Pension Scheme had no active members (last year: nil), 44,327 deferred members (last year: 46,779) and 54,762 pensioners (last year: 54,085).

The DC plan is a pension plan under which the Group pays contributions to an independently administered fund. Such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with the investment returns earned on the contributions arising from the performance of each individual's investments and how each member chooses to receive their retirement benefits. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee. At the year end, the DC arrangement had some 50,513 active members (last year: 50,641) and some 68,861 deferred members (last year: 64,473).

11 Retirement benefits continued

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

The total Group retirement benefit cost was £71.4m (last year: £45.9m). Of this, costs of £1.2m (last year: income of £18.9m) relates to the UK DB Pension Scheme, costs of £67.0m (last year: costs of £61.7m) to the UK DC plan and costs of £3.2m (last year: costs of £3.1m) to other retirement benefit schemes.

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

The most recent actuarial valuation of the UK DB Pension Scheme was carried out as at 31 March 2024 and showed a funding surplus of £288m. This is a reduction compared to the previous position at 31 March 2021 (funding surplus of £687m), primarily due to net investment experience. The Company and Trustee have confirmed, in line with the current funding arrangement, that no further contributions will be required to fund past service as a result of this valuation (other than those already contractually committed under the existing Marks and Spencer Scottish Limited Partnership arrangements – see note 12).

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

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

In addition, the Group is exposed to additional risks through its obligation to the UK DB Pension Scheme via its interest in the Scottish Limited Partnership (see note 12). In particular, under the legal terms of the Partnership, a default by the Group on the rental payments to the Partnership or a future change in legislation could trigger earlier or higher payments to the pension scheme, or an increase in the collateral to be provided by the Group.

With the pensioner buy-in policies purchased in September 2020, April 2019 and March 2018, the Scheme has now, in total, insured around 70% of the pensioner cash flow liabilities for pensions in payment. The buy-in policies cover specific pensioner liabilities and pass all risks to an insurer in exchange for a fixed premium payment, thus reducing the Group's exposure to changes in longevity, interest rates, inflation and other factors.

The Group is aware of a UK High Court legal ruling in June 2023 between Virgin Media Limited and NTL Pension Trustees II Limited, which decided that certain historical rule amendments were invalid if they were not accompanied by the actuarial certifications. The ruling was subject to appeal and in July 2024 the Court of Appeal confirmed the UK High Court legal ruling from June 2023. The Group is working with the Trustee and its legal advisers to assess the impact of the ruling and this work is ongoing. As the outcome of the assessment is still unknown, no adjustments have been made to the Group financial statements at 29 March 2025.

A. Pensions and other post-retirement liabilities

	2025 £m	2024 £m
Total market value of assets	**5,292.8**	6,108.9
Present value of scheme liabilities	**(5,411.7)**	(6,027.1)
Net funded pension plan (liability)/asset	**(118.9)**	81.8
Unfunded retirement benefits	**(2.1)**	(2.2)
Post-retirement healthcare	**(1.7)**	(2.4)
Net retirement benefit (deficit)/surplus	**(122.7)**	77.2
Analysed in the statement of financial position as:		
Retirement benefit asset	**—**	81.8
Retirement benefit deficit	**(122.7)**	(4.6)
Net retirement benefit (deficit)/surplus	**(122.7)**	77.2

11 Retirement benefits continued

A. Pensions and other post-retirement liabilities continued

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

B. Scheme assets

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

	2025 £m	2024 £m
Fair value of scheme assets at start of year	**6,108.9**	6,781.9
Interest income based on discount rate	**283.4**	313.4
Actual return on scheme assets excluding amounts included in net interest income[1]	**(722.9)**	(647.8)
Changes in asset ceiling	**5.8**	(2.5)
Employer contributions[2]	**(49.3)**	0.5
Benefits paid	**(327.7)**	(331.8)
Administration costs	**(5.2)**	(5.2)
Exchange movement	**(0.2)**	0.4
Fair value of scheme assets at end of year	**5,292.8**	6,108.9

1 The actual return on scheme assets was a loss of £439.5m (last year: £334.4m).
2 Includes replacement of first Partnership interest of £49.7m.

C. Pensions and other post-retirement liabilities

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

	2025 £m	2024 £m
Present value of obligation at start of year	**6,031.7**	6,304.5
Current service cost	**0.1**	0.1
Administration costs	**—**	0.2
Interest cost	**279.3**	289.4
Benefits paid	**(327.7)**	(331.8)
Actuarial loss – experience	**111.7**	5.5
Actuarial loss/(gain) – demographic assumptions	**5.0**	(102.0)
Actuarial gain – financial assumptions	**(684.6)**	(134.6)
Exchange movement	**—**	0.4
Present value of obligation at end of year	**5,415.5**	6,031.7
Analysed as:		
Present value of pension scheme liabilities	**5,411.7**	6,027.1
Unfunded pension plans	**2.1**	2.2
Post-retirement healthcare	**1.7**	2.4
Present value of obligation at end of year	**5,415.5**	6,031.7

The average duration of the defined benefit obligation at 29 March 2025 is 12.0 years (last year: 13.0 years).

11 Retirement benefits continued

D. Analysis of assets

The investment strategy of the UK DB Pension Scheme is driven by its liability profile, including its inflation-linked pension benefits. In addition to its interest in the Scottish Limited Partnership (refer to note 12), the scheme invests in different types of bond (including corporate bonds and gilts) and derivative instruments (including inflation, interest rate, cross-currency and total return swaps) in order to align movements in the value of its assets with movements in its liabilities arising from changes in market conditions. Broadly, the scheme has hedging that covers 98% of interest rate movements and 99% of inflation movements, as measured on the Trustee's funding assumptions which use a discount rate derived from gilt yields.

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

	2025			2024		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Debt investments						
– Government bonds net of repurchase agreements[1]	**3,283.5**	**(1,855.8)**	**1,427.7**	1,706.0	(106.2)	1,599.8
– Corporate bonds	**11.0**	**87.9**	**98.9**	12.4	1.1	13.5
– Asset backed securities and structured debt	**—**	**220.8**	**220.8**	—	258.8	258.8
Scottish Limited Partnership interest (see note 12)	**—**	**—**	**—**	—	88.5	88.5
Equity investments						
– Developed markets	**—**	**—**	**—**	13.2	—	13.2
Growth asset funds						
– Global property	**—**	**161.3**	**161.3**	—	219.3	219.3
– Hedge and reinsurance	**—**	**295.9**	**295.9**	5.7	314.5	320.2
– Private equity and infrastructure	**—**	**122.6**	**122.6**	—	148.1	148.1
Derivatives						
– Interest and inflation rate swaps	**21.5**	**—**	**21.5**	168.1	—	168.1
– Foreign exchange contracts and other derivatives	**23.3**	**—**	**23.3**	(3.5)	—	(3.5)
Cash and cash equivalents	**160.5**	**—**	**160.5**	230.7	—	230.7
Other						
– Buy-in insurance	**—**	**1,935.0**	**1,935.0**	—	2,026.3	2,026.3
– Secure income asset funds	**—**	**965.7**	**965.7**	—	1,064.4	1,064.4
Total[2]	**3,499.8**	**1,933.4**	**5,433.2**	2,132.6	4,014.8	6,147.4

1 Repurchase agreements were £1,855.8m (last year: £106.2m).
2 The difference between the total assets of £5,433.2m above compared to £5,292.8m is £140.4m.This relates to the cap applied to the Irish DB scheme and therefore the actuarial gain is not recognised.

11 Retirement benefits continued

D. Analysis of assets continued

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

E. Financial assumptions

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

	2025 %	2024 %
Rate of increase in pensions in payment for service	**2.0-3.0**	2.1-3.1
Discount rate	**5.75**	4.80
Inflation rate (RPI)	**3.10**	3.20
Long-term healthcare cost increases	**7.10**	7.20

F. Demographic assumptions

The UK demographic assumptions are mainly in line with those adopted for the last formal actuarial valuation of the scheme performed as at 31 March 2024. The UK post-retirement mortality assumptions are based on an analysis of the pensioner mortality trends under the scheme for the period to March 2024. The specific mortality rates used are based on the VITA lite tables, with future projections based on up-to-date industry models, parameterised to reflect scheme data. The life expectancies underlying the valuation are as follows:

		2025	2024
Current pensioners (at age 65)	– male	**22.5**	21.7
	– female	**23.9**	24.1
Future pensioners – currently in deferred status (at age 65)	– male	**23.7**	23.0
	– female	**25.3**	25.5

G. Sensitivity analysis

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

	2025 £m	2024 £m
Decrease in scheme surplus caused by a decrease in the discount rate of 0.25%	**(20.0)**	(30.0)
Increase in scheme surplus caused by an increase in the discount rate of 0.25%	**15.0**	25.0
Decrease in scheme surplus caused by a decrease in the discount rate of 1.0%	**(80.0)**	(120.0)
Increase in scheme surplus caused by an increase in the discount rate of 1.0%	**70.0**	100.0
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.25%	**(10.0)**	(20.0)
Decrease in scheme surplus caused by a decrease in the inflation rate of 0.5%	**(20.0)**	(40.0)
Increase in scheme surplus caused by decrease in the average life expectancy of one year	**110.0**	130.0

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

11 Retirement benefits continued

H. Analysis of amounts charged against profits

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

	2025 £m	2024 £m
Current service cost	**0.1**	0.1
Administration costs	**5.2**	5.2
Net interest income	**(4.1)**	(24.0)
Total	**1.2**	(18.7)
Remeasurement on the net defined benefit (deficit)/surplus:		
Actual return on scheme assets excluding amounts included in net interest income	**722.9**	647.8
Actuarial loss/(gain) – demographic assumptions	**5.0**	(102.0)
Actuarial loss – experience	**111.7**	5.5
Actuarial gain – financial assumptions	**(684.6)**	(134.6)
Change in asset ceiling	**(5.8)**	2.5
Components of defined benefit expense recognised in other comprehensive income	**149.2**	419.2

12 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.

In February 2025 the Group and the Pension Scheme Trustees agreed a change to the Partners' entitlements to distributions from the Partnership. The first limited Partnership interest and second limited Partnership interest were replaced by a third limited Partnership interest. The table below shows the impact on 2024/25.

	First Partnership interest £m	Second Partnership interest £m	Total £m
Distributions due in 2024/25 before amendment to Partners' entitlements	89.7	36.4	**126.1**
Actual pension scheme distributions paid in 2024/25	(40.5)	—	**(40.5)**
Distributions no longer due to be paid	**49.2**	**36.4**	**85.6**

The first limited Partnership interest (held by the Marks & Spencer UK Pension Scheme), previously entitled the Pension Scheme to receive £89.7m in June 2024. During the period, the Group and the Pension Scheme Trustees agreed to amend the distribution dates as part of the restructure so that the Pension Scheme received £40.0m in June 2024 and £0.5m in February 2025 and is entitled to no further distributions under this interest.

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 as part of the restructure so that the Pension Scheme received no distributions in the year and is entitled to no further distributions.

The new third Partnership interest (also held by the Marks & Spencer UK Pension Scheme) entitles the Pension Scheme to receive £45.0m in June 2025 and June 2026, and £55.0m in June 2027 and June 2028. From June 2029 to June 2035 the Pension Scheme is entitled to receive either £55.0m or £nil, depending on the funding level of the Pension Scheme as at the latest reporting date. Under certain circumstances these amounts may be retained in the Partnership, with the distribution determined by the future funding position of the pension scheme.

The Partnership liability in relation to the first interest of £nil (last year: £88.8m) was included as a financial liability in the Group's financial statements as it was 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 29 March 2025 an interest charge of £1.4m (last year: £4.1m) 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 was included within the UK DB Pension Scheme assets, valued at £nil (last year: £88.5m).

The second Partnership interest was 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 was therefore not included as a plan asset within the UK DB Pension Scheme surplus reported in accordance with IAS 19. Similarly, the associated liability was not included on the Group's statement of financial position, rather the annual distribution was recognised as a contribution to the scheme each year.

The third 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.

12 Marks and Spencer Scottish Limited Partnership continued

It is therefore not included as a plan asset within the UK DB Pension Scheme deficit 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.

13 Share-based payments

This year a charge of £44.4m was recognised for share based payments (last year: £42.3m). Of the total share-based payments charge, £8.4m (last year: £6.9m) relates to the UK Save As You Earn Share Option scheme, £15.0m (last year: £18.7m) relates to Performance Share Plans, £2.8m (last year: £3.2m) relates to Restricted Share Plans, £18.2m relates to Deferred Share Bonus Schemes (last year: £13.4m) and £nil relates to Republic of Ireland Save As You Earn Share Option Scheme (last year: charge of £0.1m).

In addition, a charge of £8.0m was recognised in relation to Annual Bonus Schemes under the Deferred Share Bonus Scheme (last year: £6.0m). The Annual Bonus for 2024/25 is due to be granted in July 2025. Further details of the option and share schemes that the Group operates are provided in the Remuneration Report.

A. Save As You Earn scheme – £8.4m

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

	2025		2024	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of the year	**46,087,264**	**143.2p**	107,052,423	94.3p
Granted	**15,194,241**	**303.0p**	16,992,982	204.0p
Exercised	**(14,624,581)**	**108.0p**	(69,447,176)	83.7p
Forfeited	**(3,573,848)**	**191.7p**	(4,293,304)	119.4p
Expired	**(650,756)**	**93.2p**	(4,217,661)	149.4p
Outstanding at end of year	**42,432,320**	**209.3p**	46,087,264	143.2p
Exercisable at end of year	**1,944,316**	**186.3p**	9,196,010	83.2p

For SAYE share options exercised during the period, the weighted average share price at the date of exercise was 299.9p (last year: 238.7p).

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

	2025 3-year plan	2024 3-year plan
Grant date	**Dec 24**	Dec 23
Share price at grant date	**379p**	255p
Exercise price	**303p**	204p
Option life in years	**3 years**	3 years
Risk-free rate	**4.1%**	3.9%
Expected volatility	**33.5%**	37.6%
Expected dividend yield	**0.9%**	1.2%
Fair value of option	**121p**	87p

Volatility has been estimated by taking the historical volatility in the Company's share price over a three-year period.

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

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

	Number of options		Weighted average remaining contractual life (years)		
Options granted[1]	**2025**	2024	**2025**	2024	Option price
February 2020	**—**	17,994	**—**	(0.7)	151p
February 2021	**32,266**	11,607,154	**(0.7)**	0.3	82p
February 2022	**1,840,721**	5,609,211	**0.3**	1.3	189p
February 2023	**11,306,393**	12,381,002	**1.3**	2.3	99p
February 2024	**14,687,727**	16,471,903	**2.3**	3.3	204p
February 2025	**14,565,213**	—	**3.3**	—	303p
	42,432,320	46,087,264	**2.3**	2.1	209p

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

13 Share-based payments continued

B. Performance Share Plan* – £15.0m

The Performance Share Plan (PSP) is the primary long-term incentive plan for approximately 150 of the most senior managers within the Group. It was first approved by shareholders at the 2005 AGM and again at the 2020 AGM. Under the plan, annual awards, based on a percentage of salary, may be offered. The extent to which an award vests is measured over a three-year period against financial targets which for 2024/25 included Earnings Per Share (EPS), Return on Capital Employed (ROCE), Total Shareholder Return (TSR) and strategic measures. The value of any dividends earned on the vested shares during the three years may also be paid on vesting. Further details are set out in the Remuneration Report. Awards under this plan have been made in each year since 2005. More information is available in relation to this plan within the Remuneration Report.

During the year, 9,450,064 shares (last year: 13,926,961) were awarded under the plan. The weighted average fair value of the shares awarded was 289.0p (last year: 192.4p). As at 29 March 2025, 35,353,856 shares (last year: 41,854,500) were outstanding under the plan.

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

	2025 Number of options	2024 Number of options
Outstanding at beginning of the year	**41,854,500**	47,532,523
Granted	**9,450,064**	13,926,961
Exercised	**(12,196,576)**	(7,429,851)
Lapsed	**(3,754,132)**	(12,175,133)
Outstanding at end of year	**35,353,856**	41,854,500

C. Deferred Share Bonus Plan* – £18.2m

The Deferred Share Bonus Plan (DSBP) was first introduced in 2005/06 as part of the Annual Bonus Scheme and was approved by shareholders at the 2020 AGM. It may be operated for approximately 5,040 of the most senior managers within the Group. As part of the plan, the managers are required to defer a proportion of any bonus paid into shares which will be held for three years. There are no further performance conditions on these shares, other than continued employment within the Group and the value of any dividends earned on the vested shares during the deferred period may also be paid on vesting. More information is available in relation to this plan within the Remuneration Report.

During the year, 13,079,225 shares (last year: 18,919,979) have been awarded under the plan in relation to the annual bonus. As at 29 March 2025, 48,494,977 shares (last year: 40,631,579) were outstanding under the plan.

D. Restricted Share Plan* – £2.8m

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

During the year, 1,713,749 shares (last year: 824,300) have been awarded under the plan. The weighted average fair value of the shares awarded was 340p (last year: 45.9p). As at 29 March 2025, 2,296,945 shares (last year: 3,450,543) were outstanding under the plan.

E. Marks and Spencer Employee Benefit Trust

The Marks and Spencer Employee Benefit Trust (the Trust) holds 40,584,818 (last year: 31,840,513) shares with a book value of £0.4m (last year: £0.3m) and a market value of £143.9m (last year: £84.4m). These shares were acquired by the Trust in the market and are shown as a reduction in retained earnings in the consolidated statement of financial position. Awards are granted to employees at the discretion of Marks and Spencer plc and the Trust agrees to satisfy the awards in accordance with the wishes of Marks and Spencer plc under senior executive share schemes. Dividends are waived on all of these shares.

F. ShareBuy

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

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

14 Intangible assets

	Goodwill £m	Brands £m	Computer software £m	Computer software under development £m	Total £m
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**
Year ended 29 March 2025					
Opening net book value	**28.4**	**4.3**	**100.1**	**46.7**	**179.5**
Additions	**—**	**—**	**2.0**	**96.5**	**98.5**
Transfers and reclassifications	**—**	**—**	**103.4**	**(125.9)**	**(22.5)**
Disposals	**—**	**—**	**(3.3)**	**—**	**(3.3)**
Amortisation charge	**—**	**(0.7)**	**(63.8)**	**—**	**(64.5)**
Exchange difference	**—**	**—**	**(0.3)**	**—**	**(0.3)**
Closing net book value	**28.4**	**3.6**	**138.1**	**17.3**	**187.4**
At 29 March 2025					
Cost	**140.6**	**118.7**	**1,807.9**	**49.4**	**2,116.6**
Accumulated amortisation, impairments and disposals	**(112.2)**	**(115.1)**	**(1,669.8)**	**(32.1)**	**(1,929.2)**
Net book value	**28.4**	**3.6**	**138.1**	**17.3**	**187.4**

14 Intangible assets continued

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 30 March 2024 and 29 March 2025	**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: 2.0%), 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 14.5% for per una (last year: 13.5%) and 16.7% for India (last year: 16.1%).

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.

15 Property, plant and equipment

The Group's property, plant and equipment of £5,408.5m (last year: £5,190.1m) consists of owned assets of £3,910.9m (last year: £3,760.8m) and right-of-use assets of £1,497.6m (last year: £1,429.3m).

Property, plant and equipment – owned

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
At 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

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
Year ended 29 March 2025				
Opening net book value	**2,008.9**	**1,621.4**	**130.5**	**3,760.8**
Additions	**5.1**	**27.7**	**457.8**	**490.6**
Transfers and reclassifications	**33.9**	**302.3**	**(315.1)**	**21.1**
Disposals	**(33.8)**	**(29.8)**	**—**	**(63.6)**
Impairment reversals	**8.5**	**10.9**	**—**	**19.4**
Impairment charge	**(33.3)**	**(14.7)**	**—**	**(48.0)**
Depreciation charge	**(7.9)**	**(257.4)**	**—**	**(265.3)**
Exchange difference	**(2.5)**	**(1.6)**	**—**	**(4.1)**
Closing net book value	**1,978.9**	**1,658.8**	**273.2**	**3,910.9**
At 29 March 2025				
Cost	**2,786.4**	**5,745.8**	**292.5**	**8,824.7**
Accumulated depreciation, impairments and disposals	**(807.5)**	**(4,088.0)**	**(18.3)**	**(4,913.8)**
Net book value	**1,978.9**	**1,657.8**	**274.2**	**3,910.9**

Disposals in the year include assets with gross book value of £388.7m (last year: £216.1m).

15 Property, plant and equipment continued

Right-of-use assets

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

Right-of-use assets	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
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)
At 30 March 2024	**1,371.5**	**57.8**	**1,429.3**
Additions	**215.3**	**44.7**	**260.0**
Transfers and reclassifications	**1.5**	**—**	**1.5**
Disposals	**(2.7)**	**—**	**(2.7)**
Impairment reversals	**1.2**	**3.1**	**4.3**
Impairment charge	**(14.9)**	**(32.1)**	**(47.0)**
Depreciation charge	**(141.0)**	**(1.0)**	**(142.0)**
Exchange difference	**(5.8)**	**—**	**(5.8)**
At 29 March 2025	**1,425.1**	**72.5**	**1,497.6**

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 Outlet stores, which are considered together as one CGU. Click & Collect sales are included in the cash flows of the relevant CGU.

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

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

15 Property, plant and equipment continued

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

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 8.0% to 19.3% (last year: 7.3% to 17.6%). If the CGU relates to a store which the Group has identified as part of the store estate programme, the additional key assumptions in the value-in-use calculations are costs associated with closure, the disposal proceeds from store exits and the timing of the store exits.

Impairments – UK stores excluding the store estate programme

During the year, the Group has recognised an impairment charge of £4.5m and impairment reversals of £2.5m in property, plant and equipment as a result of UK store impairment testing unrelated to the store estate programme (last year: impairment charge of £0.5m and impairment reversals of £31.5m). The impaired stores were impaired to their value in use recoverable amount of £4.0m, 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 £2.5m. £4.3m (last year: £nil) of the impairment charge was included in underlying expenses, with a £0.2m impairment charge and a £2.5m impairment reversal (last year: £0.5m impairment charge and £31.5m impairment reversal) included in adjusting items.

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 13.6% (last year: 12.5%).

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 250 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 £90.5m and impairment reversals of £21.1m relating to the ongoing store estate programme (last year: impairment charge of £37.0m and impairment reversals of £14.1m). These stores were impaired to their value in use recoverable amount of £225.2m, which is their carrying value at year end. The impairment charge relates to the store closure programme and has been recognised as part of the £84.4m store estate charge within adjusting items (see note 5). Impairment reversals predominantly reflect changes to expected store closure dates and improved trading expectations compared to those assumed at the end of the prior year end.

Where the planned closure date for a store is outside the three-year plan period, no growth rate is applied. The rate used to discount the forecast cash flows for UK stores is 8.0% (last year: 7.3%).

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 £34.4m.

Neither an increase or decrease of 5% in planned sales in years 2 and 3 (where relevant), a 250 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 £nil (last year: £0.7m) in International stores as a result of store impairment testing.

16 Other financial assets

	2025 £m	2024 £m
Non-current		
Other investments[1]	**21.3**	12.6
	21.3	12.6
Current		
Other investments[2, 3]	**286.5**	12.3
Unlisted Investments	**3.0**	—
	289.5	12.3

1 Includes £11.6m (last year £9.4m) of venture capital investments managed by True Capital Limited and £9.7m (last year £nil) of Eurochange RCF figure. See note 21 for further details.

2 Includes £5.3m (last year £4.7m) of money market deposits held by Marks and Spencer plc in an escrow account.

3 Includes £274.5m of money market funds due to mature >90 days.

17 Trade and other receivables

	2025 £m	2024 £m
Non-current		
Lease receivables – net of provision for impairment	**63.7**	62.0
Other receivables	**27.1**	1.9
Loans to related parties (see note 28)	**100.7**	92.2
Prepayments	**191.3**	200.6
	382.8	356.7
Current		
Trade receivables	**140.6**	137.2
Less: provision for impairment of receivables	**(0.9)**	(1.3)
Trade receivables – net	**139.7**	135.9
Lease receivables – net of provision for impairment	**0.4**	1.0
Other receivables	**39.1**	37.0
Prepayments	**127.1**	109.0
Accrued income	**21.2**	19.1
	327.5	302.0

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The Group's assessment of any expected credit losses is included in note 21b. Included in accrued income is £9.2m (last year: £6.0m) of accrued supplier income relating to rebates that have been earned but not yet invoiced. An immaterial amount of supplier income that has been invoiced but not yet settled against future trade creditor balances is included within trade creditors, where there is a right to offset.

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

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

	2025 £m	2024 £m
Timing of cash flows		
Within one year	**6.1**	4.7
Between one and two years	**7.8**	6.1
Between two and three years	**7.8**	7.8
Between three to four years	**7.8**	7.8
Between four to five years	**9.4**	7.8
More than five years	**96.1**	105.5
Total undiscounted cash flows	**135.0**	139.7
Effect of discounting	**(56.7)**	(62.5)
Present value of lease payments receivable	**78.3**	77.2
Less: provision for impairment of receivables	**(14.2)**	(14.2)
Net investment in the lease	**64.1**	63.0

Included within trade and other receivables is £1.6m (last year: £1.3m) which, due to non-recourse factoring arrangements in place, are held within a 'hold to collect and sell' business model and are measured at FVOCI.

18 Cash and cash equivalents

Cash and cash equivalents are £864.5m (last year: £1,022.4m). The carrying amount of these assets approximates their fair value.

The effective interest rate on short-term bank deposits is 4.6% (last year: 5.3%). These deposits have an average maturity of 23 days (last year: 15 days).

19 Trade and other payables

	2025 £m	2024 £m
Current		
Trade payables	**796.3**	762.3
Other payables	**579.3**	363.5
Social security and other taxes	**83.6**	80.1
Contract liabilities from gift card sales	**215.1**	203.2
Accruals	**653.1**	648.9
Deferred income	**42.9**	49.9
	2,370.3	2,107.9
Non-current		
Other payables	**1.1**	103.6
Deferred income	**17.8**	13.1
	18.9	116.7

Included within current other payables is £110.1m (last year: £6.9m) of deferred and contingent consideration and within non-current other payables £nil (last year: £102.2m) of deferred and contingent consideration, both relating to the acquisition of Gist Limited. See note 21(d) for further details.

A contract liability arises in respect of gift cards and voucher schemes as payment has been received for a performance obligation which will be performed at a later point in time.

	2025 £m	2024 £m
Opening balance	**203.2**	189.2
Issues	**461.1**	456.7
Released to the income statement in respect of gift cards and vouchers issued before 30 March 2024	**(128.2)**	(128.7)
Released to the income statement in respect of gift cards and vouchers issued after 30 March 2024	**(321.0)**	(314.0)
Closing balance	**215.1**	203.2

The Group has entered supplier finance arrangements that permit the suppliers to obtain payment from the banks for the amounts billed up to 75 days before the invoice due date subject to a discount dependent upon market interest rates and the outstanding period until the invoice falls due.

The Group repays the banks the full invoice amount on the scheduled payment date as required by the invoice. As the arrangements do not permit the Group to extend finance from the banks by paying them later than the Group would have paid its suppliers, the Group considers amounts payable to the banks should be presented as part of trade and other payables.

As at 29 March 2025, £360.3m (last year: £284.1m) of trade payables were amounts owed under these arrangements. During the year, the maximum facility available at any one time under the arrangements was £533.5m (last year: £441.4m).

	2025 £m	2024 £m
% of trade payables that were amounts owed under supplier finance arrangements	**45%**	N/A
Carrying amount of the financial liabilities that are subject to supplier finance arrangements		
Presented as part of 'Trade payables', including:	**360.3**	284.1
Trade payables for which suppliers have already received payment from the finance provider	**313.5**	N/A
Range of payment due dates	**Days**	
For liabilities presented as part of 'Trade payables':		
Liabilities that are part of supplier finance arrangements	**28 – 75**	N/A
Comparable trade payables that are not part of supplier finance arrangements	**28 – 75**	N/A

Changes in liabilities that are subject to supplier finance arrangements are primarily attributable to additions resulting from purchases of goods and services and subsequent cash settlements. There were no material non-cash changes in these liabilities.

The Group does not face a significant liquidity risk as a result of its supplier finance arrangements as the arrangements do not result in a change in payment terms for suppliers.

20 Borrowings and other financial liabilities

	2025 £m	2024 £m
Current		
Lease liabilities	**228.0**	220.3
4.75% £400m Medium-Term Notes 2025[1,2]	**105.7**	—
Interest accrued on Medium-Term Notes	**22.1**	30.1
	355.8	250.4
Non-current		
4.75% £400m Medium-Term Notes 2025[1,2]	**—**	205.6
3.75% £300m Medium-Term Notes 2026[1]	**109.2**	200.8
3.25% £250m Medium-Term notes 2027[1]	**249.3**	248.9
7.125% US$300m Medium-Term notes 2037[3,4]	**252.0**	251.8
Revaluation of Medium-Term Notes[5]	**(21.2)**	(15.5)
Lease liabilities	**1,999.4**	1,991.2
	2,588.7	2,882.8
Total	**2,944.5**	3,133.2

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

2 The Group occasionally enters into interest rate swaps to manage interest rate exposure. At year end, £0.2m (last year: £2.1m) of fair value adjustment for terminated hedges to be amortised over the remaining debt maturity.

3 Interest on these bonds is payable biannually.

4 US$300m Medium-Term Note exposure swapped to sterling (fixed-to-fixed cross-currency interest rate swaps). Refer to note 21 for further details.

5 Revaluation consists of cumulative foreign exchange gain on revaluation of the 7.125% US$300m Medium-Term Notes 2037 of £21.2m (last year: £15.5m).

Leases

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

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

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

	2025 £m	2024 £m
Opening lease liabilities	**2,211.5**	2,281.6
Additions	**261.0**	176.0
Interest expense relating to lease liabilities	**120.1**	120.0
Payments	**(343.0)**	(345.5)
Disposals	**(14.6)**	(12.8)
Exchange difference	**(7.6)**	(7.8)
	2,227.4	2,211.5
Current	**228.0**	220.3
Non-current	**1,999.4**	1,991.2

The maturity analysis of lease liabilities is disclosed in note 21(a).

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

The Group holds certain leases that contain break clause options to provide operational flexibility. In accordance with IFRS 16, the Group has calculated the full lease term, beyond break, to represent the reasonably certain lease term (except for those stores identified as part of the store estate programme) within the total £2,227.4m of lease liabilities held on the balance sheet.

The following amounts were recognised in profit or loss:

	2025 £m	2024 £m
Expenses relating to short-term leases	**13.4**	15.5
Expenses relating to low-value assets	**0.1**	0.1
Expenses relating to variable consideration	**5.9**	5.8

21 Financial instruments

Treasury policy

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

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

21 Financial instruments continued

Treasury policy continued

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

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

Financial risk management

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

(a) Liquidity & funding risk

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

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

The Group has a committed syndicated bank revolving credit facility of £850.0m with a current maturity date of 13 June 2027. The facility contains a financial covenant, being the ratio of earnings before interest, tax, depreciation and amortisation; to net interest and depreciation on right-of-use assets under IFRS 16. The covenant is measured biannually. The Group was not in breach of this metric at the reporting date.

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

The Group also has a number of uncommitted facilities available to it. At year end, these amounted to £25.0m (last year: £25.0m), all of which are due to be reviewed within a year. At the balance sheet date, a sterling equivalent of £nil (last year: £nil) was drawn under the committed facilities and £nil (last year: £nil) was drawn under the uncommitted facilities.

In addition to the existing borrowings, the Group has a Euro Medium-Term Note programme of £3bn, of which £0.5bn (last year: £0.7bn) was in issuance as at the balance sheet date. The initial rate of interest is fixed at the date of issue and the Notes are referred to as fixed rate borrowings throughout the Annual Report as the coupon does not change with movements in benchmark interest rates. However, the rate of interest on certain Notes varies both up and down in response to third-party credit ratings (to above/below Baa3 or above/below BBB-) that reflect the relative deterioration or improvement in the Group's cost of credit and the interest payable on these Notes increases or decreases from the next interest payment date following a relevant credit rating downgrade or upgrade. As the original contractual terms of these Notes provide for changes in cash flows to be reset to reflect the relative deterioration or improvement in the Group's cost of credit, the Group considers these Notes to be floating rate instruments when determining amortised cost under IFRS 9 and consequently the Group applied IFRS 9 paragraph B5.4.5, which requires no adjustment to the carrying amount of the liabilities or immediate impact on profit and loss. If the Group had determined these Notes to be fixed rate instruments, the Notes would be remeasured to reflect the revised cash flows discounted at the original effective rate. This would result in a higher initial interest expense to profit or loss, offset by lower interest charges subsequently, when compared to the Group's treatment.

Ocado Retail Limited, an associate of the Group, entered into a £30.0m revolving credit facility on 9 May 2024, of which £nil was drawn at 29 March 2025. The Group, along with Ocado Group plc, jointly guarantee the facility. Last year, the facility had expired.

The table below summarises the contractual maturity of the Group's non-derivative financial liabilities and derivatives translated at the year end spot rate, excluding trade payables, other payables and accruals. The carrying value of all trade payables, other payables (excluding contingent consideration payable) and accruals of £1,919.7m (last year: £1,769.2m) is equal to their contractual undiscounted cash flows (see note 19) which are due within one year. Contingent consideration (see the fair value hierarchy section within note 21) and deferred consideration of £110.1m (last year: £6.9m) is expected to become payable within one year and £nil (last year: £102.2m) between two and five years.

21 Financial instruments continued

(a) Liquidity & funding risk continued

	Medium-Term Notes £m	Lease liabilities[1] £m	Partnership liability to the Marks & Spencer UK Pension Scheme (note 12) £m	Total borrowings and other financial liabilities £m	Cash inflow on derivatives[2] £m	Cash outflow on derivatives[2] £m	Total derivative liabilities £m
Timing of cash flows							
Within one year	(47.9)	(331.2)	(89.7)	(468.8)	1,334.7	(1,355.6)	(20.9)
Between one and two years	(251.6)	(317.0)	—	(568.6)	83.7	(84.1)	(0.4)
Between two and five years	(532.3)	(742.7)	—	(1,275.0)	50.7	(51.1)	(0.4)
More than five years	(389.6)	(2,847.7)	—	(3,237.3)	389.6	(406.2)	(16.6)
Total undiscounted cash flows	(1,221.4)	(4,238.6)	(89.7)	(5,549.7)	1,858.7	(1,897.0)	(38.3)
Effect of discounting	299.7	2,027.1	0.9	2,327.7			
At 30 March 2024	(921.7)	(2,211.5)	(88.8)	(3,222.0)			
Timing of cash flows							
Within one year	**(143.7)**	**(291.7)**	**—**	**(435.4)**	**1,449.1**	**(1,464.5)**	**(15.4)**
Between one and two years	**(141.2)**	**(286.6)**	**—**	**(427.8)**	**254.3**	**(261.4)**	**(7.1)**
Between two and five years	**(310.8)**	**(614.7)**	**—**	**(925.5)**	**49.5**	**(51.1)**	**(1.6)**
More than five years	**(363.9)**	**(2,689.7)**	**—**	**(3,053.6)**	**363.8**	**(389.2)**	**(25.4)**
Total undiscounted cash flows	**(959.6)**	**(3,882.7)**	**—**	**(4,842.3)**	**2,116.7**	**(2,166.2)**	**(49.5)**
Effect of discounting	**242.5**	**1,655.3**	**—**	**1,897.8**			
At 29 March 2025	**(717.1)**	**(2,227.4)**	**—**	**(2,944.5)**			

1 Total undiscounted lease payments of £699.6m relating to the period post-break clause and the earliest contractual lease exit point, are included in lease liabilities. These undiscounted lease payments should be excluded when determining the Group's contractual indebtedness under these leases, where there is a contractual right to break. Furthermore, £75.9m of these payments relate to leases where, following the break clause, the Group will have the ability to exit the lease at any point before the lease expiry with a maximum of six months' notice.

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

21 Financial instruments continued

(b) Counterparty risk

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

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

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

	Credit rating of counterparty								
	AAA £m	AA+ £m	AA £m	AA- £m	A+ £m	A £m	A- £m	BBB £m	Total £m
Cash and cash equivalents[1]	116.7	—	—	130.9	242.2	95.6	197.2	—	782.6
Other Investments[2]	—	—	—	3.0	8.0	1.3	—	—	12.3
Derivative assets[3]	—	—	—	0.9	6.0	0.3	0.2	0.1	7.5
At 30 March 2024	116.7	—	—	134.8	256.2	97.2	197.4	0.1	802.4

	AAA £m	**AA+ £m**	**AA £m**	**AA— £m**	**A+ £m**	**A £m**	**A— £m**	**BBB £m**	**Total £m**
Cash and cash equivalents[1]	**98.0**	**—**	**—**	**111.6**	**203.2**	**240.6**	**0.8**	**—**	**654.2**
Other Investments[2]	**—**	**—**	**—**	**146.9**	**49.7**	**89.9**	**—**	**—**	**286.5**
Derivative assets[3]	**—**	**—**	**—**	**2.4**	**3.3**	**1.2**	**—**	**0.4**	**7.3**
At 29 March 2025	**98.0**	**—**	**—**	**260.9**	**256.2**	**331.7**	**0.8**	**0.4**	**948.0**

1 Includes cash on deposit and money market funds held by various group entities. Excludes cash in hand and in transit of £210.3m (last year: £239.8m).

2 Relates to money market deposits held by various group entities.

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

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

The maximum exposure to credit risk at the balance sheet date was as follows: trade receivables £140.6m (last year: £137.2m), lease receivables £64.1m (last year: £63.0m), other receivables (including loans to related parties) £166.9m (last year: £131.1m), cash and cash equivalents £864.5m (last year: £1,022.4m) and derivatives £7.3m (last year: £7.5m).

21 Financial instruments continued

Impairment of financial assets

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

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

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

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

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

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

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

30 March 2024	Current £m	Up to 30 days past due £m	31-60 days past due £m	61-90 days past due £m	91-180 days past due £m	181 days or more past due £m	Total £m
Gross carrying amount – trade receivables	119.3	9.3	4.3	0.7	3.1	0.5	137.2
Expected loss rate	0.1%	0.8%	4.5%	8.9%	11.0%	100.0%	0.9%
Lifetime expected credit loss	0.1	0.1	0.2	0.1	0.3	0.5	1.3
Net carrying amount	119.2	9.2	4.1	0.6	2.8	—	135.9

29 March 2025	Current £m	Up to 30 days past due £m	31-60 days past due £m	61-90 days past due £m	91-180 days past due £m	181 days or more past due £m	Total £m
Gross carrying amount – trade receivables	**127.8**	**5.2**	**3.3**	**3.3**	**1.0**	**—**	**140.6**
Expected loss rate	**0.7%**	**0.6%**	**0.1%**	**0.2%**	**0.2%**	**100.0%**	**0.6%**
Lifetime expected credit loss	**0.9**	**—**	**—**	**—**	**—**	**—**	**0.9**
Net carrying amount	**126.9**	**5.2**	**3.3**	**3.3**	**1.0**	**—**	**139.7**

21 Financial instruments continued

Impairment of financial assets continued

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

Trade receivables expected loss provision	2025 £m	2024 £m
Opening loss allowance	**1.3**	5.4
Decrease in loss allowance recognised in profit and loss during the year	**—**	(2.3)
Receivables written off during the year as uncollectable	**(0.4)**	(1.8)
Closing loss allowance	**0.9**	1.3

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

Lease receivables expected loss provision	2025 £m	2024 £m
Opening loss allowance	**14.2**	10.7
Increase in loss allowance recognised in profit and loss during the year[1]	**—**	3.5
Closing loss allowance	**14.2**	14.2

1 Relates to the sub-let of previously closed offices associated with the strategic programme to centralise the Group's London Head Office functions (see note 17).

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

(c) Foreign currency risk

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

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

Other exposures arising from the export of goods to overseas subsidiaries are also hedged progressively over the course of the year before they are incurred. As at the balance sheet date, the gross notional value in sterling terms of forward foreign exchange sell or buy contracts amounted to £2,210.6m (last year: £2,011.0m) with a weighted average maturity date of seven months (last year: seven months).

Gains and losses in equity on forward foreign exchange contracts designated in cash flow hedge relationships as at 29 March 2025 will be reclassified to the income statement at various dates over the following 14 months (last year: 14 months) from the balance sheet date.

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

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

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

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

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

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

21 Financial instruments continued

(c) Foreign currency risk continued

The Group also hedges foreign currency intercompany loans where these exist. Forward foreign exchange contracts in relation to the hedging of the Group's foreign currency intercompany loans are classified as fair value through profit and loss. The corresponding foreign exchange movement of the intercompany loan balance resulted in a £0.6m loss (last year: £1.1m loss) in the income statement. As at the balance sheet date, the gross notional value of intercompany loan hedges was £114.5m (last year: £246.7m).

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

	2025			2024		
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m
Currency						
Sterling	**2,725.3**	**—**	**2,725.3**	2,920.0	—	2,920.0
Euro	**117.7**	**—**	**117.7**	95.0	—	95.0
Rupee	**100.9**	**—**	**100.9**	118.0	—	118.0
Other	**0.6**	**—**	**0.6**	0.2	—	0.2
	2,944.5	**—**	**2,944.5**	3,133.2	—	3,133.2

As at the balance sheet date and excluding lease liabilities, post-hedging, the GBP and USD fixed rate borrowings are at an average rate of 5.4% (last year: 5.3%) and the weighted average time for which the rate is fixed is five years (last year: five years).

(d) Interest rate risk

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

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

At the balance sheet date, fixed rate borrowings amounted to £2,944.5m (last year: £3,133.2m) representing the public bond issues and lease liabilities, amounting to 100% (last year: 100%) of the Group's gross borrowings.

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

	2025 %	2024 %
Committed and uncommitted borrowings	**N/A**	N/A
Medium-Term Notes	**5.4%**	5.3%
Leases	**5.7%**	5.2%

21 Financial instruments continued

Derivative financial instruments

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

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

	29 March 2025			
	Current		**Non Current**	
	Forward foreign exchange contracts £m	**Forward foreign exchange contracts £m**	**Cross-currency swaps £m**	**Forward foreign exchange contracts £m**
Hedging risk strategy	**Cash flow hedges**	**FVTPL**	**Cash flow hedges**	**Cash flow hedges**
Notional/currency legs	**1,791.6**	**113.8**	**252.9**	**305.2**
Carrying amount assets	**7.2**	**—**	**—**	**0.1**
Carrying amount (liabilities)	**(24.6)**	**(0.5)**	**(10.5)**	**(6.1)**
Maturity date	**to Oct 2025**	**to Dec 2025**	**to Dec 2037**	**to May 2026**
Hedge ratio	**100%**	**n/a**	**100%**	**100%**
Description of hedged item	**Highly probable transactional FX exposures**	**Inter-company loans/ deposits**	**USD fixed rate borrowing**	**Highly probable transactional FX exposures**
Change in fair value of hedging instrument	**23.5**	**1.1**	**(8.5)**	**6.4**
Change in fair value of hedged item used to determine hedge effectiveness	**(23.5)**	**(1.7)**	**8.5**	**(6.4)**
Weighted average hedge rate for the year	**GBP/USD 1.26; GBP/EUR 1.15**	**—**	**GBP/USD 1.19**	**GBP/USD 1.28; GBP/EUR 1.16**
Amounts recognised within finance costs in profit and loss	**—**	**(0.6)**	**—**	**—**
Balance on cash flow hedge reserve at 29 March 2025	**11.6**	**—**	**(8.1)**	**6.0**
Balance on cost of hedging reserve at 29 March 2025	**—**	**—**	**(9.6)**	**—**

21 Financial instruments continued

Derivative financial instruments continued

		29 March 2025				30 March 2024			
		Notional Value		Fair Value		Notional Value		Fair Value	
		Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Current									
Forward foreign exchange contracts	– cash flow hedges	**596.6**	**1,195.0**	**7.2**	**(24.6)**	501.3	1,046.3	6.6	(18.2)
	– FVTPL	**1.0**	**112.8**	**—**	**(0.5)**	60.6	186.1	0.2	(1.8)
		597.6	**1,307.8**	**7.2**	**(25.1)**	561.9	1,232.4	6.8	(20.0)
Non-current									
Cross-currency swaps	– cash flow hedges	**—**	**252.9**	**—**	**(10.5)**	—	252.9	—	(21.6)
Forward foreign exchange contracts	– cash flow hedges	**67.5**	**237.7**	**0.1**	**(6.1)**	149.9	66.8	0.7	(0.3)
		67.5	**490.6**	**0.1**	**(16.6)**	149.9	319.7	0.7	(21.9)

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

	Cost of hedging reserve CCIRS[1] £m	Deferred tax £m	**Total cost of hedging reserve £m**	Hedge reserve FX derivatives £m	Hedge reserve CCIRS £m	Hedge reserve gilt locks £m	Deferred tax £m	**Total hedge reserve £m**
Opening balance at 2 April 2023	(5.8)	1.6	**(4.2)**	49.1	(7.0)	0.1	(10.3)	**31.9**
Add: Change in fair value of hedging instrument recognised in OCI[2]	—	—	**—**	10.7	18.4	—	—	**29.1**
Add: Costs of hedging deferred and recognised in OCI	(1.6)	—	**(1.6)**	—	—	—	—	**—**
Less: Reclassified to the cost of inventory	—	—	**—**	(54.4)	—	—	—	**(54.4)**
Less: Reclassified from OCI to profit or loss	—	—	**—**	—	(5.3)	—	—	**(5.3)**
Less: Deferred tax	—	0.4	**0.4**	—	—	—	7.1	**7.1**
Closing balance at 30 March 2024	**(7.4)**	**2.0**	**(5.4)**	**5.4**	**6.1**	**0.1**	**(3.2)**	**8.4**
Opening balance at 31 March 2024	**(7.4)**	**2.0**	**(5.4)**	**5.4**	**6.1**	**0.1**	**(3.2)**	**8.4**
Add: Change in fair value of hedging instrument recognised in OCI	**—**	**—**	**—**	**29.9**	**(8.5)**	**—**	**—**	**21.4**
Add: Costs of hedging deferred and recognised in OCI	**(2.2)**	**—**	**(2.2)**	**—**	**—**	**—**	**—**	**—**
Less: Reclassified to the cost of inventory	**—**	**—**	**—**	**(17.7)**	**—**	**—**	**—**	**(17.7)**
Less: Reclassified from OCI to profit or loss	**—**	**—**	**—**	**—**	**(5.7)**	**—**	**—**	**(5.7)**
Less: Deferred tax	**—**	**0.6**	**0.6**	**—**	**—**	**—**	**1.1**	**1.1**
Closing balance at 29 March 2025	**(9.6)**	**2.6**	**(7.0)**	**17.6**	**(8.1)**	**0.1**	**(2.1)**	**7.5**

1 Cross-currency interest rate swaps
2 Other comprehensive income

21 Financial instruments continued

Derivative financial instruments continued

The Group holds a number of cross-currency interest rate swaps to designate its USD to GBP fixed debt. These are reported as cash flow hedges. The ineffective portion recognised in profit or loss that arises from the cash flow hedge amounts to a £nil gain (last year: £nil gain) as the loss on the hedged items was £8.5m (last year: £18.4m gain) and the movement on the hedging instruments was a £8.5m gain (last year: £18.4m loss).

Movement in hedged items and hedging instruments	2025 £m	2024 £m
Net gain/(loss) in fair value of cross-currency interest rate swap	**8.5**	(18.4)
Net (loss)/gain on hedged items	**(8.5)**	18.4
Ineffectiveness	**—**	—

Sensitivity analysis

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

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

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

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

	2% decrease in interest rates £m	2% increase in interest rates £m	20% weakening in sterling £m	20% strengthening in sterling £m
At 30 March 2024				
Impact on income statement: (loss)/gain	(15.0)	15.0	—	—
Impact on other comprehensive income: (loss)/gain	5.8	(4.4)	278.9	(278.9)
At 29 March 2025				
Impact on income statement: (loss)/gain	**(18.1)**	**18.1**	**—**	**—**
Impact on other comprehensive income: (loss)/gain	**0.2**	**(4.9)**	**337.7**	**(337.7)**

Offsetting of financial assets and liabilities

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

21 Financial instruments continued

Offsetting of financial assets and liabilities continued

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

	Gross financial assets/ (liabilities) £m	**Gross financial (liabilities)/ assets set off £m**	**Net financial assets/ (liabilities) per statement of financial position £m**	**Related amounts not set off in the statement of financial position £m**	**Net £m**
At 29 March 2025					
Trade and other receivables	**27.0**	**(24.3)**	**2.7**	**—**	**2.7**
Derivative financial assets	**7.3**	**—**	**7.3**	**(6.8)**	**0.5**
	34.3	**(24.3)**	**10.0**	**(6.8)**	**3.2**
Trade and other payables	**(416.3)**	**24.3**	**(392.0)**	**—**	**(392.0)**
Derivative financial liabilities	**(41.7)**	**—**	**(41.7)**	**6.8**	**(34.9)**
	(458.0)	**24.3**	**(433.7)**	**6.8**	**(426.9)**

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

21 Financial instruments continued

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:

	2025				2024			
	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]	**274.5**	**21.7**	**14.6**	**310.8**	—	12.3	12.6	24.9
Derivatives used for hedging	**—**	**7.3**	**—**	**7.3**	—	7.5	—	7.5
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss								
– derivatives held at FVTPL	**—**	**(0.5)**	**—**	**(0.5)**	—	(1.8)	—	(1.8)
– Gist contingent consideration[2]	**—**	**—**	**(25.6)**	**(25.6)**	—	—	(25.6)	(25.6)
Derivatives used for hedging	**—**	**(41.2)**	**—**	**(41.2)**	—	(40.2)	—	(40.2)

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 1 other investments is £274.5m (last year: £nil) of money market deposits held by various group entities. Within Level 3 other investments, the Group holds £11.6m of venture capital investments, managed by True Capital Limited, measured at FVTPL (last year: £9.4m) (see note 16) 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 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 (for other consideration payable please see note 19). 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 cash flows. The estimates are based on a discount rate of 5.3%. A 2.5% change in the discount rate would result in a change in fair value of £0.7m.

The Marks & Spencer UK Pension Scheme holds a number of financial instruments which make up the pension asset of £5,292.8m (last year: £6,108.9m). Level 1 and Level 2 financial assets measured at fair value through other comprehensive income amounted to £1,754.7m (last year: £2,074.3m). Additionally, the scheme assets include £3,538.1m (last year: £4,034.6m) of Level 3 financial assets. See note 11 for information on the Group's retirement benefits.

21 Financial instruments continued

Fair value hierarchy continued

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

	2025 £m	2024 £m
Opening balance	**4,034.6**	4,027.2
Fair value gain/(loss) recognised in other comprehensive income	**53.8**	362.5
Other movements recognised in profit or loss	**(48.5)**	—
Cash withdrawals	**(501.8)**	(355.1)
Closing balance	**3,538.1**	4,034.6

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 12), 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 £717.1m (last year: £921.7m); the fair value of this debt was £727.7m (last year: £919.8m) 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 £nil (last year: £88.8m) and the fair value of this liability is £nil (last year: £81.9m).

Capital policy

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

In doing so, the Group's strategy is to sustain a capital structure that supports an investment grade credit rating and to retain appropriate levels of liquidity headroom to ensure financial stability and flexibility. To achieve this strategy, the Group regularly monitors key credit metrics such as the gearing ratio, cash flow to net debt and fixed charge cover to maintain this position. In addition, the Group ensures a combination of appropriate committed short-term liquidity headroom with a diverse and balanced long-term debt maturity profile which avoids creating a significant re-financing risk in any one financial period. As at the balance sheet date, the Group's average debt maturity profile was five years (last year: five years). During the year, Moody's upgraded its credit rating for M&S to Baa3. Standard and Poor's maintained its rating at BBB. Both agencies have a stable outlook for the rating.

To manage its capital structure, the Group considers the appropriate level of dividends paid to shareholders and options to return capital to shareholders, issue new shares or sell assets to reduce debt.

22 Provisions

	Property £m	Restructuring £m	Other £m	Total £m
At 2 April 2023	**78.8**	**16.9**	**23.7**	**119.4**
Provided in the year – charged to profit or loss	54.9	25.0	6.4	86.3
Provided in the year – charged to property, plant & equipment	5.3	—	—	5.3
Released in the year	(24.4)	(9.1)	(9.9)	(43.4)
Utilised during the year	(11.2)	(2.3)	(9.2)	(22.7)
Exchange differences	—	—	0.2	0.2
Discount rate unwind	6.6	—	—	6.6
At 30 March 2024	**110.0**	**30.5**	**11.2**	**151.7**
Analysed as:				
Current				**47.6**
Non-current				**104.1**

	Property £m	Restructuring £m	Other £m	Total £m
At 31 March 2024	**110.0**	**30.5**	**11.2**	**151.7**
Provided in the year – charged to profit or loss	**22.0**	**16.8**	**8.4**	**47.2**
Provided in the year – charged to property, plant & equipment	**46.1**	**—**	**—**	**46.1**
Released in the year	**(38.6)**	**(13.3)**	**(5.5)**	**(57.4)**
Utilised during the year	**(6.5)**	**(14.6)**	**(1.6)**	**(22.7)**
Discount rate unwind	**6.4**	**—**	**—**	**6.4**
At 29 March 2025	**139.4**	**19.4**	**12.5**	**171.3**
Analysed as:				
Current				**25.1**
Non-current				**146.2**

22 Provisions continued

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

Restructuring provisions relate primarily to the strategic programme for the closure of two European distribution centres and exiting of legacy franchise business not aligned to the strategy.

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

Provisions related to adjusting items were £141.6m at 29 March 2025 (last year: £130.6m), with a net release in the year of £12.8m (last year: £43.8m charge) (see note 5).

23 Deferred tax

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

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

Deferred tax assets/(liabilities)

	Land and buildings temporary differences £m	Capital allowances in excess of depreciation £m	Pension temporary differences £m	IFRS 16 adjustment £m	Other short-term temporary differences £m	Total UK deferred tax £m	Overseas deferred tax £m	Total £m
At 2 April 2023	(207.6)	(11.1)	(140.5)	111.8	46.8	(200.6)	1.8	(198.8)
(Charged)/credited to income statement	(21.1)	(69.0)	(3.9)	(7.1)	(0.9)	(102.0)	4.7	(97.3)
Credited/(charged) to equity/other comprehensive income	—	—	104.7	—	(1.9)	102.8	(0.8)	102.0
At 30 March 2024	(228.7)	(80.1)	(39.7)	104.7	44.0	(199.8)	5.7	(194.1)
At 31 March 2024	**(228.7)**	**(80.1)**	**(39.7)**	**104.7**	**44.0**	**(199.8)**	**5.7**	**(194.1)**
Credited/(charged) to income statement	**5.5**	**(63.8)**	**0.3**	**(7.1)**	**5.2**	**(59.9)**	**2.9**	**(57.0)**
Credited/(charged) to equity/other comprehensive income	**—**	**—**	**70.2**	**—**	**(4.1)**	**66.1**	**(0.5)**	**65.6**
At 29 March 2025	**(223.2)**	**(143.9)**	**30.8**	**97.6**	**45.1**	**(193.6)**	**8.1**	**(185.5)**

The following is the analysis of the deferred tax balances after offset:

	2025 £m	2024 £m
Deferred tax assets	**13.9**	11.7
Deferred tax liabilities	**(199.4)**	(205.8)

Other short-term temporary differences included a deferred tax asset of £40.9m (last year: £27.0m) in respect of employee share options and a deferred tax asset £0.4m (last year: £2.0m) in relation to financial instruments.

The deferred tax liability on land and buildings temporary differences is reduced by the benefit of capital losses with a gross value of £189.2m (last year: £162.4m) and a tax value of £47.3m (last year: £40.6m). The gross carried forward capital losses are £394.0m (last year: £399.0m) with a tax value of £98.5m (last year: £99.8m) and are inclusive of the gross £189.2m of losses used to reduce the deferred tax liability on land and buildings.

23 Deferred tax continued

Deferred tax assets/(liabilities) continued

Due to uncertainty over their future use, no benefit has been recognised in respect of trading losses carried forward in overseas jurisdictions with a gross value of £5.6m (last year: £5.2m) and a tax value of £1.5m (last year: £1.3m).

No deferred tax is recognised in respect of undistributed earnings of overseas subsidiaries and joint ventures with a gross value of £50.0m (last year: £46.4m) unless a material liability is expected to arise on distribution of these earnings under applicable tax legislation. There is a potential tax liability in respect of undistributed earnings of £4.7m (last year: £4.4m), however this has not been recognised on the basis the distribution can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

24 Ordinary share capital

	2025		2024	
	Ordinary shares of £0.01 each		Ordinary shares of £0.01 each	
	Shares	£m	Shares	£m
Issued and fully paid				
At start of year	**2,040,355,823**	**20.5**	1,964,933,931	19.8
Shares issued in respect of employee share option schemes	**14,844,347**	**0.1**	75,421,892	0.7
At end of year	**2,055,200,170**	**20.6**	2,040,355,823	20.5

Issue of new shares

A total of 14,844,347 (last year: 75,421,892) ordinary shares having a nominal value of £0.1m (last year: £0.7m) were allotted during the year under the terms of the Company's share schemes which are described in note 13 of the Group financial statements. The aggregate consideration received was £15.8m (last year: £57.0m).

25 Contingencies and commitments

A. Capital commitments

	2025 £m	2024 £m
Commitments in respect of properties in the course of construction	**359.7**	175.2
Software capital commitments	**9.2**	6.5
	368.9	181.7

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 2023/24. The fund can drawdown amounts at any time over the five-year period to make specific investments. At 29 March 2025, the Group had invested £12.9m (last year: £10.1m) of this commitment, which is held as a non-current other investment and measured at fair value through profit or loss (see note 16).

B. Other material contracts

See note 12 for details on the Partnership arrangement with the Marks & Spencer UK Pension Scheme.

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

Cash flows from operating activities

	2025 £m	2024 £m
Profit on ordinary activities after taxation	**291.9**	425.2
Income tax expense	**219.9**	247.3
Finance costs	**177.2**	188.4
Finance income	**(64.7)**	(146.7)
Operating profit	**624.3**	714.2
Share of results of Ocado Retail Limited	**28.7**	37.3
Share of results in other joint ventures	**(0.5)**	0.3
Increase in inventories	**(73.3)**	(31.3)
Increase in receivables	**(33.7)**	(17.5)
Increase in payables	**68.4**	126.0
Depreciation, amortisation, impairments and disposals	**542.6**	526.3
Non-cash share-based payment expense	**52.4**	48.3
Non-cash pension expense	**5.6**	5.3
Defined benefit pension funding	**(0.4)**	(0.4)
Adjusting items net cash outflows[1,2]	**(25.6)**	(38.0)
Adjusting items M&S Bank[3]	**(27.4)**	(2.0)
Adjusting items within operating profit	**360.2**	124.4
Cash generated from operations	**1,521.3**	1,492.9

1 Excludes £19.0m (last year: £24.1m) of surrender payments included within repayment of lease liabilities in the consolidated statement of cash flows relating to leases within the store estate programme.

2 Adjusting items net cash outflows relate to strategic programme costs associated with the Store estate, UK logistics, Furniture simplification, Digital and Technology transformation and income associated with a legal settlement.

3 Adjusting items M&S Bank relates to one-off fees paid to M&S Bank under the new Relationship Agreement which will be recognised as a reduction to income over the term of the contract. Last half year and last year end, this related 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.

27 Analysis of net debt

A. Reconciliation of movement in net debt

	At 2 April 2023 £m	Cash flows excluding interest £m	Cash flows relating to interest[1] £m	Changes in fair values £m	Lease additions and remeasure-ments £m	Exchange and other non-cash movements £m	At 30 March 2024 £m
Net debt							
Cash and cash equivalents (see note 18)	1,067.9	89.8	(133.2)	—	—	(2.1)	1,022.4
Net cash per statement of cash flows	1,067.9	89.8	(133.2)	—	—	(2.1)	1,022.4
Current other financial assets (see note 16)	13.0	(0.7)	—	—	—	—	12.3
Liabilities from financing activities			—			—	—
Medium-Term Notes (see note 20)	(1,346.4)	395.6	65.7	—	—	(36.6)	(921.7)
Lease liabilities (see note 20)	(2,281.6)	243.5	102.0	—	(176.0)	(99.4)	(2,211.5)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 12)	(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)	679.1	167.7	(16.4)	(176.0)	(136.0)	(3,236.7)
Less: Cash flows related to interest and derivative instruments	37.0	—	(34.5)	16.4	—	17.3	36.2
Net debt	(2,637.2)	768.2	—	—	(176.0)	(120.8)	(2,165.8)

27 Analysis of net debt continued

A. Reconciliation of movement in net debt continued

	At 31 March 2024 £m	Cash flows excluding interest £m	Cash flows relating to interest[1] £m	Changes in fair values £m	Lease additions and remeasure-ments £m	Exchange and other non-cash movements £m	**At 29 March 2025 £m**
Net debt							
Cash and cash equivalents (see note 18)	1,022.4	(50.2)	(106.5)	—	—	(1.2)	**864.5**
Net cash per statement of cash flows	1,022.4	(50.2)	(106.5)	—	—	(1.2)	**864.5**
Current other financial assets (see note 16)	12.3	277.2	—	—	—	—	**289.5**
Liabilities from financing activities						—	
Medium-Term Notes (see note 20)	(921.7)	187.8	45.6	—	—	(28.8)	**(717.1)**
Lease liabilities (see note 20)	(2,211.5)	258.6	103.4	—	(261.0)	(116.9)	**(2,227.4)**
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 12)	(81.9)	40.0	0.5	—	—	41.4	**—**
Derivatives held to hedge Medium-Term Notes	(21.6)	—	—	11.1	—	—	**(10.5)**
Liabilities from financing activities	(3,236.7)	486.4	149.5	11.1	(261.0)	(104.3)	**(2,955.0)**
Less: Cash flows related to interest and derivative instruments	36.2	—	(43.0)	(11.1)	—	29.3	**11.4**
Net debt	(2,165.8)	713.4	—	—	(261.0)	(76.2)	**(1,789.6)**

1 Change of presentation from last year to split cash flows into interest and excluding interest columns

B. Reconciliation of net debt to statement of financial position

	2025 £m	2024 £m
Statement of financial position and related notes		
Cash and cash equivalents (see note 18)	**864.5**	1,022.4
Current other financial assets (see note 16)	**289.5**	12.3
Medium-Term Notes – excluding impact of foreign exchange (see note 20)	**(738.3)**	(937.2)
Lease liabilities (see note 20)	**(2,227.4)**	(2,211.5)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 12 and 21)	**—**	(88.8)
	(1,811.7)	(2,202.8)
Interest payable included within related borrowing and the Partnership liability to the Marks & Spencer UK Pension Scheme	**22.1**	37.0
Net debt	**(1,789.6)**	(2,165.8)

28 Related party transactions

A. Subsidiaries

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

B. Joint ventures and associates

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

Loan to Ocado Retail Limited

	2025 £m	2024 £m
Opening balance	**92.2**	30.9
Loans advanced	**—**	60.0
Interest charged	**8.5**	6.0
Interest repaid	**—**	(4.7)
Closing balance	**100.7**	92.2

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, entered into a £30.0m revolving credit facility on 9 May 2024, of which £nil was drawn at 29 March 2025. The Group, along with Ocado Group plc, jointly guarantee the facility. Last year, the facility had expired.

Sales and purchases of goods and services

	2025 £m	2024 £m
Sales of goods and services	**62.2**	44.9
Purchases of goods and services	**—**	0.1

Included within trade and other receivables is a balance of £7.9m (last year: £4.1m) 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 £9.7m (last year: £7.0m).

At 29 March 2025, there was a balance of £nil within trade and other payables (last year: £0.1m) owed to Nobody's Child Limited, and £3.0m included within other financial assets (last year: £2.7m) owed from Nobody's Child Limited.

C. Marks & Spencer UK Pension Scheme

Details of other transactions and balances held with the Marks & Spencer UK Pension Scheme are set out in notes 11 and 12.

D. Key management compensation

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

	2025 £m	2024 £m
Salaries and short-term benefits	**14.9**	10.6
Pension costs	**0.4**	0.4
Share-based payments	**20.9**	10.0
Total	**36.2**	21.0

29 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.

At the reporting date, Ocado Retail Limited was considered an associate of the Group as certain rights were 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 was considered to have significant influence and therefore the investment in Ocado Retail Limited was treated as an associate and the Group applied the equity method of accounting. Subsequent to the year end, on 6 April 2025, Ocado Group plc gave up those rights to the Group. There was no change in economic interest of both shareholders in Ocado Retail Limited, nor any consideration paid by the Group, as a result of this change. From 6 April 2025, Ocado Retail Limited is consolidated as a subsidiary of the Group (see note 30).

Previously, Ocado Retail Limited's financial year end aligned with Ocado Group plc. For the Group's purpose of applying the equity method of accounting, Ocado Retail Limited had prepared financial information to the nearest quarter-end date of its financial year end, as to do otherwise would be impracticable. As part of the above change, Ocado Retail Limited has changed its year end date to align to the Group meaning that the Group's results for Ocado Retail Limited are incorporated in these financial statements from 4 March 2024 to 6 April 2025. There were no significant events or transactions in the period from 29 March 2025 to 6 April 2025.

The carrying amount of the Group's interest in Ocado Retail Limited is £385.0m (last year: £677.1m). The Group's share of Ocado Retail Limited losses of £43.6m (last year: loss of £79.9m) includes the Group's share of underlying losses of £28.7m (last year: share of underlying losses: £37.3m) and the Group's share of adjusting item charges of £2.0m (last year: £29.7m) and adjusting item charges of £12.9m (last year: £12.9m) (see note 5).

29 Investments in joint ventures and associates continued

During the year, following the identification of an impairment indicator triggered as part of the preparations ahead of the change of control and consolidation of Ocado Retail Limited, the Group has recognised an investment impairment charge of £248.5m (last year: £nil). This charge has been recognised as an adjusting item (see note 5).

Under IAS 36 Impairment of Assets, the recoverable amount was based on a fair value methodology and was estimated using the latest ORL Board-approved 5-year cash flow forecast, adjusted for certain management assumptions and having regard to historic ORL performance, future achievable growth and the impact of committed initiatives. The fair value valuation technique relies on inputs not in the public domain and is categorised as Level 3 in the hierarchy (for further details see 'fair value hierarchy' on page 173 in note 21).

Significant assumptions have been used in calculating the recoverable amount which are subject to uncertainty and involve judgement, including the cash flows used and the post-tax discount rate of 9.0%. The key assumptions most likely to have a material impact are revenue, fulfilment and delivery costs and the discount rate.

Management has performed sensitivity analysis on the key assumptions and using reasonably possible changes would result in the following impacts:

- A reduction in revenue of 5% in each year, including the terminal year, while maintaining margin rate would increase the impairment charge by £52.0m.
- An increase in fulfilment and delivery costs of 1.0% in each year, including the terminal year, would increase the impairment charge by £41.0m.
- A 100-basis point increase in the discount rate would increase the impairment charge by £80.0m.

In the event that all three were to occur simultaneously, the impairment charge would increase by £161.0m.

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 6 April 2025 £m	As at 3 March 2024 £m
Ocado Retail Limited		
Current assets	**270.6**	261.7
Non-current assets	**505.6**	517.4
Current liabilities	**(327.5)**	(272.3)
Non-current liabilities	**(494.5)**	(491.2)
Net (liabilities)/assets	**(45.8)**	15.6

	4 March 2024 to 6 April 2025 £m	27 February 2023 to 3 March 2024 £m
Revenue	**3,091.9**	2,470.3
Loss for the period	**(61.4)**	(133.7)
Total comprehensive loss	**(61.4)**	(133.7)

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 29 March 2025 £m	As at 30 March 2024 £m
Ocado Retail Limited		
Net (liabilities)/assets	**(45.8)**	15.6
Proportion of the Group's ownership interest	**(22.9)**	7.8
Goodwill	**449.1**	449.1
Brand	**223.1**	229.7
Customer relationships	**45.9**	56.5
Other adjustments to align accounting policies	**(67.4)**	(71.7)
Acquisition costs	**5.7**	5.7
Impairment of investment	**(248.5)**	—
Carrying amount of the Group's interest in Ocado Retail Limited	**385.0**	677.1

In addition, the Group holds immaterial investments in joint ventures and associates totalling £7.5m (last year: £7.1m). The Group's share of profit totalled £0.4m (last year: £0.5m loss) and an impairment of £nil (last year: £3.5m) was recognised.

30 Business combination

On 6 April 2025, in line with expectations, the Group obtained control of Ocado Retail Limited. There was no change in economic interest of both shareholders in Ocado Retail Limited, nor any consideration paid by the Group, as a result of this change. For further details see note 29.

The Group has gained control of an investment previously accounted for as an associate, which has been accounted for as a business combination using the acquisition method of accounting at the 'consolidation date' in accordance with IFRS 3 Business Combinations, and consequently the Ocado Retail Limited assets acquired and liabilities assumed have been recorded by the Group at fair value.

30 Business combination continued

	As at 6 April 2025 £m
Fair value of identifiable net assets (provisional)[1]	
Intangible assets: brand	**228.7**
Intangible assets: customer relationships	**55.0**
Intangible assets: other	**12.9**
Property, plant and equipment – owned	**234.8**
Property, plant and equipment – right-of-use assets[2]	**333.0**
Inventories	**85.7**
Trade and other receivables[3]	**116.7**
Cash and cash equivalents	**68.2**
Trade and other payables	**(261.6)**
Borrowings and other financial liabilities[2]	**(422.8)**
Provisions	**(33.8)**
Deferred tax liabilities	**(58.3)**
	358.5
Goodwill	
Fair value of pre-existing interest in Ocado Retail Limited (see notes 5 and 29)	**385.0**
Fair value of identifiable net assets	**(358.5)**
Non-controlling interest, based on their proportionate share of the acquired net assets	**179.3**
Loss on settlement of pre-existing relationship	**(18.0)**
Settlement of pre-existing relationship	**106.1**
	293.9

1 The fair value of the net assets acquired are provisional because the consolidation date was close to the reporting date. The fair values will be finalised within 12 months of the consolidation date.

2 The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable or unfavourable terms of the lease relative to market terms.

3 The fair value of trade and other receivables is considered equivalent to the gross contractual amount and the Group expects to collect substantially all of these.

Net cash inflow arising on acquisition relates to cash and cash equivalents acquired.

The goodwill primarily reflects the value of future new customers. None of the goodwill is expected to be deductible for tax purposes.

Settlement of pre-existing relationships

At the consolidation date, the Group and Ocado Retail Limited had two pre-existing relationships: a long-term supply contract under which the Group supplied Ocado Retail Limited with certain products at agreed contract rates; and a shareholder loan provided by the Group to Ocado Retail Limited (see note 28).

These pre-existing relationships were effectively settled at the consolidation date and were accounted for separately from the business combination under IFRS 3. Any pre-existing balances were eliminated on consolidation, with the balances derecognised from the Group's balance sheet and excluded from the fair value of Ocado Retail Limited's net assets acquired.

The long-term supply contract was effectively terminated at the consolidation date. The Group has attributed £18.0m of the notional consideration to the settlement of that pre-existing relationship. The fair value of the settlement has been determined based on an assessment of the difference between current market rates and the rates previously agreed in the lower cost legacy supply contract. The charge will be recognised within adjusting items.

31 Contingent assets

Previously, the Group was seeking damages from an independent third party following their involvement in anti-competitive behaviour that adversely impacted the Group. The Group expected to receive an amount from the claim (either in settlement or from the legal proceedings), a position that was reinforced by recent court judgements in similar claims. During the period, net income of £20.5m was recognised in settlement of the damages action (see note 5).

32 Subsequent events

On 6 April 2025, Ocado Retail Limited became a subsidiary of the Group. See notes 1, 29 and 30 for details.

On 22 April 2025, we announced that we had been managing a cyber incident. As part of our proactive management of the incident, we made the decision to pause taking orders via our UK & Ireland websites and apps and some M&S International-operated websites.

In response to the events, we engaged external cyber security experts to assist with investigating and managing the incident. The Group also engaged with the relevant authorities, including reporting the incident to the National Cyber Security Centre and the UK's Information Commissioner's Office ('ICO') as appropriate.

The incident has been treated as a non-adjusting post-balance sheet event and there has been no impact on the financial results reported for the year ended 29 March 2025.

Our current estimate before mitigation is an impact on Group operating profit of around £300m for 2025/26, which will be reduced through management of costs, insurance and other trading actions. It is expected that costs directly relating to the incident will be presented separately as an adjusting item.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	As at 29 March 2025 £m	As at 30 March 2024 £m
Assets			
Non-current assets			
Investments in subsidiary undertakings	C6	**9,830.7**	10,004.6
Total assets		**9,830.7**	10,004.6
Liabilities			
Current liabilities			
Amounts owed to subsidiary undertakings		**2,462.7**	2,483.6
Total liabilities		**2,462.7**	2,483.6
Net assets		**7,368.0**	7,521.0
Equity			
Ordinary share capital	C7	**20.6**	20.5
Share premium account	C7	**982.7**	967.0
Capital redemption reserve		**2,680.4**	2,680.4
Merger reserve	C7	**1,397.3**	1,397.3
Retained earnings		**2,287.0**	2,455.8
Total equity		**7,368.0**	7,521.0

The Company's loss for the year was £151.3m (last year: profit of £1,975.9m).

The financial statements were approved by the Board and authorised for issue on 20 May 2025. The financial statements also comprise the notes C1 to C7.

Stuart Machin
Chief Executive Officer

Registered number: 04256886

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Retained earnings £m	**Total £m**
At 2 April 2023	**19.8**	**910.7**	**2,680.4**	**—**	**1,855.0**	**5,465.9**
Profit for the year	—	—	—	—	1,975.9	1,975.9
Dividends	—	—	—	—	(19.6)	(19.6)
Capital contribution for share-based payments	—	—	—	—	41.8	41.8
Shares issued on exercise of employee share options	0.7	56.3	—	—	—	57.0
Reclassification from merger reserve	—	—	—	1,397.3	(1,397.3)	—
At 30 March 2024	**20.5**	**967.0**	**2,680.4**	**1,397.3**	**2,455.8**	**7,521.0**
At 31 March 2024	**20.5**	**967.0**	**2,680.4**	**1,397.3**	**2,455.8**	**7,521.0**
Loss for the year	**—**	**—**	**—**	**—**	**(151.3)**	**(151.3)**
Dividends	**—**	**—**	**—**	**—**	**(60.5)**	**(60.5)**
Capital contribution for share-based payments	**—**	**—**	**—**	**—**	**43.0**	**43.0**
Shares issued on exercise of employee share options	**0.1**	**15.7**	**—**	**—**	**—**	**15.8**
At 29 March 2025	**20.6**	**982.7**	**2,680.4**	**1,397.3**	**2,287.0**	**7,368.0**

COMPANY STATEMENT OF CASH FLOWS

	52 weeks ended 29 March 2025 £m	52 weeks ended 30 March 2024 £m
Cash flow from investing activities		
Dividends received	**65.6**	20.0
Net cash generated from investing activities	**65.6**	20.0
Cash flows from financing activities		
Shares issued on exercise of employee share options	**15.8**	57.0
Repayment of intercompany loan	**(20.9)**	(57.4)
Equity dividends paid	**(60.5)**	(19.6)
Net cash used in financing activities	**(65.6)**	(20.0)
Net cash inflow from activities	**—**	—
Cash and cash equivalents at beginning and end of year	**—**	—

NOTES TO THE COMPANY FINANCIAL STATEMENTS

C1 Accounting policies

General information

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

The principal activities of the Company and the nature of the Company's operations is as a holding entity.

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

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

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The Company grants share-based payments to the employees of subsidiary companies. Each period the fair value of the employee services received by the subsidiary as a capital contribution from the Company is reflected as an addition to investments in subsidiaries.

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

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

Key sources of estimation uncertainty

Impairment of investments in subsidiary undertakings

The carrying value of the investments in subsidiary undertakings is reviewed for impairment or impairment reversal on an annual basis. The recoverable amount is determined based on value in use which requires the determination of appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flows over the three-year strategic plan period, the long-term growth rate to be applied beyond this three-year period and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value.

Estimation uncertainty arises due to changing economic and market factors, the channel shift from stores to online, increasing technological advancement and the Group's ongoing strategic transformation programmes. See note C6 for further details on the assumptions and associated sensitivities.

The Company's financial risk is managed as part of the Group's strategy and policies as discussed in note 21 of the Group financial statements.

C2 Employees

The Company had no employees during the current or prior year. Directors received emoluments in respect of their services to the Company during the year of £1,341,240 (last year: £1,350,288). The Company did not operate any pension schemes during the current or preceding year. For further information see the Remuneration Report.

C3 Auditor's remuneration

Auditor's remuneration in respect of the Company's annual audit has been borne by its subsidiary Marks and Spencer plc and has been disclosed on a consolidated basis in the Company's consolidated financial statements as required by Section 494(4)(a) of the Companies Act 2006.

C4 Dividends

	2025 per share	2024 per share	**2025 £m**	2024 £m
Dividends on equity ordinary shares				
Paid final dividend	**2.0p**	—	**40.2**	—
Paid interim dividend	**1.0p**	1.0p	**20.3**	19.6
	3.0p	1.0p	**60.5**	19.6

The directors have approved a final dividend of 2.6p per share (last year: 2.0p 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.£53.4m (last year: £40.2m) will be paid on 4 July 2025 to shareholders whose names are on the Register of Members at the close of business on 30 May 2025. The ordinary shares will be quoted ex dividend on 29 May 2025.

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 13 June 2025.

C5 Related party transactions

During the year, the Company received a dividend of £65.6m (last year: £20.0m) and decreased its loan from Marks and Spencer plc by £20.9m (last year: £57.4m). The outstanding balance was £2,462.7m (last year: £2,483.6m) and is non-interest bearing. There were no other related party transactions.

C6 Investments

A. Investments in subsidiary undertakings

	2025 £m	2024 £m
Beginning of the year	**10,004.6**	8,006.9
Contributions to subsidiary undertakings relating to share-based payments	**43.0**	41.8
Impairment (charge)/reversal	**(216.9)**	1,955.9
End of year	**9,830.7**	10,004.6

Shares in subsidiary undertakings represent the Company's investment in Marks and Spencer plc, Marks and Spencer Holdings Limited and Marks and Spencer (A2B) Limited.

Impairment of investments in subsidiary undertakings

Investment in Marks and Spencer plc

The Company evaluates its investments in subsidiary undertakings annually for any indicators of impairment or impairment reversal. The Company considers the relationship between its market capitalisation and the carrying value of its investments, among other factors, when reviewing for indicators of impairment. As at 29 March 2025, the market capitalisation of the Group was below the carrying value of its investment in Marks and Spencer plc of £9,441.4m, indicating a potential impairment, despite strong Group performance.

The recoverable amount of the investment in Marks and Spencer plc has been determined based on a value in use calculation. The Company has updated its assumptions as at 29 March 2025, reflecting the latest budget and forecast cash flows covering a three-year period. The pre-tax discount rate of 13.5% (last year: 12.5%) was derived from the Group's weighted average cost of capital, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The long-term growth rate of 2.0% (last year: 2.0%), was based on inflation forecasts by recognised bodies with reference to rates used within the retail industry.

The outcome of the value in use calculation supports the carrying value of the investment in subsidiary undertakings, with a headroom of £1,259.7m. The Company has determined that the recoverable amount of its investment in Marks and Spencer plc is £10,025.6m and as a result no impairment has been recognised.

Sensitivity analysis

As disclosed in the accounting policies note C1, the cash flows used within the value in use model, the long-term growth rate and the discount rate are sources of estimation uncertainty. Management has performed a sensitivity analysis on the key assumptions and using reasonably possible changes would result in the following impacts:

Sensitivity area	Sensitivity tested	Impact	Resulting headroom
Cash flows	10% reduction	(£1,002.6m)	£257.1m
Long-term growth rate	50 basis point decrease	(£334.3m)	£925.4m
Discount rate	250 basis point increase	(£1,686.8m)	(£427.1m)

In the event that all three were to happen simultaneously, the resulting impairment charge would be £1,459.0m.

C6 Investments continued

Investment in Marks and Spencer Holdings Limited

Marks and Spencer Holdings Limited holds the investment in Ocado Retail Limited. The Company considered the impairment of Ocado Retail Limited recognised in the Group financial statements (see note 5) to be an indicator of impairment of its investment in Marks and Spencer Holdings Limited.

The recoverable amount of the investment in Marks and Spencer Holdings Limited has been estimated based on the fair value of the subsidiary as determined by its net asset value adjusted for the impairment of its investment in Ocado Retail Limited.

The Company has determined that the recoverable amount of its investment in Marks and Spencer Holdings Limited is £389.4m and as a result has recognised an impairment of £216.9m.

B Related undertakings

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation and the effective percentage of equity owned, as at 29 March 2025 is disclosed below. All undertakings are indirectly owned by the Company unless otherwise stated.

Subsidiary and other related undertakings registered in the UK(i)

Name	Share class	Proportion of shares held (%)
Founders Factory Retail Limited **Registered office: Founders Factory (Level 7) Arundel Street Building 180 Strand, 2 Arundel Street, London WC2R 3DA**	£0.0001 ordinary (25.001% of total capital)	0.004
	£0.0001 preferred (74.999% of total capital)	100
Hedge End Park Limited **Registered Office: 33 Holborn, London, EC1N 2HT**	£1 ordinary A (50% of total capital)	—
	£1 ordinary B (50% of total capital)	100
Marks and Spencer Pension Trust Limited(ii)(iii)	£1 ordinary A	100
	£1 ordinary B	—
	£1 ordinary C	—
Marks and Spencer plc(iii)	£0.25 ordinary	100
Marks and Spencer Scottish Limited Partnership(iv) **Registered Office: 2-28 St Nicholas Street, Aberdeen, AB10 1BU**	Partnership interest	100
Ocado Retail Limited **Registered Office: Apollo Court 2 Bishop Square, Hatfield Business Park, Hatfield, Hertfordshire, United Kingdom, AL10 9NE**	£0.01 ordinary	50
Amethyst Leasing (Holdings) Limited	£1 ordinary	100
M & S Limited	£1 ordinary	100
Marks and Spencer Pearl (1) Limited	£1 ordinary	100
Manford (Textiles) Limited	£1 ordinary	100
Marks and Sparks Limited	£1 ordinary	100
Marks and Spencer (Northern Ireland) Limited **Registered office: Merchant Square, 20-22 Wellington Place, Belfast, BT1 6GE**	£1 ordinary	100
Marks and Spencer Property Developments Limited	£1 ordinary	100
Nobody's Child Limited **Registered Office: 10-11 Greenland Place, Camden, London, NW1 0AP**	£0.01 Ordinary (72.910% of total capital)(v)	—
	£0.01 Preference (27.090% of total capital)(vi)	100
St. Michael (Textiles) Limited	£1 ordinary	100

C6 Investments continued

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 29 March 2025. Unless otherwise stated, the undertakings listed below are registered at Waterside House, 35 North Wharf Road, London, W2 1NW, United Kingdom, and have a single class of ordinary share with a nominal value of £1. All undertakings are indirectly owned by the Company unless otherwise stated.

UK registered subsidiaries exempt from audit

Name	Proportion of shares held (%)	Company Number
Amethyst Leasing (Properties) Limited	100	4246934
Busyexport Limited	100	4411320
Marks and Spencer (Initial LP) Limited(iii) Registered Office: 2 Semple Street Edinburgh EH3 8BL	100	SC315365
Marks and Spencer (Property Ventures) Limited	100	5502513
Marks and Spencer 2005 (Brooklands Store) Limited	100	5502608
Marks and Spencer 2005 (Chester Store) Limited	100	5502542
Marks and Spencer 2005 (Fife Road Kingston Store) Limited	100	5502598
Marks and Spencer 2005 (Glasgow Sauchiehall Store) Limited	100	5502546
Marks and Spencer 2005 (Hedge End Store) Limited	100	5502538
Marks and Spencer 2005 (Kensington Store) Limited	100	5502478
Marks and Spencer 2005 (Kingston-on-Thames Satellite Store) Limited	100	5502523
Marks and Spencer 2005 (Kingston-on-Thames Store) Limited	100	5502520
Marks & Spencer Outlet Limited	100	4039568
Marks & Spencer Simply Foods Limited	100	4739922
Marks and Spencer (Property Investments) Limited	100	5502582
Marks and Spencer Chester Limited	100	5174129
Marks and Spencer France Limited	100	5502548
Marks and Spencer International Holdings Limited	100	2615081
Marks and Spencer (Investment Holdings) Limited	100	13587353
Marks and Spencer (A2B) Limited(iii)	100	14228803
Marks & Spencer Company Archive CIC(vii)	N/A	7377510
Marks and Spencer 2005 (Parman House Kingston Store) Limited	100	5502588
Marks and Spencer 2005 (Pudsey Store) Limited	100	5502544
Marks and Spencer 2005 (Warrington Gemini Store) Limited	100	5502502
Marks and Spencer Holdings Limited(iii)	100	11845975
Marks and Spencer Investments	100	4903061
Marks and Spencer Property Holdings Limited	100	2100781
Ruby Properties (Cumbernauld) Limited	100	4922798
Ruby Properties (Hardwick) Limited	100	4716018
Ruby Properties (Long Eaton) Limited	100	4716031
Ruby Properties (Thorncliffe) Limited	100	4716110
Ruby Properties (Tunbridge) Limited	100	4716032
Simply Food (Property Investments)	100	5502543
Simply Food (Property Ventures) Limited	100	2239799
Marks and Spencer (Bradford) Limited	100	10011863
Marks and Spencer (Jaeger) Limited	100	13098074
Marks and Spencer Pearl (Daventry) Limited	100	14267865
Gist Limited	100	502669
St. Michael Finance Limited	100	1339700
The Sports Edit Limited	82.583	9331295

C6 Investments continued

UK registered subsidiaries exempt from audit continued

The Company will guarantee the debts and liabilities of the above UK subsidiary undertakings at the balance sheet date of £226.1m in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

(i) All companies registered at Waterside House, 35 North Wharf Road, London, W2 1NW, United Kingdom, unless otherwise stated.

(ii) In accordance with the Articles of Association of Marks and Spencer Pension Trust Limited, the holders of B and C ordinary shares are both directors of that company.

(iii) Interest held directly by Marks and Spencer Group plc.

(iv) Marks and Spencer (Initial LP) Limited and Marks and Spencer Pension Trust Limited are the limited partners; Marks and Spencer plc is the General Partner.

(v) Reduced to 65.987% of total capital as of 25 April 2025.

(vi) Increased to 34.013% of total capital as of 25 April 2025.

(vii) No share capital, as the company is limited by guarantee. Marks and Spencer plc is the sole member.

International subsidiary undertakings(i)

Name	Registered address	Country	Share class	Proportion of shares held by subsidiary (%)
Marks and Spencer (Australia) Pty Limited	Minter Ellison Governor Macquarie Tower Level 40 1 Farrer Place Sydney NSW 2000 Australia	Australia	AUD 2 ordinary	100
Marks and Spencer (Shanghai) Limited	Unit 03-05A 16/F, Eco City 1788, 1788 West Nan Jing Road, Shanghai, China	China	USD NPV	100
Marks and Spencer Czech Republic a.s	Jemnická 1138/1, Michle, Praha 4, 140 00, Czech Republic	Czech Republic	CZK 1,000 ordinary	100
			CZK 100,000 ordinary	100
			CZK 1,000,000 ordinary	100
Marks and Spencer Services S.R.O	Jemnická 1138/1, Michle, Praha 4, 140 00, Czech Republic	Czech Republic	CZK NPV	100
Marks and Spencer Marinopoulos Greece SA(ii)	33-35 Ermou Street, Athens 10563, Greece	Greece	€3 ordinary	100(iii)
			€3 preference	100
Ignazia Limited	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	£1 ordinary	100
Teranis Limited	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	£1 ordinary	100
M.S. General Insurance L.P.	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	Guernsey	Partnership interest	100
Marks and Spencer (Hong Kong) Investments Limited	Suites 807-13, 8/F, South Tower, World Finance Centre, Harbour City, Kowloon, Hong Kong	Hong Kong	No Par Value ordinary	100
Marks and Spencer (India) pvt Limited	Plot No 64, 2nd Floor, Holly Hocks, Sector 44, Gurgaon – 122 002, Haryana, India	India	INR10 ordinary	100
Marks and Spencer Reliance India pvt Ltd	4th Floor, Court House, Lokmanya Tilak Marg, Dhobi Talao, Mumbai, 400 002, India	India	INR 10 class A (14.619% of total capital)	51
			INR 10 class B (43.544% of total capital)	100
			INR 5 class C(iv) (41.837% of total capital)	—
Aprell Limited	24/29 Mary Street, Dublin 2, Ireland	Ireland	€1.25 ordinary	100

C6 Investments continued

International subsidiary undertakings[(i)] continued

Name	Registered address	Country	Share class	Proportion of shares held by subsidiary (%)
Marks and Spencer (Ireland) Limited	24/27 Mary Street, Co. Dublin, Dublin 1, D01 YE83, Ireland	Ireland	€1.25 ordinary	100
Marks and Spencer Pensions Trust (Ireland) Company Limited By Guarantee	24-27 Mary Street, Dublin 1, Dublin, D01 YE83, Ireland	Ireland	N/A[(v)]	—
Marks and Spencer (Nederland) B.V.	Basisweg 10, 1043 AP, Amsterdam, Netherlands	Netherlands	€450 ordinary	100
Marks and Spencer BV	Basisweg 10, 1043 AP, Amsterdam, Netherlands	Netherlands	€100 ordinary	100
Marks & Spencer (Portugal) Lda.	Avenida da Liberdade 249, 8°, 1250-143, Lisbon, Portugal	Portugal	€1 ordinary	100
Marks and Spencer (Singapore) Investments Pte. Ltd.	77 Robinson Road, #13-00 Robinson 77, Singapore 068896, Singapore	Singapore	SGD NPV	100
Marks and Spencer (SA) (Pty) Limited	Woolworths House, 93 Longmarket Street, Cape Town 8001, South Africa	South Africa	ZAR 2 ordinary	100
Marks and Spencer Clothing Textile Trading J.S.C	Havalani Karsisi istanbul Dunya Ticaret Merkezi A3 Blok, Kat:11 Yesilkoy, Bakirkoy Istanbul Turkey	Turkey	TRL 25.00 Ordinary	100
Gist Distribution Limited	24-27 Mary Street, Dublin 1, Dublin, Ireland	Ireland	€1 Ordinary	100

NOTE: A number of the companies listed are legacy companies which no longer serve any operational purpose.

(i) The shares of all international subsidiary undertakings are held by companies within the Group other than the Company (Marks and Spencer Group plc).

(ii) Company name from 31 March 2025: Marks and Spencer Greece Single Member SA.

(iii) On 28 March 2025, the 20% ordinary shares owned by JV partner were acquired by Marks and Spencer B.V.

(iv) INR 5 class C shares 100% owned by JV partner.

(v) No share capital as the company is limited by guarantee.

C7 Share capital and other reserves

Issue of new shares

A total of 14,844,347 (last year: 75,421,892) ordinary shares having a nominal value of £0.1m (last year: £0.7m) were allotted during the year under the terms of the Company's share schemes which are described in note 13 of the Group financial statements. The aggregate consideration received was £15.8m (last year: £57.0m).

Merger reserve

The Company's merger reserve was created as part of a Group reorganisation that occurred in 2001/02 and has an economical relationship to the Company's investment in Marks and Spencer plc. Between 2019/20 and 2022/23 an amount equal to the original merger reserve balance of £1,397.3m was transferred from the merger reserve to retained earnings as that amount had become a realised profit in accordance with TECH 02/17. Following the reversal of impairment recognised in 2023/24, an amount equal to the original merger reserve balance of £1,397.3m was transferred from retained earnings to the merger reserve, in accordance with TECH 02/17.

GROUP FINANCIAL RECORD

	2025 52 weeks £m	2024 52 weeks[4] £m	2023 52 weeks[4] £m	2022 52 weeks[4] £m	2021 53 weeks[4] £m
Income statement					
Revenue[1,4]					
UK & ROI Fashion, Home & Beauty	**4,137.8**	4,022.2	3,842.2	3,308.3	2,239.0
UK & ROI Food	**9,021.0**	8,298.8	7,348.1	6,639.6	6,138.5
International	**658.0**	719.1	741.0	937.2	789.4
Revenue before adjusting items	**13,816.8**	13,040.1	11,931.3	10,885.1	9,166.9
Adjusting items included in revenue	**—**	—	—	—	(11.2)
Revenue	**13,816.8**	13,040.1	11,931.3	10,885.1	9,155.7
Adjusted operating profit/(loss)[1,4]					
UK & ROI Fashion, Home & Beauty	**475.3**	437.5	365.9	330.7	(130.8)
UK & ROI Food	**484.1**	388.4	222.9	277.8	228.6
Ocado	**(28.7)**	(37.3)	(29.5)	13.9	78.4
Other	**7.5**	2.2	(0.5)	13.0	1.9
International	**46.3**	47.8	67.8	73.6	44.1
Total adjusted operating profit	**984.5**	838.6	626.6	709.0	222.2
Adjusting items included in operating profit	**(360.2)**	(124.4)	(111.5)	(136.8)	(252.9)
Total operating profit/(loss)	**624.3**	714.2	515.1	572.2	(30.7)
Net interest payable	**(109.0)**	(122.2)	(173.3)	(199.3)	(219.1)
Adjusting items included in net finance costs	**(3.5)**	80.5	133.9	18.8	40.4
Net finance costs	**(112.5)**	(41.7)	(39.4)	(180.5)	(178.7)
Profit on ordinary activities before taxation and adjusting items	**875.5**	716.4	453.3	509.7	3.1
Profit/(loss) on ordinary activities before taxation	**511.8**	672.5	475.7	391.7	(209.4)
Income tax (expense)/credit	**(219.9)**	(247.3)	(111.2)	(180.3)	17.0
Profit/(loss) after taxation	**291.9**	425.2	364.5	211.4	(192.4)

GROUP FINANCIAL RECORD CONTINUED

		2025 52 weeks £m	2024 52 weeks £m	2023 52 weeks £m	2022 52 weeks £m	2021 53 weeks £m
Basic earnings per share[1]	Basic earnings/Weighted average ordinary shares in issue	**14.6p**	21.9p	18.5p	10.7p	(9.7p)
Adjusted basic earnings per share[1]	Adjusted basic earnings/Weighted average ordinary shares in issue	**31.9p**	24.6p	16.9p	16.2p	(0.1p)
Dividend per share declared in respect of the year[5]		**3.6p**	3.0p	—	—	—
Dividend cover[5]	Adjusted earnings per share/Dividend per share	**8.9x**	8.2x	—	—	—
Retail fixed charge cover[3]	Operating profit before depreciation/Fixed charges	**6.7x**	5.1x	3.7x	3.5x	2.0x
Statement of financial position						
Net assets (£m)		**2,951.4**	2,830.1	2,680.8	2,783.8	2,249.3
Net debt (£m)[2]		**1,789.6**	2,165.8	2,637.2	2,698.8	3,515.9
Capital expenditure (£m)[6]		**578.2**	396.1	402.8	300.2	146.9
Stores and space						
UK & ROI stores[4]		**1,091**	1,084	1,087	1,035	1,037
UK & ROI selling space (m sq ft)[4]		**17.1**	17.3	17.3	16.7	16.8
International stores[4]		**395**	408	380	452	472
International selling space (m sq ft)[4]		**4.0**	3.9	3.8	5.0	5.1
Colleagues (full-time equivalent)						
UK & ROI[4]		**47,863**	49,023	48,657	42,550	44,423
International[4]		**3,392**	3,616	3,435	4,558	4,754

The above results are prepared under IFRS for each reporting period on a consistent basis.

1 Based on continuing operations.

2 Excludes accrued interest.

3 Calculated on Marks and Spencer Group plc's consolidated basis.

4 During the year, the Group made changes to the International segment and now the Republic of Ireland is reported within the Fashion, Home and Beauty and Food segments. 2024 and 2023 have been restated for comparative purposes, however, the 2022 and 2021 figures remain UK Food, UK Fashion, Home & Beauty and the Republic of Ireland is included within the International segment.

5 Dividend per share declared in respect of the year and dividend cover have been restated.

6 Capital expenditure has been restated for 2024.

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 statements 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.

Alternative performance measure (APM)	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income statement measures			
Sales[1]	Revenue	Consignment sales	Sales include 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.
Fashion, Home & Beauty store/ Fashion, Home & Beauty online sales[1]	None	Not applicable	The growth in revenues on a year-on-year basis is a good indicator of the performance of the stores and online channels.

	2024/25 £m	2023/24 £m	%
UK & ROI Fashion, Home & Beauty			
Store sales[2]	**2,806.1**	2,777.3	1.0
Consignment sales	**(16.9)**	(18.6)	
Store revenue	**2,789.2**	2,758.7	1.1
Online sales[2]	**1,429.2**	1,314.1	8.8
Consignment sales	**(80.6)**	(50.6)	
Online revenue	**1,348.6**	1,263.5	6.7
UK & ROI Fashion, Home & Beauty sales	**4,235.3**	4,091.4	3.5
Consignment sales	**(97.5)**	(69.2)	
Total UK & ROI Fashion, Home & Beauty revenue	**4,137.8**	4,022.2	2.9

2 UK & ROI Fashion, Home & Beauty store sales exclude revenue from 'shop your way' and Click & Collect, which are included in UK & ROI Fashion, Home & Beauty online sales.

There is no material difference between sales and revenue for UK & ROI Food and International.

Alternative performance measure (APM)	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Like-for-like sales growth[1]	Movement in revenue per the income statement Revenue from non-retail businesses	Revenue from non-like-for-like stores Consignment sales	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.

	2024/25 £m	2023/24 £m	%
UK & ROI Food			
Like-for-like	**8,609.1**	7,924.1	8.6
Net new space[3]	**411.9**	374.7	
Total UK & ROI Food sales	**9,021.0**	8,298.8	8.7
UK & ROI Fashion, Home & Beauty			
Like-for-like	**4,145.7**	3,972.1	4.4
Net new space	**89.6**	119.3	
Total UK & ROI Fashion, Home & Beauty sales	**4,235.3**	4,091.4	3.5

3 UK & ROI Food net new space includes Gist third party revenue.

Alternative performance measure (APM)	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
M&S.com sales/ online sales[1]	None	Not applicable	Total sales through the Group's online platforms. These sales are reported within the relevant UK & ROI Fashion, Home & Beauty, UK & ROI 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.
Fashion, Home & Beauty Online sales excluding furniture[1]	None	Not applicable	Total online sales for UK & ROI Fashion, Home & Beauty excluding the furniture categories' sales. This measure has been introduced to enable a comparable indicator of the performance of the online channel as it excludes the impact of furniture sales following the Group's withdrawal from its two-person furniture delivery operation (see note 5).
International online[1]	None	Not applicable	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.

	2024/25 £m	2023/24 £m	%
International sales			
Stores	**566.6**	600.5	(5.6)
Online	**91.4**	118.6	(22.9)
At reported currency	**658.0**	719.1	(8.5)

GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Alternative performance measure (APM)	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Sales growth at constant currency[1]	None	Not applicable	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.

	2024/25 £m	2023/24 £m	%
International sales			
At constant currency	**658.0**	708.2	(7.1)
Impact of FX retranslation	**—**	10.9	
At reported currency	**658.0**	719.1	(8.5)

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 5)	Operating profit before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
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 5)	Finance income before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
Finance costs before adjusting items	Finance costs	Adjusting items (See note 5)	Finance costs before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
Net interest payable on leases	Finance income/ costs	Finance income/ costs (See note 6)	The net of interest income on subleases and interest payable on lease liabilities. This measure has been introduced as it allows the Board and Executive Committee to assess the impact of IFRS 16 Leases.
Net financial interest	Finance income/ costs	Finance income/ costs (See note 6)	Calculated as net finance costs, excluding interest on leases and adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.

GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES CONTINUED

Alternative performance measure (APM)	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
EBIT before adjusting items	EBIT[4]	Adjusting items (See note 5)	Calculated as profit before the impact of adjusting items, net finance costs and tax as disclosed on the face of the consolidated income statement. This measure is used in calculating the return on capital employed for the Group.
Ocado Retail Limited Adjusted EBITDA	EBIT[4]	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 5)	Profit before the impact of adjusting items and tax. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee. This is a measure used within the Group's incentive plans. Refer to the Remuneration Report for an explanation of why this measure is used within incentive plans.
Adjusted basic earnings per share	Earnings per share	Adjusting items (See note 5)	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 5)	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 5 and note 7)	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.

Alternative performance measure (APM)	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Balance sheet measures			
Net debt	None	Reconciliation of net debt (see note 27)	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 27) Lease liabilities (see note 20)	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 excluding lease surrenders, 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 cash flow 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.

GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES CONTINUED

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:

	2024/25 £m	2023/24 £m
Operating profit	**624.3**	714.2
Adjusting items included in operating profit (see note 5)	**360.2**	124.4
Adjusted operating profit	**984.5**	838.6
Net assets	**2,951.4**	2,830.1
Add back:		
Partnership liability to the Marks & Spencer UK Pension Scheme	**—**	88.8
Deferred tax liabilities	**199.4**	205.8
Non-current borrowings and other financial liabilities	**2,588.7**	2,882.8
Retirement benefit deficit	**122.7**	4.6
Current tax liabilities	**1.2**	1.5
Derivative financial instruments	**34.4**	34.4
Less:		
Investment property	**(11.2)**	(11.6)
Retirement benefit assets	**—**	(81.8)
Current tax assets	**(71.1)**	(32.9)
Deferred tax assets	**(13.9)**	(11.7)
Net operating assets	**5,801.6**	5,910.0
Add back: Provisions related to adjusting items	**141.6**	130.6
Capital employed	**5,943.2**	6,040.6
Average capital employed	**5,991.9**	5,957.3
ROCE %	**16.4%**	14.1%

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 The segments have been restated as the Group no longer includes the Republic of Ireland within the International segment and instead includes the Republic of Ireland within the Fashion, Home & Beauty and Food segments.
4 EBIT is not defined within IFRS but is a widely accepted profit measure being earnings before interest and tax.