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Marks and Spencer Group Plc

Full Year Results for 53 Weeks Ended 3 April 2021

“NEVER THE SAME AGAIN - FORGING A RESHAPED M&S”

2020/21 is a 53-week year. The comparative period is 52 weeks to 28 March 2020. To aid understanding, we are showing the unaudited 52 weeks to 27 March 2021 with commentary and percentage changes on a 52-week basis unless otherwise stated.

Resilient financial performance in a year of disruption

- Profit before tax & adjusting items of £41.6m (53 weeks £50.3m)
- Statutory loss of £201.2m (53 weeks £209.4m)
- Food LFL revenue up 1.3%, underlying LFL ex-hospitality and franchise up 6.9%
- C&H revenue down 31.5%. Online growth of 53.9% partly offsetting stores down 56.2%
- Group online revenue ex-Ocado now £1.5bn
- Ocado Retail share of net profit £78.4m
- Net debt excluding lease liabilities reduced £278.6m to £1.11bn and strong liquidity

Forging a reshaped M&S through the Never the Same Again programme

- M&S Food growth supported by improved value perception and over 1,900 new lines
- M&S products now over 25% of Ocado average basket and c.50% capacity growth planned
- Clothing & Home business reshaped with shift to active and casual and more focused ranges
- MS2 created to accelerate the shift to omni-channel with an online first approach
- Sparks relaunch hits 10m members with substantially improved data capabilities
- Accelerated opportunity to rotate the store estate into higher quality space

Steve Rowe, CEO: “In a year like no other we have delivered a resilient trading performance, thanks in no small part to the extraordinary efforts of our colleagues. In addition, by going further and faster in our transformation through the Never the Same Again programme, we moved beyond fixing the basics to forge a reshaped M&S. With the right team in place to accelerate change in the trading businesses and build a trajectory for future growth, we now have a clear line of sight on the path to make M&S special again. The transformation has moved to the next phase.”

	53 weeks ended 3 April 21	52 weeks ended 27 March 21	52 weeks ended 28 March 20
Group revenue before adjusting items	£9,166.9m	£8,972.7m	£10,181.9m
Group operating profit before adjusting items	£222.2m	£209.7m	£590.7m
Profit before tax & adjusting items	£50.3m	£41.6m	£403.1m
Adjusting items	£(259.7)m	£(242.8)m	£(335.9)m
(Loss)/profit before tax	£(209.4)m	£(201.2)m	£67.2m
(Loss)/profit after tax	£(201.2)m	£(194.4m)	£27.4m
Basic (loss)/earnings per share	(10.1)p	(9.8)p	1.3p
Adjusted basic earnings per share	1.4p	1.1p	16.7p
Free cash flow ¹	£296.4m	n/a	£205.7m
Net debt ¹	£3.52bn	n/a	£3.95bn
Net debt excluding lease liabilities ¹	£1.11bn	n/a	£1.39bn
Dividend per share	-	-	3.9p

¹Due to a change in the Group's accounting policy to recognise BACS payments at the settlement date, rather than when they are initiated, the comparative amounts for net debt and free cashflow have been restated.

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

FORGING A RESHAPED M&S

Our results for the year bear the impact of the pandemic spanning the beginning of the first national lockdown through to near to the end of the third lockdown in the UK. However, they also reflect an acceleration of the transformation which enabled the business to deliver a resilient performance.

In the first section of this statement, we explain how this performance was delivered. We then outline how we have used this period to accelerate transformation under the Never the Same Again programme to ensure a reshaped business emerges from the crisis. Finally, we lay out our medium-term ambition for the Group's businesses and expectations for the year ahead.

A resilient financial performance in a year of disruption

- The Group delivered profit before tax and adjusting items of £41.6m and a statutory loss before tax of £201.2m in a year characterised by unprecedented lockdowns, resilient performance and disciplined management of costs.
- We are grateful for total government support of £306.1m which has partly offset the effect of lost trade and enabled us to maintain employment.
- *Food* delivered strong underlying LFL growth of 6.9% after adjusting for the closure of hospitality and the adverse impact on franchise sales. Operating profit before adjusting items of £213.6m was a creditable achievement given the related effects on product mix.
- *Ocado Retail* contributed a share of net income of £78.4m in an exceptional period for the business and following the successful switchover to M&S supply.
- *Clothing & Home* results reflect the heavy impact of lockdowns on stores, a substantial change in product mix and the challenges of clearing stock, partially offset by very strong growth online of 53.9%. As a result, net revenue declined 31.5% and there was an operating loss before adjusting items of £129.4m. Performance improved in the second half as online growth made greater inroads into the store sales decline. Clothing & Home online generated an operating profit margin of c.14%.
- *International* operating profit before adjusting items of £45.1m was resilient due to online growth which helped to mitigate the pandemic impacts on store sales in different regions.
- The *balance sheet* has emerged stronger than expected. Lower discretionary costs and capex, managed stock flow and a focus on working capital resulted in net debt excluding lease liabilities down £278.6m to £1.11bn and a strong liquidity position.

This resilient performance is due to the extraordinary efforts of colleagues across the business, playing their part to feed the nation, increase our capacity for home delivery and work with our trusted suppliers to adapt to rapidly changing restrictions across the year.

A reshaped M&S emerging from the pandemic period

Over the past three years the objective of the transformation has been to restore M&S to sustainable growth through 'facing into the facts' the business had failed to address. The transformation has included shifting to trusted value and broadening the appeal of our ranges in Clothing & Home and Food, investing in online and digital capability including establishing the investment in Ocado Retail and tackling both the high cost and outdated supply chains and the legacy store estate.

From the start of the pandemic we recognised that it would accelerate market trends providing an opportunity to bring forward transformation to emerge as a reshaped business.

- *Broadening M&S Food appeal:* The Food business is broadening its appeal through more relevant family focused innovation and improved value perception led by over 340 'Remarksable value' lines which now represent c.10% of volumes. Growth is supported by a significant cost reduction programme including synergies from growth on Ocado, systems

upgrades to reduce waste and the Vangarde supply chain programme which is delivering better availability.

- *Transition to M&S product on Ocado Retail completed successfully:* Penetration of M&S lines on Ocado is consistently over 25% of the Ocado basket, outperforming Waitrose. The next stage is to grow capacity by c.50% in the next 18 months and to realise further potential from the joint venture with our partners Ocado Group.
- *Omni-channel Clothing & Home business emerging:* Substantial reshaping has created a 'product engine' providing a contemporary, focused M&S range. In addition, complementary external brands have been successfully launched. The creation of MS2 has brought together the data and online teams to prioritise online trading and growth while leveraging the advantages of our store estate more effectively. MS2 draws on the data engine and the relaunched Sparks loyalty scheme which has grown to over 10m members, enabling a more personalised relationship with customers.
- *Accelerated rotation of the full line store estate:* The drag on performance of the legacy estate has been exacerbated by Covid bringing forward the decline of some locations but also creating opportunities for rotation. We are increasing the speed of change to create a group of well-invested full-line stores in c.180 prime and core markets. The costs of the rotation programme will be largely funded by the release of cash from the development of freehold and long leasehold sites.
- *An International business focused on major partnerships and online:* Online sales doubled in 2020/21 and we are now investing in increasingly localised fulfilment, expanding our presence on marketplaces such as Zalando and the launch of additional websites such as the 46 markets announced in March. Digital trading improvements, partner store modernisation and supply chain development are positioning the business for rapid recovery as lockdowns end. Following Brexit, the business is reconfiguring trading with its EU businesses to reflect the challenges of exporting to the EU.

Business positioned well for the medium-term despite near-term headwinds

Overall trading for the first six weeks of the financial year and since reopening has been ahead of the comparable period two years ago in 2019/20 and our central case. Core Food is in strong growth although hospitality and franchise remain adversely affected, with Clothing & Home sales growing since reopening and online remaining robust. International sales continue to be impacted by on-going restrictions, particularly in India.

While encouraging, it is unclear how the recovery will develop and if consumer activity will sustain. International markets continue to face headwinds with ongoing disruption and the material costs of Brexit which we are working to mitigate. At this early stage our central case is that we will generate profit before tax and adjusting items between £300-350m and as capital expenditure recovers towards pre-pandemic levels, our ambition is for a further reduction in net debt.

We have a clear path to a transformed business in the medium term. The priority is to fund investment in building omni-channel capability, including investment in the supply chain, store rotation and maintenance of our changing estate. As we recover balance sheet metrics consistent with investment grade, we will assess the reintroduction of dividend payments, although as we focus on restoring profitability this is unlikely in the current year.

1. A RESILIENT FINANCIAL PERFORMANCE IN A YEAR OF DISRUPTION

The reporting period spans the year from the beginning of the first UK-wide national lockdown in March 2020 to the end of the third lockdown in April 2021. In most of this time our operations have been severely constrained by the change in day-to-day living, the effects of social distancing and partial or full closure of large parts of our store estate. This has resulted in substantial changes to the mix of products customers have bought and a wide divergence of store formats and channels.

The group has delivered a profit before tax and adjusting items this year of £41.6m, compared with £403.1m last year. Statutory loss before tax was £(201.2)m respectively on a 52 week basis (£(209.4)m on a 53 week basis), compared to a statutory profit before tax in 2019/20 of £67.2m. Strong free cashflow has driven a healthy reduction in net debt. The substantial effects of reduced sales and directly attributable covid related costs of £269.6m as a result of the pandemic were only partly offset by government support of £306.1m.

Group results before adjusting items (£m) ¹	2020/21	2019/20	%
C&H operating (loss)/profit	(129.4)	223.9	-157.8
Food operating profit	213.6	236.7	-9.8
International operating profit	45.1	110.7	-59.3
Share of Ocado Retail net income	78.4	2.6	2,915.4
Profit before tax & adjusting items	41.6	403.1	-89.7
Adjusting items	(242.8)	(335.9)	27.7
Free cashflow ²	296.4	205.7	44.1
Net debt excluding lease liabilities ²	£1.11bn	£1.39bn	-20.1
Net debt ²	£3.52bn	£3.95bn	-10.9

¹On an unaudited 52 week basis to 27 March 2021 except where stated

²Items shown on a 53-week basis. Due to a change in the Group's accounting policy to recognise BACS payments at the settlement date, rather than when they are initiated, the comparative amounts for net debt and free cashflow have been restated

Strong underlying Food performance – LFL ex hospitality and franchise up 6.9%

M&S Food delivered strong underlying LFL growth of 6.9% after adjusting for the closure of hospitality and the adverse impact on the franchise business. Total sales were down (0.6)% and operating profit before adjusting items of £213.6m reflected the negative effects of product mix. The trading impact on the convenience and hospitality businesses together with the effect of Covid related costs was only partially offset by government support and cost saving programmes.

The strong underlying LFL growth was delivered in the face of further additional headwinds, including the exposure to office and shopping centre locations as illustrated below. Unlike some competitors M&S Food sales as reported do not benefit from a direct online grocery presence, with these sales reported through Ocado Retail instead. The change in shape of trade is illustrated in the table below with the adversely affected areas collectively accounting for c.37% of prior year sales.

% change to 19/20		% change to 19/20	
Simply Food	18	High Street	-18
Retail Parks	7	Shopping centre	-19
Franchise fuel	5	City centre	-33
M&S.com (online flowers/hampers/wine)	184	Franchise travel (rail/air/roadside)	-82
Total	17	Total	-29

Lockdown also resulted in steep declines in convenience categories such as food-on-the-move and initially in prepared meals given reduced footfall as customers switched to home cooking. However, the repurposing of space towards core categories such as grocery, household, and meat, fish and poultry,

together with the continued transformation of our ranges and value position helped to offset the loss of convenience trade. The adversely impacted categories together accounted for around a third of prior year sales.

% change to 19/20		% change to 19/20	
Meat, fish, poultry, deli	13	Hospitality	-81
Produce & flowers	8	Food-on-the-move	-47
Beers, wines, spirits	25	Bakery	-7
Grocery & household	27	Prepared meals	-5
Frozen	36	Confectionery	-4
Total	15	Total	-26

The Group had a good Christmas and a very strong Easter in 2021, which fell into week 53 of the financial year.

The Food business incurred extra costs to support customer and colleague safety of £49.4m and incentives for non-furloughed colleagues working through the pandemic of £22.0m. In addition, £9.9m of costs were incurred as a result of Brexit, which are set out in further detail below.

Exceptional Ocado Retail contribution to results

Ocado Retail delivered 43.7% revenue growth over the 52 weeks ended 28 February 2021 and contributed a share of net income of £78.4m.

This has been an exceptional period for grocery online and Ocado Retail performed strongly. Higher than normal basket size and a smoothed trading profile across the week together with reduced marketing costs delivered a strong improvement in profitability. The overall result included the Group's share of insurance receipts related to business interruption at the Andover customer fulfilment centre (CFC).

The well-planned switchover to M&S supply from Waitrose in September 2020 went smoothly with a positive customer response and the M&S share of basket has exceeded the Waitrose level prior to switchover.

Accelerating online sales growth of 53.9% partially offsetting store decline of 56.2% in Clothing & Home

The overall Clothing & Home result for the year was heavily impacted by lockdowns, on-going social distancing, steep decline in formal and occasionwear, the location of many of our stores in town and shopping centres and the priority to clear stock. As a result, total revenue declined 31.5%.

As we implemented MS2 and took multiple steps to improve online operating performance we were able to capitalise on the change in customer shopping patterns and saw a progressive increase in online sales and market share growth through the year. This was a result of strong traffic, active customer growth, improving frequency and lower returns. The business had a good service and fulfilment performance supported by previous investment in the Castle Donington distribution centre and substantial expansion of fulfilment from store capability.

As reported for Food, stores in high streets, shopping centres and city centres created an extra drag on sales performance, with these channels representing c.70% of prior year store sales.

% change to 19/20		% change to 19/20	
Retail Parks	-44	High street	-56
C&H in Food stores	-44	Shopping centre	-63
		City centre	-67
		Outlets	-60
Total	-44	Total	-61

Within categories, casual clothing, kids and home outperformed but not sufficiently to offset the adverse sales mix in areas such as formal clothing and holiday, with the categories in the right-hand table below accounting for c.18% of prior year sales.

% change to 19/20	Online	Stores	% change to 19/20	Online	Stores
Lingerie & essentials	121	-54	Formal	-15	-72
Kids	78	-43	Holiday	-31	-72
Casual	61	-56	Shoes & accessories	3	-68
Home & beauty	30	-47	Outerwear	15	-52
Total	66	-51	Total	-7	-69

Clothing & Home recorded an operating loss before adjusting items of £129.4m as lower sales were only partly offset by reduced operating costs. Losses substantially reduced in the second half as the actions we took to accelerate online growth partly compensated for losses in store. Overall, Clothing & Home online generated strong profitability, with an operating margin of c.14%, for the year. Conversely, the operating loss in stores represented a margin on sales of c.(26)%. Stringent action to reduce or postpone orders from suppliers together with measures to hibernate a small amount of stock resulted in a relatively clean stock position by the end of the year.

Resilient International profit as a result of franchise partnerships and strong online growth

International sales reflected the pandemic impact and lockdowns across markets partly offset by the strong shift to online sales. Clothing & Home sales declined 21.6% at constant currency, largely driven by lower store sales in the Republic of Ireland and India and working with franchise partners to manage the effects of the pandemic. This was partly offset by online sales which more than doubled. Food sales, down 9.4% were more resilient particularly in the Middle East and Asia as Covid refocused customer demand to favour eating in. This helped to offset a weaker performance in travel franchise sales in Europe and disruption from Brexit in quarter four.

Operating profit before adjusting items of £45.1m reflects in large part the lower Clothing & Home sales. The International business also incurred Brexit related costs of £6.2m in the year.

Relaunched Sparks loyalty scheme and M&S Bank customer offer

We relaunched the Sparks loyalty scheme in July shifting from a points-based plan which was delivered through a physical card, to a more customer friendly digital experience. Since relaunch total membership has grown to over 10m customers. The new Sparks operates on the M&S app and enables M&S to create a more personalised relationship with members as opposed to the traditional model of targeted promotions. Alongside Sparks we are repositioning the M&S Bank, closing down the branches and moving away from traditional banking accounts, focusing instead on credit, currency services and payments.

Balance sheet strengthened

At year end, the Group's net debt excluding lease liabilities declined by £278.6m and total net debt was down £434.7m. Although profitability was significantly reduced by the impacts of the pandemic, cashflow was preserved through a combination of actions to improve working capital including new terms with suppliers, adjustment to arrangements with landlords, reduced discretionary costs, careful management of capital expenditure and government support. During the period, the business strengthened its overall liquidity position by reducing net debt, refinancing its 2021/22 debt maturities and managing its standby liquidity facility with its banks.

Adjusting items reflect cost restructuring and the accelerated store rotation programme

We have reported adjusting items of £259.7m for the 53-week period (52 weeks: £242.8m). Significant charges of £133.7m relate to the costs of organisational change including the restructuring of operations announced in the summer of 2020 and in the Republic of Ireland. We expect the restructuring of operations to generate annualised cost savings of at least £115m. We have also provided £95.3m for accelerated depreciation and impairment as we increase rotation of the estate to address the drag of legacy stores unsuitable for modern trading or in declining locations. A charge of £79.9m has been recognised for intangible asset impairments, offset by a £90.8m gain largely relating to the release of a portion of the Covid inventory provision made in the prior year.

2. A RESHAPED M&S EMERGING FROM THE PANDEMIC PERIOD

Over the past three years the objective of the transformation has been to restore the business to sustainable growth. We have substantially reduced promotions and shifted to trusted value to broaden the appeal of our ranges, invested in online, data and digital capability, established the Ocado Retail joint venture and also tackled the legacy store estate and created more efficient operations. However, from the outset of the pandemic we recognised it would accelerate market trends providing an opportunity to bring forward transformation through the 'Never the Same Again' programme to emerge as a reshaped business.

M&S Food positioned for growth

The objective for Food is to 'protect the magic' by investing in our unique focus on own brand innovation and fresh, easy to cook food and growing through larger more inspirational stores, while modernising the cost base and supply chain. With strong customer perceptions on quality and a reputation for innovation and trust, yet a small market share, the business has a substantial growth opportunity.

Protecting the magic: The M&S Food range is built from deep supplier relationships and strong product knowledge to drive a high level of innovation. Over the past year we created over 1,900 new lines broadening appeal in healthy and family product. This included expanding Dine-In to feed a family of four and building on our strengths over key events. To help create next generation ideas a "Food Innovation Hub" has been established bringing together packaging, product innovation and nutrition in areas such as plant-based protein and sustainable packaging.

Delivering better value: The aim for M&S Food is to always be great value, with better quality and ingredient content more than compensating for any difference in price. We have extended our position on trusted value by expanding the range of 'Remarksable Value' staple lines at an everyday low price to over 340 products, which now account for c.10% of volumes. This has supported a further improvement in value perception which is now at its strongest level in almost three years.

Larger and more inspirational stores: Food renewal aims to create larger stores with the efficiency of a supermarket and the 'soul' of a fresh food market and has this now been implemented in 15 stores with current year openings and renewals raising the total to around 40. These stores offer increased produce, bakery, ambient grocery and frozen ranges in an inspiring environment. The initial trial stores outside Covid affected city centres grew sales 15% last year.

Moving to digital marketing and sales: Food marketing has shifted focus away from conventional activity towards high impact brand building and increased social media engagement, which helps create a new shop window to the brand and reach new audiences. As a result, while we have reduced marketing spend and promotional activity is down substantially, the spend on social media and digital marketing has increased by c.35% on the prior year.

Food-on-the-move and hospitality: Despite the impact in office locations during Covid, we expect our sales in food-on-the-move to recover over time with further opportunities for growth through new channels to market. In addition, the M&S café offer has now been refreshed and simplified and this year will implement modern quick to serve menus, which are lower touch to prepare.

Upgraded systems: High waste and low availability in some instances reflects a cumbersome and under-invested supply chain and high touch forecasting and range management systems. We are now commencing a programme to upgrade core systems to reduce manual intervention and improve accuracy and efficiency. This includes updating forecasting and ordering technology with an objective of reducing waste by more than 10% and we are replacing the space, range and display system, improving the tailoring of ranges to store.

Rolling out supply chain improvements: The Vangarde programme is now operating in c.350 stores served by five depots with sales uplifts from the first depot at over 3% compared with control stores, partly as a result of improved availability. We will be rolling this out to the full estate over the rest of this year. To grow ambient ranges and larger baskets we have opened a new depot in Milton Keynes enabling growth of 13% over Q3, with the next phase of capacity planned for 2021/22.

Lower cost to operate: We have now delivered over £180m of cost of goods savings over the past two years to help mitigate inflation and enable the investment in trusted value. This includes optimising volume with strategic suppliers, reducing packaging costs and respecifying ingredients. Increased volumes as a result of the Ocado switchover generated over £20m of synergies which was more than planned. In addition, current year operating costs will also benefit from the savings from restructuring retail operations announced last year.

Ocado Retail bringing multi-channel to M&S Food

The investment in 50% of Ocado Retail combined with the switchover to M&S own brand positions the business for a multi-channel offer working closely with our Ocado Group partners. The transition from Waitrose to M&S product has gone well with M&S consistently over 25% of the Ocado basket and around half of Ocado fresh category sales. The next stage is to aggressively grow capacity and to create further opportunities for both joint venture partners.

Ocado Retail is investing in c.50% increase in peak day capacity over 18 months which will help meet unfulfilled demand.

- A new fulfilment centre (CFC) was opened in Bristol in March and additional CFCs in Purfleet and Andover will open later this year. These CFCs alone will provide an eventual 40% increase in sales capacity at full utilisation.
- Further investments to increase the reach of the business into parts of the UK that Ocado Retail does not currently serve fully are likely in the months ahead. In addition, it plans to open more than 12 Zoom sites expanding its immediacy proposition across London and major UK cities.

Over the past year Ocado Retail has benefited from the powerful combination of strong demand as a result of Covid which enabled it to operate at maximum capacity with a smoothed shape of week, generating a very strong profit contribution. In the current year we expect some reversion of demand patterns and a reduction in average order value leading to a more normalised set of economics.

A reshaped omni-channel Clothing & Home business

Our objective is to deliver an omni-channel Clothing & Home business in the UK, backed by exceptional data and highly personalised customer relationships. All channels will be driven by a 'product engine' providing a more contemporary focused M&S range bought in greater depth alongside a family of internal and external partner brands with distinctive appeal to our customers.

A strengthened Clothing & Home 'product engine':

Over the last three years huge strides have been made in reshaping ranges around new trading principles, most notably to buy fewer lines in greater depth from fewer strategic suppliers. The extent of the shift has been obscured by Covid and the related trading turmoil, but we believe there is a marked improvement in style, shape of buy and value. For instance, by Autumn 2021 total option count is expected to be around a quarter lower than 2018 with the team implementing new range

management tools to maximise rate of sale of each option, and we are planning further option count reductions in several areas.

Clothing & Home option count¹

Autumn 18	17,900
Autumn 19	15,300
Autumn 20	13,100

1. Excludes furniture.

Following an initial phase when customers replenish their wardrobes, we expect a permanent shift in demand to include a reduction in formalwear and tailoring. With that we have shifted focus to growth areas such as the new office smart wear, kids casual ranges and the Goodmove athleisure range. Goodmove delivered an exceptional performance over the past year recently achieving a number one retailer market share in full price sales in the category and has now been expanded from women's into men's and kids.

The emergence of platforms and the increasing cost of online customer acquisition for smaller retailers creates an opportunity for M&S to leverage its customer base, infrastructure and Sparks to partner with guest brands on the M&S platform. We can offer time pressured customers a curated group of value for money, contemporary, stylish brands with sustainability credentials. During the year we introduced guest brands for the first time and now distribute for an initial group of 21 partners. Results have been very encouraging with further substantial growth planned. In January we also acquired the Jaeger brand for £6m. Its historical reputation for innovation in natural fibres, British sourcing and distinctive style provides a complementary addition to the M&S range.

MS2 as the integrated online and data business driving omni-channel growth:

Growth in the past year means Clothing & Home now has a base of over 9.0m active online customers making it one of the largest platforms in the UK. With that we have an objective to achieve in excess of 40% of Clothing & Home revenue through online in three years' time.

To take full advantage of this opportunity MS2 was created to prioritise online and leverage the store estate in a more effective way. The MS2 plan is able to draw on the Group's customer data engine and relaunched and enlarged Sparks loyalty programme to create a powerful insight tool and more personalised relationships with customers.

The MS2 plan focuses on three core objectives:

Improving the online offer: Our priority is to increase availability in the online channel from historic levels of c.80% in recent years. In addition, we will be introducing online only ranges, recognising the different rate of sale across channels including trialling 'test and repeat' products. Given that around one third of the M&S range is year-round product, we will also expand best seller and 'never out of stock' initiatives. Combined with a curated range of third-party brands we expect a substantial improvement in the online offer in the coming year.

Creating a digital-led customer experience: Recognising that a mobile-led customer experience is central to online success we are increasing investment in optimising M&S.com for mobile and growing the M&S app, which generated over 3.5m downloads last year as we relaunched Sparks. In addition, within the app we have built digital services such as scan and shop, to pay in store by phone and video powered retail services such as bra fit, beauty and furniture sales. In the summer M&S Bank also plans to launch a digital credit option.

Maximising M&S's omni-channel advantage: Unlike pure play retailers, M&S has an advantage in its store network which provides an opportunity for rapid collection and returns and drives incremental in-

store sales. Investment in Castle Donington, expansion of our site at Bradford and the repurposing of the Thorncliffe warehouse means that M&S has sufficient capacity for online deliveries for the next 2-3 years. Following the restructuring to reduce store costs last year and the success of buy online ship from store, we are investing in technology improvements to enable a low-cost rapid click and collect offer from store stock. In addition, as part of the omni-channel strategy we have launched five '10x' stores. In these stores we are targeting a substantial increase in the use of digital services such as contactless click and collect and returns and digital payment, as well as specific benefits for Sparks members.

Accelerating rotation of the store estate

A continued headwind to M&S brand perception and performance is the legacy estate of full line stores (selling both Clothing & Home and Food) often in declining locations or centres, with inefficient space which is difficult to shop and costly to replenish. We have already closed or relocated 59 full line stores, 16 food stores and 8 outlets, but the effect of the pandemic means we can move faster. There has rarely been a better time to acquire new replacement stores on good terms and we are planning 17 new or expanded full line stores over the next two years, including a number of former Debenhams sites, with the pipeline continuing to grow. While long leases have historically constrained our ability to rotate, we plan to largely fund future closure costs through the disposal for redevelopment of freehold and long leasehold properties.

Framework for rotation: M&S had 254 full line stores at year end. While practically all Clothing & Home departments in these stores contribute positive cash, a number are in long term decline, struggle to cover their allocated central costs as a percentage of sales and cannot justify future investment.

Our objective for the full line estate is to achieve a fully modernised core of c.180 stores. Our current best view of the future estate based on stress tests, regional modelling and current retail and efficiency requirements is as follows.

- Around 100 stores in prime retail markets growing from the current base of c.80. In these markets we will invest in renewal, redevelopment, or replacement of existing stores.
- Around 80 stores in core markets, growing from the current base of c.65 stores through investments such as the relocation of high street units to retail parks.
- In c.110 remaining locations we will rotate the estate. This will mean either relocating to a Food only store or another full line store as above or consolidating multiple stores into one. In around 30 locations which can no longer support a store we will close, recapturing trade in nearby stores or online.

The overall benefit of well-located space is illustrated by the profitability metrics of each group shown below. The average Clothing & Home cash contribution margin in 2019/20 of prime leasehold stores was 25% of sales or £3.0m per store. This is a higher margin and more than 3x the cash contribution per store of those out of which we plan to rotate.

Store grouping	C&H cash contribution margin ¹	Average cash contribution £m ¹
Prime stores	25.4%	3.0
Core stores	23.4%	1.3
Rotation stores	18.5%	0.9
Total	22.5%	1.4

1. Metrics for 2019/20 adjusted for covid impacts in March 2020. Leasehold stores exclude long leaseholds.

The financial benefits of rotation are compelling, for instance the table below illustrates the returns from consolidating Northampton and Kettering stores into one at Rushden Lakes Retail Park prior to the pandemic. The previous stores were ageing, with sales in decline and no investment case to bring them up to standard. The new retail park, built between the two towns incorporates shopping, dining and leisure facilities on a site with good access and car parking. The disposal of the freehold of one store helped to fund the closure and the lease costs of the remaining term of the other. The new store has generated a substantial cash profit and LFL sales were in growth pre-Covid. The net investment cost of the new store was £2.1m resulting in a strong payback on the net capital invested.

Kettering closure	£m	Northampton closure	£m	Rushden Lakes opening	£m
Sales	14.3	Sales	24.2	Sales	39.0
Cash contribution	1.1	Cash contribution	2.5	Cash contribution	4.8
LFL 17/18 %	-12.3	LFL 17/18 %	-7.0	LFL 19/20 %	+6.5

The pace of rotation: To reduce investment risk and maximise returns to shareholders we have set a target payback for relocations including recapture of less than 4 years, with standard lease terms of 10 years. Returns outside of these parameters are considered where they enable an exit of long-term liability or in exceptional locations.

We will work with landlords to negotiate appropriate terms at exit and repurpose or develop space. However, in some cases it will be more economic and brand enhancing to have a vacant store than lose the opportunity to move to a better location. Reflecting this at year end further charges of c.£268m are estimated over the life of the programme including for accelerated depreciation and impairment. When combined with the operational costs of closure we currently expect to incur total cash costs of c.£260m over the remaining period.

Funding the rotation: We have a number of freehold and long leasehold properties, which offer an opportunity to fund rotation through the release of cash from development. This includes the Marble Arch proposal and additional stores including a number for residential development. These properties tend to be in locations where land values for alternative use are higher than for existing use. We have an objective to release at least £200m from these projects.

International business focused on major partnerships and online

The International business has an objective of delivering market relevant product, great digital service for partners and driving growth online through MS2. Based on strong performance last year we have an ambition to more than double international online retail sales. This will be delivered by investing in digital marketing, expanding categories further with major marketplaces and entering into new markets such as the 46 countries announced in March. As the business scales we expect to build fulfilment capacity to drive more rapid customer service and lower costs.

We are also modernising operations and digitising our trading interface for partners. This includes:

- *Launching a fully digital showroom.* This transforms partners' ability to create curated ranges relevant to their markets and plan floors, windows and campaign without the cumbersome and costly buying fairs previously held.
- *Driving faster rotation of the store estate with new digitally enabled stores.* This includes a first '10x' trial, offering partners omni-channel innovations such as digital fitting room assistance and self-checkout.
- *Creating a UK hub for export at Hemel Hempstead.* This avoids the need for International stock to enter the UK network where it is broken down for storage and keeps product consolidated for onward shipment. In addition, partners will have the facility to collect stock regularly rather than receiving infrequent shipments.

EU markets post Brexit

The most challenging effect of the Brexit deal is to make the supply of fresh and chilled product, especially prepared food, into the EU very lengthy and bureaucratic creating an enduring impact on availability and trading costs. This situation is unlikely to improve in the near term and we therefore need to reconfigure trading with our EU businesses. The most significant impact is on our Food operations in the island of Ireland and we are implementing multiple medium-term solutions to stabilise the business in both the North and the Republic. We have already modified food export into the Czech Republic and are working with our partners in France to review the model. While these operations are relatively small in the context of the Group, changes to our EU businesses as a result of Brexit related costs may result in future restructuring charges.

See table in the following section for details of current expectations of cost impacts in 2021/22.

3. BUSINESS POSITIONED WELL FOR THE MEDIUM-TERM DESPITE NEAR-TERM UNCERTAINTY

2021/22 a year of recovery

Overall trading for the first six weeks of the financial year and since reopening has been ahead of the comparable period two years ago in 2019/20 and our central case. Core Food is in strong growth although hospitality and franchise remain adversely affected, with Clothing & Home sales growing since reopening and online remaining robust. International sales continue to be impacted by on-going restrictions, particularly in India.

While encouraging, it is unclear how the recovery will develop and if consumer activity will sustain in Clothing & Home as well as what the eventual pace and shape of recovery in hospitality and convenience in Food will be. We have a strong programme of capacity growth at Ocado Retail although we expect some normalisation of shape of week with respect to its economics. The business also continues to face headwinds with ongoing disruption in various International markets, both the Clothing & Home and Food supply chains and the costs of Brexit.

Our central case for the current year therefore assumes a gradual return towards more normal customer behaviour in stores in Clothing & Home and hospitality and franchise in Food. With that, we are assuming the receipt of business rates relief in line with government guidance. Our scenario does not assume further lockdowns.

In this central case UK costs normalise to levels broadly consistent with 2019/20 underpinned by the benefit of the restructuring announced last year, which will largely offset an increase in base pay rates, costs related to transformation and higher variable costs such as online fulfilment.

The business is now exposed to additional costs following Brexit, largely due to the administrative burden on exports of food, particularly to the island of Ireland. This includes additional supply chain costs at Motherwell and Faversham depots, as well as costs of a digital track and trace platform, additional variable cost per tray, veterinary certification, and costs of change. Potential tariffs relate to duty on exports of Clothing & Home and elements of the Food catalogue into the EU.

The total estimated cost impacts for the business are shown below, c.£27-33m of which relate to operations on the island of Ireland. We have provided a range of potential tariffs depending on the solutions implemented. We are also working on longer term initiatives including a review of European business models, local sourcing and re-routing product through European hubs.

Costs 2021/22	UK Food	International	Total
Administrative costs	(12)	(17)	(29)
Tariffs	-	(13-18)	(13-18)
Net Costs	(12)	(30-35)	(42-47)

Capital investment for the Group will increase to similar levels to 2019/20 as we invest in the transformation, restart a programme of store maintenance and accelerate rotation.

Our central case is therefore that we will generate profit before tax and adjusting items between £300-350m and our ambition is for a further reduction in net debt.

A path to a transformed business in the medium term

As the business emerges from Covid, we have an ambitious plan for future growth with a clear path to a transformed business.

Food is delivering growth in core categories with larger baskets and is now positioned to expand further in convenience, build sales through larger renewed stores and progressively improve profitability. In addition, Ocado Retail has already announced plans which will increase peak day capacity by c.50% and has a structurally profitable long-term model for growth.

FULL YEAR FINANCIAL REVIEW

Financial Summary

	53 weeks ending	52 weeks ending		Change % (52 week)
	3 April 21 £m	27 March 21 £m	28 March 20 £m	
Group revenue before adjusting items	9,166.9	8,972.7	10,181.9	-11.9
UK Food	6,138.5	5,994.8	6,028.2	-0.6
UK Clothing & Home	2,239.0	2,198.6	3,209.1	-31.5
International	789.4	779.3	944.6	-17.5
Group operating profit before adjusting items	222.2	209.7	590.7	-64.5
UK Food	228.6	213.6	236.7	-9.8
UK Clothing & Home	(130.8)	(129.4)	223.9	-157.8
International	44.1	45.1	110.7	-59.3
M&S Bank and Services	1.9	2.0	16.8	-88.1
Share of result in associates and joint ventures	78.4	78.4	2.6	2,915.4
Interest payable on lease liabilities	(124.9)	(122.5)	(133.4)	8.2
Net financial interest	(47.0)	(45.6)	(54.2)	15.9
Profit before tax & adjusting items	50.3	41.6	403.1	-89.7
Adjusting items	(259.7)	(242.8)	(335.9)	27.7
(Loss)/profit before tax	(209.4)	(201.2)	67.2	-399.4
(Loss)/profit after tax	(201.2)	(194.4)	27.4	-
Basic (loss)/earnings per share	(10.1)p	(9.8p)	1.3p	-
Adjusted basic earnings per share	1.4p	1.1p	16.7p	-
Dividend per share	-	-	3.9p	-100
Net debt	£3.52bn	n/a	£3.95bn	-10.9

Notes:

2020/21 is a 53-week year. The comparative period is 52 weeks to 28 March 2020. To aid understanding, we are showing the unaudited 52 weeks to 27 March 2021 with commentary and percentage changes on a 52-week basis unless otherwise stated.

Due to a change in the Group's accounting policy to recognise BACS payments at the settlement date, rather than when they are initiated, the comparative amounts for net debt and free cashflow have been restated.

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

Group results

Group revenue before adjusting items was £9,166.9m on a 53-week basis. On a 52-week basis, it decreased 11.9%, with UK revenue down 11.3% driven by Clothing & Home revenue declining 31.5%, and International revenue down 17.5%. The Group generated an adjusted profit before tax of £50.3m and a statutory loss before tax of £(209.4)m on a 53-week basis (or £41.6m and £(201.2)m respectively on a 52-week basis).

Statutory loss before tax includes total charges for adjusting items of £259.7m on a 53-week basis, including charges of £133.7m related to organisational change, £95.3m in relation to store closures identified as part of transformation plans, £79.9m for intangible asset impairments, offset by a £90.8m gain largely relating to the release of a portion of the Covid inventory provision made in the prior year.

For full details on adjusting items and the Group's related policy see notes 1 and 3 to the financial information.

UK: Food

UK Food revenue decreased 0.6%. Like for like (LFL) revenue grew in the first three quarters but declined in the fourth quarter as the UK-wide lockdown forced the hospitality business and parts of our franchise business to close again. M&S Food reported sales do not benefit from a direct online grocery presence, with these sales instead reported through Ocado Retail.

Excluding franchise and hospitality, core M&S Food categories performed strongly, particularly over key events, with LFL revenue growth of 6.9% for the year.

% change to 2019/20	Q1	Q2	Q3	Q4	FY
Food	-2.1	1.6	2.2	-4.4	-0.6
Food LFL	2.0	3.4	2.6	-2.7	1.3
Food LFL ex franchise and hospitality	7.7	8.6	8.4	2.8	6.9

Operating profit before adjusting items decreased 9.8%, largely due to an adverse mix impact on gross margin, which was only partially offset by reduced costs which benefitted from government support.

52 weeks ended	27 Mar 21 £m	28 Mar 20 £m	Change %
Revenue	5,994.8	6,028.2	-0.6
Operating profit before adjusting items	213.6	236.7	-9.8
Operating margin	3.6%	3.9%	-35bps

The table below sets out the drivers of the movement in operating profit before adjusting items. To improve understanding we provide additional information on Covid-related impacts with adjusted profit. Some direct Covid costs and government support are visible within the right-hand table as they were incremental to 2019/20, whereas other costs, for example the ongoing costs of furloughed colleagues (£41.9m), were also costs in 2019/20 and so are not visible. The full costs and government support for furlough income and business rates are detailed in a separate section.

Operating profit before adjusting items	£m	Operating profit before adjusting items	£m
2019/20	236.7	2019/20	236.7
Gross profit	(60.7)	Hospitality/franchise gross profit	(154.0)
Store staffing	30.8	Core categories gross profit	93.3
Other store costs	56.3	Direct Covid costs	(69.0)
Distribution and warehousing	(46.8)	Government support	101.0
Central costs	(2.7)	Other cost savings	5.6
2020/21	213.6	2020/21	213.6

- **Gross profit** decreased £60.7m or c.84bps primarily as a result of hospitality closures and lower convenience sales, partly offset by strong growth in core categories and cost saving programmes, including initial synergies of £21.4m from Ocado supply.
- **Store staffing** costs declined £30.8m, primarily driven by £45.5m of efficiencies enabled by technology improvements in store. We incurred Direct Covid costs within store staffing relating to incentives for retail colleagues of £20.8m and door host costs of £33.7m. Store staffing costs include government furlough support of £28.8m.
- The movement in **other store costs** largely relates to government business rates relief of £70.8m, partly offset by additional Covid-related cleaning and hygiene costs.
- **Distribution and warehousing** reflects the increased costs as a result of online orders, as well as Brexit-related costs of £9.0m and Covid-related hygiene and social distancing measures. The Food business incurred total costs relating to Brexit of £9.9m in the year; a detailed breakdown is given in the Brexit section below.

Ocado Retail Limited

The Group holds a 50% interest in Ocado Retail Ltd ("Ocado Retail"). The remaining 50% interest is held by Ocado Group plc ("Ocado Group"). Full year results are consistent with the quarterly results reported by Ocado Group on behalf of Ocado Retail for the quarterly periods ended 31 May 2020, 30 August 2020, 29 November 2020 and 28 February 2021.

Group share of consolidated results of Ocado Retail Ltd

£m	52 weeks ended 28 Feb 21
Revenue	2,353.2
EBITDA before exceptional items	189.9
Exceptional items	50.5
Operating profit	204.2
Profit after tax	156.8
M&S 50% share of profit after tax	78.4

Ocado Retail Ltd is reported as an associate of M&S as certain rights are conferred on Ocado Group plc for an initial period of at least five years from acquisition. Exceptional items are defined within the Ocado Group plc Annual Report and Accounts 2020. A prior year comparative is not provided here as the investment in Ocado Retail Ltd was made part-way through 2019/20.

Revenue grew 43.7% on an annual basis due to strong demand for online grocery, higher than normal basket size and a smoothed trading profile across the week. Following switchover on 1 September, M&S products have accounted for over 25% of the average Ocado basket.

Ocado Retail EBITDA before exceptional items was £189.9m, driven by the strong revenue growth and cost performance reflecting a period of sustained high demand. Units per hour throughput increased in customer fulfilment centres, with operational improvements across the network. Trunking and delivery costs reduced as a percentage of sales due to fewer deliveries per van, as a result of a higher number of items per basket.

In addition, Ocado Retail has recognised £50.5m of exceptional income before tax, largely related to insurance receipts for business interruption for the period up to 28 February 2021 arising from the Andover fire in 2019.

As a result of strong EBITDA growth and insurance receipts, Group share of Ocado Retail profit after tax was £78.4m. After a charge of £14.2m in adjusting items relating to the amortisation of the intangible asset created by the investment, Ocado Retail contributed £64.2m to Group profit after tax.

UK: Clothing & Home

Clothing & Home revenue decreased 31.5% as a result of the impact on store sales of lockdowns and restrictions throughout the year. Performance improved following store reopening in quarter two and either side of the national lockdown in quarter three, and the online business built momentum through the year.

% change to 2019/20	Q1	Q2	Q3	Q4	FY
Clothing & Home	-61.5	-21.3	-25.1	-18.7	-31.5
Clothing & Home stores	-83.8	-39.5	-46.5	-60.6	-56.2
Clothing & Home online	21.5	46.4	47.5	105.8	53.9
Clothing & Home LFL	-59.3	-21.2	-24.1	-15.5	-29.8

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

Online

52 weeks ended	27 Mar 21	28 Mar 20	% change
Traffic (m)	417.5	308.8	35.2
Active customers (m)	9.0	5.9	52.5
Conversion (%)	7.2	6.3	0.9 pts
Average order value (£)	49.7	51.5	-3.5
Returns rate (%)	18.8	28.0	-9.2 pts
Revenue £m	1,109.7	721.3	53.9

UK Clothing & Home online revenue increased 53.9%. Following initial disruption in April, online sales remained strong and built momentum, with quarter four revenue up 105.8%. Online customer traffic increased 35.2% driven by both direct and paid search helping to drive 52.5% growth in active customers to 9.0m. Growth was led by mobile, with over 3.5m downloads of the M&S app driven by the relaunch of Sparks. This led to increased app usage, with 2.3m monthly active users (2019/20: 1.2m), which also helped to drive better conversion. In addition, there was a benefit from a c.9 percentage point reduction in returns rates compared with last year due to changes in customer behaviour and product mix during lockdown. This offset headwinds from lower in-store orders, which are attributed to the online channel, as well as a small decline in average order value as customers' purchases focused on core product.

Stores

52 weeks ended	27 Mar 21	28 Mar 20	% change
Footfall, m (average/week)	1.9	5.9	-67.8
Transactions, m (average/week)	1.0	2.1	-52.4
Basket value (£)	30.6	32.3	-5.3
Revenue £m	1,088.9	2,487.8	-56.2

UK Clothing & Home store revenue decreased 56.2%: the impact of national lockdowns, local restrictions and the shape of the store estate adversely impacted the business with footfall down 67.8% and overall transactions down 52.4%. Basket value fell 5.3% in stores in line with online as customers' purchases focused on core product.

Total Clothing & Home

The Clothing & Home business in total generated an underlying operating loss before adjusting items for the year of £129.4m compared with a profit of £223.9m in the prior year. While online growth resulted in a substantial improvement in online operating profit, this was more than offset by the decline in stores, with lower costs insufficient to offset reduced overall sales.

52 weeks ended	27 Mar 21 £m	28 Mar 20 £m	Change %
Revenue	2,198.6	3,209.1	-31.5
Operating (loss)/profit before adjusting items	(129.4)	223.9	-157.8
Operating margin	-5.9%	7.0%	-12.9pts

The table below sets out the drivers of the movement in Clothing & Home operating (loss)/profit before adjusting items. To improve understanding, we provide additional information on Covid-related impacts within adjusted profit. Some direct Covid costs and government support are visible within the right-hand table as they were incremental to 2019/20, whereas other costs, for example the ongoing costs of furloughed colleagues (£129.1m), were also costs in 2019/20 and so are not visible. The full costs and details of government support for furlough income and business rates are detailed in a separate section.

Operating profit/(loss) before adjusting items	Total C&H £m	Operating profit/(loss) before adjusting items	Total C&H £m
2019/20	223.9	2019/20	223.9
Gross profit	(611.7)	Stores gross profit	(841.2)
Store staffing	147.6	Online gross profit	229.5
Other store costs	109.3	Direct Covid costs	(18.7)
Distribution and warehousing	(43.2)	Government support	196.4
Central costs	44.7	Other cost savings	80.7
2020/21	(129.4)	2020/21	(129.4)

- **Gross profit** decreased £611.7m or (218)bps. Adverse currency movements and under-recovery of fixed logistics costs within margin impacted by (78)bps. Discounting increased (140)bps driven by an increased mix of clearance sales made at a higher depth of cut than last year.
- **Store staffing** costs declined £147.6m, partly driven by £42.6m of efficiencies enabled by technology improvements in store. Store staffing costs include government furlough support of £88.6m.
- The movement in **other store costs** largely relates to business rates relief of £101.4m.
- **Distribution and warehousing** reflects the higher costs to serve online demand, both from the Castle Donington warehouse and shipments from store partially offset by volume savings from reduced deliveries to store. The overall increase in distribution and warehousing costs was offset by delivery income within revenue.
- The decline in **central costs** was largely driven by lower marketing activity, lower headcount and a reduction in depreciation of technology assets as we move to cloud-based solutions and assets reach the end of their useful lives.

Clothing & Home online generated an operating profit margin of c.14%, with higher volumes leading to increased leverage of the online fixed cost base. Profitability also benefited from a reduced returns rate, although this was partially offset by the adverse impact of lower in-store orders. Conversely, the operating loss in stores represented a margin on sales of c.(26)%.

International

International revenue decreased 17.3% at constant currency ("CC") as stores were adversely impacted by rolling Covid lockdowns and restrictions. Online sales remained strong throughout, particularly in markets in which the Group has a store presence and through partner websites, with sales growth of 114.3% to £165.7m.

% change to 2019/20	Q1 CC	Q2 CC	Q3 CC	Q4 CC	FY CC	FY Reported
Total revenue	-40.7	-9.2	-10.4	-10.2	-17.3	-17.5

52 weeks ended	27 Mar 21 £m	28 Mar 20 £m	Change %	Change CC %
Revenue				
Clothing & Home	483.2	620.7	-22.1	-21.6
Food	296.1	323.9	-8.6	-9.4
Total	779.3	944.6	-17.5	-17.3
<i>Memo: Online revenue</i>	165.7	77.2	114.6	114.3

The decline in Clothing & Home sales was driven by lower store sales in the Republic of Ireland and India, and lower franchise shipments particularly to Asia, partly offset by online growth. Food sales were more resilient particularly in the Middle East and Asia, as Covid disruption shifted habits to favour eating in. This helped offset the steep decline in travel franchise sales in Europe and Brexit related disruption in quarter four.

Operating profit before adjusting items was down 59.3% driven by the lower Clothing & Home sales and incremental costs relating to Brexit. A detailed breakdown of this is given in the Brexit section later in this report.

Operating profit before adjusting items	£m	Operating profit before adjusting items	£m
2019/20	110.7	2019/20	110.7
Gross Profit	(87.9)	Stores gross profit	(131.3)
Store staffing	14.0	Online gross profit	43.4
Other store costs	16.4	Online growth costs	(23.6)
Distribution and warehousing	(11.7)	Government support	13.1
Central costs	3.6	Other cost savings	32.8
2020/21	45.1	2020/21	45.1

Gross profit decreased £87.9m as lower store sales were only partially mitigated by strong online growth. Store staffing and other store costs declined. The costs of £10.8m relating to salary costs of colleagues on furlough were partially offset by government furlough support of £6.3m and reduced overtime hours, while the Group benefited from a further £6.8m of government support for rent and rates across owned markets, and £7.1m of rent relief. The increase in distribution costs largely relates to the growth of online sales and costs incurred as a result of Brexit of £6.2m which was only partly offset by lower distribution costs on shipments to stores. Central cost reductions were enabled by the shift to digital events from buying fairs and reduced travel.

M&S Bank & Services

M&S Bank & Services income before adjusting items was down £14.8m to £2.0m. This was the result of a significant decrease in income from credit card and travel money sales. M&S Bank and services income after adjusting items relating to PPI decreased £4.6m to £(0.4)m.

Covid costs

In the following table we set out identifiable costs within adjusted profit related to Covid. We incurred a number of Direct Covid costs such as door hosts and hygiene of £63.2m, incentives for working through the pandemic for non-furloughed colleagues of £28.5m and there was a slight reduction in colleague holiday hours of £3.9m.

In addition, business rates relief of £174.6m partly compensated for the substantial loss of trade from closed space in Clothing & Home and hospitality areas and franchise stores in Food.

Finally, identifiable costs include government grants for furlough income of £131.5m, which were more than offset by the salary costs incurred for furloughed colleagues of £181.8m.

Costs relating to Covid within adjusted profit before tax in 2020/21	Group £m	C&H £m	Food £m	Inter'l £m
Operational costs related to Covid	(63.2)	(13.8)	(49.4)	-
Incentive for non-furloughed colleagues	(28.5)	(6.4)	(22.0)	(0.1)
Estimated lower colleague holiday hours	3.9	1.5	2.4	-
Direct Covid costs	(87.8)	(18.7)	(69.0)	(0.1)
Government business rates relief for lost trade	174.6	101.4	70.8	2.4
Government grants – furlough income	131.5	95.0	30.2	6.3
Government support	306.1	196.4	101.0	8.7
Year-on-year Covid impacts within segmental profit bridges	218.3	177.7	32.0	8.6
Salary costs for furloughed colleagues	(181.8)	(129.1)	(41.9)	(10.8)
Total cost impact in adjusted profit	36.5	48.6	(9.9)	(2.2)

Brexit

The following estimated cost impacts were incurred by the Group in 2020/21 as a result of Brexit.

2020/21	UK Food	International	Total
Administrative costs	(9.9)	(4.1)	(14.0)
Tariffs	-	(2.1)	(2.1)
Net costs	(9.9)	(6.2)	(16.1)

Administrative costs include additional supply chain costs at the Motherwell and Faversham depots as well as costs of a digital track and trace platform, additional variable cost per tray, veterinary certification costs and the one-off costs of change. Tariffs relate to duty on exports of Clothing & Home and elements of the Food catalogue into the EU.

In addition, the Group saw adverse trade impacts including the restriction of trade on certain products, port delays and increased operational complexity reducing availability.

Net finance cost

	52 weeks ended		
	27 Mar 21 £m	28 Mar 20 £m	Change £m
Interest payable	(89.9)	(80.5)	(9.4)
Interest income	4.7	14.5	(9.8)
Net interest payable	(85.2)	(66.0)	(19.2)
Pension net finance income	47.2	23.6	23.6
Unwind of discount on Scottish Limited Partnership liability	(4.9)	(6.9)	2.0
Unwind of discount on provisions	(2.7)	(4.9)	2.2
Net financial interest	(45.6)	(54.2)	8.6
Net interest payable on lease liabilities	(122.5)	(133.4)	10.9
Net finance costs	(168.1)	(187.6)	19.5

Net finance costs decreased £19.5m to £168.1m. This was primarily due to higher pension income due to the increased IAS19 pension surplus at last year end. In addition, there was a decrease in the interest payable on lease liabilities offset by lower interest received on deposits and higher interest payable on debt due to a credit rating downgrade and the premium paid as part of the buyback of bonds.

Group profit before tax & adjusting items

Group profit before tax and adjusting items was £50.3m on a 53-week basis, down £352.8m on last year. The profit decrease was driven by the decline in Clothing & Home and International operating profits.

Group loss before tax

Group loss before tax was £209.4m on a 53-week basis, down £276.6m on last year. This includes adjusting items of £259.7m on a 53 week basis (last year £335.9m).

Adjusting items

The Group makes certain adjustments to statutory profit measures in order to derive alternative performance measures (APMs) that provide stakeholders with additional helpful information and to aid comparability of the performance of the business. For further detail on these charges/gains and the Group's policy for adjusting items, please see notes 1 and 3 to the financial information.

	53 weeks ended 3 Apr 21	52 weeks ended 28 Mar 20	Change
	£m	£m	£m
Strategic programmes – Organisation	(133.7)	(13.8)	(119.9)
Strategic programmes – UK store estate	(95.3)	(29.3)	(66.0)
Strategic programmes – Other	(5.8)	(27.3)	21.5
Directly attributable to Covid	90.8	(163.6)	254.4
Intangible asset impairments	(79.9)	(13.4)	(66.5)
Sparks loyalty programme transition	(16.6)	-	(16.6)
Amortisation and fair value adjustments arising from the investment in Ocado Retail Limited	(14.2)	(16.8)	2.6
Remeasurement of contingent consideration including discount unwind on Ocado Retail investment	(6.8)	(2.9)	(3.9)
Establishing the investment in Ocado Retail Limited	(1.7)	(1.2)	(0.5)
Store impairments and other property charges	6.9	(78.5)	85.4
M&S Bank charges incurred in relation to insurance mis-selling and Covid forward economic guidance provision	(2.4)	(12.6)	10.2
Other	(1.0)	23.5	(24.5)
Adjusting items	(259.7)	(335.9)	76.2

On a 53-week basis, adjusting items charges were £259.7m, with £16.9m incurred in week 53, largely related to restructuring costs.

A charge of £133.7m has been incurred in relation to organisational change. This includes the integration of more flexible management structures into store operations, as well as the streamlining of store and management levels as part of the Never the Same Again programme. This has resulted in a reduction of c.8,200 roles across support centres, regional management, and UK stores, with associated redundancy costs of £99.7m. We expect this restructuring to generate annualised cost savings of at least £115m.

A charge of £95.3m has been recognised in relation to store closures identified as part of transformation plans reflecting an updated view of latest closure costs as a result of an increase in the number of stores in the programme. Further material charges relating to the closure and reconfiguration of the UK store estate are anticipated as the programme progresses with total future charges of up to c.£268m estimated over the next 10 years, bringing anticipated total programme costs since 2016 to be up to c.£926m.

A gain of £90.8m has been recognised as being directly attributable to the Covid pandemic relating to the release of a portion of the inventory provision made in the prior year compared to initial estimates offset by further costs relating to cancellations and storage. The sell-through of Clothing & Home stock has been much stronger than anticipated.

A charge of £79.9m has been recognised in relation to impairment of intangible assets, comprising £39.6m for the impairment of Per Una goodwill, and the balance for replaced, retired or decommissioned computer software assets.

Charges of £16.6m have been incurred in relation to the one-off transition costs associated with the closure of the old Sparks loyalty scheme following the launch of the new programme in July 2020.

A charge of £14.2m has been recognised relating to the amortisation of intangible assets acquired on the purchase of our share in Ocado Retail.

A gain of £6.9m was recognised relating to the reversal of previously recognised store impairments offset by newly impaired stores. The Group has revised future projections for UK stores (excluding those stores which have been captured as part of the UK store estate programme) for the current view of pressures impacting the retail industry, which is less negative overall than previously projected.

Charges of £2.4m have been incurred relating to M&S Bank, primarily due to the insurance mis-selling provision. The Group's share of the total insurance mis-selling and forward economic guidance (FEG) provisions of £338.3m exceeds the total offset against profit share of £225.1m to date and this deficit will be deducted from the Group's share of future profits from M&S Bank.

Taxation

The effective tax rate on profit before adjusting items was 56.5% (50.3% on a 53-week basis; 2019/20: 20.7%). The effective tax rate on statutory loss before tax was a credit of 3.4% (credit of 3.9% on a 53-week basis; 2019/20: charge of 59.3%) due to the Group statutory loss offset by the impact of disallowable adjusting items. Given the lower level of profits, the effect of the recapture of previous tax relief under the Marks and Spencer Scottish Limited Partnership ("SLP") structure has increased compared with previous years. Next year, we anticipate an effective tax rate on profit before adjusting items of c.26% partly due to the continuation of the recapture of previous tax relief.

Loss/Earnings per share

Basic loss per share was 9.8p (last year earnings of 1.3p), due to the decrease in profit year on year and the increase in weighted average shares outstanding. The weighted average number of shares in issue during the period was 1,953.5m (2019/20: 1,894.9m). Basic loss per share on a 53-week basis was 10.1p.

Adjusted basic earnings per share was 1.1p (last year earnings of 16.7p) due to lower adjusted profit year on year. Adjusted basic earnings per share on a 53-week basis was 1.4p.

Capital expenditure

	53 weeks ended 3 Apr 21 £m	52 weeks ended 28 Mar 20 £m	Change £m
UK store remodelling	27.0	60.3	(33.3)
New UK stores	14.9	33.3	(18.4)
International	6.7	15.7	(9.0)
Supply chain	25.2	39.2	(14.0)
IT & M&S.com	47.6	81.1	(33.5)
Property asset replacement	19.2	102.4	(83.2)
Acquisition of Jaeger brand	6.3	-	6.3
Capital expenditure before property acquisitions and disposals	146.9	332.0	(185.1)
Property acquisitions and disposals	(0.3)	(2.7)	2.4
Capital expenditure	146.6	329.3	(182.7)

Group capital expenditure before disposals decreased £182.7m to £146.6m as a result of careful management of discretionary spending as a result of the pandemic.

UK store remodelling costs related to Food renewal stores and the repurposing of space from Clothing & Home and cafes to Food. Spend on New UK stores related to seven Simply Foods and three full-line store openings in the year.

Supply chain expenditure reflects investment in food equipment and fleet to support anticipated volume growth, investment in a second ambient food national distribution centre in Milton Keynes and spend on improvements to Castle Donington capabilities and our Bradford warehouse to support online expansion.

IT & M&S.com spend includes costs related to the licence for the Food ordering and allocation system and investment in digital capability for example, to support integration of more flexible management structures into store operations.

Property asset replacement decreased £83.2m due to the prior year asset replacement programme in stores, although this will normalise towards pre-pandemic levels going forwards.

Cash flow

	53 weeks ended 3 Apr 21	52 weeks ended 28 Mar 20 restated	Change
	£m	£m	£m
Adjusted operating profit	222.2	590.7	(368.5)
Depreciation and amortisation before adjusting items	603.1	632.5	(29.4)
Cash lease payments	(316.6)	(335.7)	19.1
Working capital	268.1	(67.8)	335.9
Defined benefit scheme pension funding	(37.1)	(37.9)	0.8
Capex and disposals	(203.8)	(325.9)	122.1
Financial interest and taxation	(81.8)	(171.1)	89.3
Investment in associate Ocado Retail Limited	11.2	(577.8)	589.0
Investment in joint venture	(2.5)	(2.5)	-
Employee-related share transactions	18.5	9.7	8.8
Proceeds from rights issue net of costs	-	574.4	(574.4)
Share of profit from associate	(78.4)	(2.6)	(75.8)
Cash received from settlement of derivatives	14.0	7.7	6.3
Adjusting items outflow	(120.5)	(88.0)	(32.5)
Free cash flow	296.4	205.7	90.7
Dividends paid	-	(191.1)	191.1
Free cash flow after shareholder returns	296.4	14.6	281.8
Opening net debt excluding lease liabilities	(1,388.6)	(1,404.7)	16.1
Free cash flow after shareholder returns	296.4	14.6	281.8
Exchange and other non-cash movements excluding leases	(17.8)	1.5	(19.3)
Closing net debt excluding lease liabilities	(1,110.0)	(1,388.6)	278.6
Opening net debt	(3,950.6)	(3,981.5)	30.9
Free cash flow after shareholder returns	296.4	14.6	281.8
Decrease in lease obligations	184.3	201.4	(17.1)
New lease commitments and remeasurements	(48.3)	(204.1)	155.8
Exchange and other non-cash movements	2.3	19.0	(16.7)
Closing net debt	(3,515.9)	(3,950.6)	434.7

2019/20 net debt and free cash flow figures have been restated. Due to a change in the Group's accounting policy to recognise BACS payments at the settlement date, rather than when they are initiated, to more appropriately reflect the nature of these transactions, the comparative amounts have been restated.

The business generated free cash flow of £296.4m, largely driven by working capital inflow, reduced capital expenditure and lower tax payments, which more than offset the lower adjusted operating profit.

The working capital inflow since year end 2019/20 was driven by higher payables in Clothing & Home and Food (c.£125m) largely due to the extension of payment terms for C&H suppliers and the timing of payments including to landlords. Lower stock was a result of strong Easter trading and the higher stock at prior year end resulting from lockdown. Franchise receivables reduced due to travel store closures.

Lower capital expenditure largely reflects the reduction of discretionary spending as a result of the pandemic. Cash capital expenditure includes £77.2m relating to prior year capital accruals.

The decrease in financial interest and tax payments to £81.8m is due to the reduction in UK corporation tax paid reflecting the full year taxable loss position.

Defined benefit scheme pension funding of £37.1m reflects the second limited partnership interest distribution to the pension scheme.

Adjusting items cash outflow was £120.5m. This included £92.1m relating to the costs of organisational change, £10.9m in relation to the store rotation programme, £6.2m paid for deep storage and fabric during the Covid pandemic, £5.6m in relation to the transition to the new Sparks loyalty programme, £2.4m for M&S Bank, and £1.7m relating to costs associated with the launch of M&S product on the Ocado Retail platform.

Net debt

Net debt excluding lease liabilities decreased £278.6m from the start of the year.

There was a further reduction in the value of discounted lease obligations outstanding. New lease commitments and remeasurements in the period largely relating to 11 properties were £48.3m of which 10 opened in the year. This was more than offset by £184.3m of lease repayments.

The composition of Group net debt is as follows:

	53 weeks ended 3 Apr 21	52 weeks ended 28 Mar 20 restated	vs
	£m	£m	£m
Cash and cash equivalents	674.4	254.2	420.2
Medium Term Notes	(1,682.1)	(1,536.2)	(145.9)
Current financial assets and other	83.2	96.1	(12.9)
Partnership liability	(185.5)	(202.7)	17.2
Net debt excluding lease liabilities	(1,110.0)	(1,388.6)	278.6
Lease liabilities	(2,405.9)	(2,562.0)	156.1
- Full-line stores	(982.6)	(1,054.8)	72.2
- Simply Food stores	(727.0)	(747.7)	20.7
- Offices, warehouses and other	(494.5)	(523.7)	29.2
- International	(201.8)	(235.8)	34.0
Group net debt	(3,515.9)	(3,950.6)	434.7

2019/20 net debt and free cash flow figures have been restated. Due to a change in the Group's accounting policy to recognise BACS payments at the settlement date, rather than when they are initiated, to more appropriately reflect the nature of these transactions, the comparative amounts have been restated.

Of the outstanding discounted lease commitment at period end, approximately 40% related to full-line stores and 30% to Simply Food stores, with 8% relating to International leases and the balance largely relating to warehousing and offices.

Liquidity

At year end, the Group held cash balances of £674.4m (2019/20: £254.2m), with undrawn facilities of £1.1bn expiring April 2023. This strong liquidity position is as a result of free cashflow performance and a £300m bond issuance in November, which was used to refinance the bond maturity due in December 2021.

The refinancing of the Group's December 2021 maturity, along with the successful negotiations in March 2021 to extend the relaxation of covenant measures on the revolving credit facility up to and including March 2022, mean that the Group has liquidity headroom of over £1.5bn.

Dividend

We did not pay a final dividend for 2019/20 and the Board has previously announced the decision not to pay a dividend for the 2020/21 financial year.

Pension

At 3 April 2021, the IAS 19 net retirement benefit surplus was £631.4m (2019/20: £1,902.6m). The surplus at last year end had increased significantly due to unusually high credit spreads as a result of Covid. During the year, credit spreads have reverted to more normalised levels giving rise to the decrease in the surplus.

The Trustee of the UK Defined Benefit Scheme has commenced a triennial actuarial valuation of the Scheme at 31 March 2021 as required by statute. The assumptions used are to be agreed between the Trustee and the Company. The Scheme surplus on a statutory basis was £652m at the last actuarial valuation in 2018.

In September 2020, the Scheme purchased additional pensioner buy-in policies with insurers for approximately £750m. Together with the policies purchased in April 2019 and March 2018, the Scheme has now, in total, insured around 80% of the pensioner cash flow liabilities for pensions in payment. The buy-in policies cover specific pensioner liabilities and pass all risks to an insurer in exchange for a fixed premium payment, thus reducing the Group's exposure to changes in longevity, interest rates, inflation and other factors.

Statement of financial position

Net assets were £2,285.8m at the year end, a decrease of 38% since the start of the year largely due to the decrease in the net retirement benefit surplus and the Group loss for the year.

Important Notice:

Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences and prospects are "forward-looking statements" within the meaning of the United States federal securities laws. These forward-looking statements reflect Marks & Spencer's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any forward-looking statements are subject to various risks and uncertainties, including, but not limited to, failure by Marks & Spencer to predict accurately customer preferences; decline in the demand for products offered by Marks & Spencer; competitive influences; changes in levels of store traffic or consumer spending habits; effectiveness of Marks & Spencer's brand awareness and marketing programmes; general economic conditions including, but not limited to, those related to the Covid-19 pandemic or a downturn in the retail or financial services industries; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets. For further information regarding risks to Marks & Spencer's business, please consult the risk management section of the 2021 Annual Report.

The forward-looking statements contained in this document speak only as of the date of this announcement, and Marks & Spencer does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

- Ends -

Consolidated income statement

		53 weeks ended 3 April 2021	52 weeks ended 28 March 2020
	Notes	Total £m	Total £m
Revenue	2	9,155.7	10,181.9
Share of result in associate - Ocado Retail Limited	3, 17	64.2	(14.2)
Operating (loss)/profit	2, 3	(30.7)	254.8
Finance income	3, 4	57.4	46.9
Finance costs	3, 4	(236.1)	(234.5)
(Loss)/profit before tax	3	(209.4)	67.2
Income tax credit/(expense)	5	8.2	(39.8)
(Loss)/profit for the year		(201.2)	27.4
Attributable to:			
Owners of the parent		(198.0)	23.7
Non-controlling interests		(3.2)	3.7
		(201.2)	27.4
(Loss)/earnings per share			
Basic (loss)/earnings per share	6	(10.1p)	1.3p
Diluted (loss)/earnings per share	6	(10.1p)	1.2p
Reconciliation of profit before tax & adjusting items:			
(Loss)/profit before tax		(209.4)	67.2
Adjusting items	3	259.7	335.9
Profit before tax & adjusting items - non-GAAP measure		50.3	403.1
Adjusted earnings per share - non-GAAP measure			
Adjusted basic earnings per share	6	1.4p	16.7p
Adjusted diluted earnings per share	6	1.4p	16.6p

Consolidated statement of comprehensive income

		53 weeks ended 3 April 2021	52 weeks ended 28 March 2020
	Notes	£m	£m
(Loss)/profit for the year		(201.2)	27.4
Other comprehensive (expense)/income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit schemes	8	(1,352.0)	927.9
Tax credit/(charge) on retirement benefit schemes		256.5	(196.7)
		(1,095.5)	731.2
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences			
- movements recognised in other comprehensive income		(27.7)	5.1
- reclassified and reported in profit or loss		3.7	2.9
Cash flow hedges			
- fair value movements recognised in other comprehensive income		(215.5)	140.3
- reclassified and reported in profit or loss		26.5	(18.4)
Tax credit/(charge) on cash flow hedges		37.0	(27.0)
		(176.0)	102.9
Other comprehensive (expense)/income for the year, net of tax		(1,271.5)	834.1
Total comprehensive (expense)/income for the year		(1,472.7)	861.5
Attributable to:			
Owners of the parent		(1,469.5)	857.8
Non-controlling interests		(3.2)	3.7
		(1,472.7)	861.5

Consolidated statement of financial position

	Notes	As at 3 April 2021 £m	As at 28 March 2020 (Restated) ¹ £m	As at 30 March 2019 (Restated) ¹ £m
Assets				
Non-current assets				
Intangible assets	10	232.0	399.1	499.9
Property, plant and equipment	11	5,058.6	5,494.2	5,662.3
Investment property		15.2	15.5	15.5
Investments in joint ventures and associates	17	825.8	760.4	4.0
Other financial assets		9.7	9.7	9.9
Retirement benefit asset	8	639.2	1,915.0	931.5
Trade and other receivables		261.4	262.6	273.0
Derivative financial instruments		0.3	112.4	19.8
		7,042.2	8,968.9	7,415.9
Current assets				
Inventories	3	624.6	564.1	700.4
Other financial assets		18.4	11.7	141.8
Trade and other receivables		209.6	298.0	267.2
Derivative financial instruments		32.8	73.5	40.3
Current tax assets		35.4	19.3	-
Cash and cash equivalents		674.4	254.2	310.4
		1,595.2	1,220.8	1,460.1
Total assets		8,637.4	10,189.7	8,876.0
Liabilities				
Current liabilities				
Trade and other payables		1,599.0	1,501.0	1,518.2
Partnership liability to the Marks & Spencer UK	9	124.9	71.9	71.9
Borrowings and other financial liabilities		432.8	247.8	625.6
Derivative financial instruments		96.0	13.0	7.3
Provisions		43.1	21.5	100.7
Current tax liabilities		-	-	26.2
		2,295.8	1,855.2	2,349.9
Non-current liabilities				
Retirement benefit deficit	8	7.8	12.4	17.2
Trade and other payables		192.3	222.6	15.6
Partnership liability to the Marks & Spencer UK	9	68.6	135.5	200.5
Borrowings and other financial liabilities		3,659.9	3,865.9	3,628.5
Derivative financial instruments		10.7	0.7	2.8
Provisions		74.2	56.5	72.7
Deferred tax liabilities		42.3	332.4	119.6
		4,055.8	4,626.0	4,056.9
Total liabilities		6,351.6	6,481.2	6,406.8
Net assets		2,285.8	3,708.5	2,469.2
Equity				
Issued share capital		489.2	487.6	406.3
Share premium account		910.4	910.4	416.9
Capital redemption reserve		2,210.5	2,210.5	2,210.5
Hedging reserve		(54.8)	68.6	(14.6)
Cost of hedging reserve		4.6	5.7	11.7
Other reserve		(6,542.2)	(6,542.2)	(6,542.2)
Foreign exchange reserve		(59.9)	(35.9)	(43.9)
Retained earnings		5,325.2	6,597.8	6,024.8
Equity attributable to owners of the parent		2,283.0	3,702.5	2,469.5
Non-controlling interests		2.8	6.0	(0.3)
Total equity		2,285.8	3,708.5	2,469.2

¹See note 1 for details of a change in accounting policy and the resulting restatement of prior years.

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 ² £m	Total £m	Non-controlling interest £m	Total £m
As at 31 March 2019	406.3	416.9	2,210.5	(14.6)	11.7	(6,542.2)	(43.9)	6,024.8	2,469.5	(0.3)	2,469.2
Profit for the year	-	-	-	-	-	-	-	23.7	23.7	3.7	27.4
Other comprehensive income/(expense):											
Foreign currency translation											
- movements recognised in other comprehensive income	-	-	-	-	-	-	5.1	-	5.1	-	5.1
- reclassified and reported in profit or loss	-	-	-	-	-	-	2.9	-	2.9	-	2.9
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	-	927.9	927.9	-	927.9
Tax charge on retirement benefit schemes	-	-	-	-	-	-	-	(196.7)	(196.7)	-	(196.7)
Cash flow hedges											
- fair value movement in other comprehensive income	-	-	-	147.8	(7.5)	-	-	-	140.3	-	140.3
- reclassified and reported in profit or loss	-	-	-	(18.4)	-	-	-	-	(18.4)	-	(18.4)
Tax on cash flow hedges	-	-	-	(28.5)	1.5	-	-	-	(27.0)	-	(27.0)
Other comprehensive income/(expense)	-	-	-	100.9	(6.0)	-	8.0	731.2	834.1	-	834.1
Total comprehensive income/(expense)	-	-	-	100.9	(6.0)	-	8.0	754.9	857.8	3.7	861.5
Cash flow hedges recognised in inventories	-	-	-	(21.8)	-	-	-	-	(21.8)	-	(21.8)
Tax on cash flow hedges recognised in inventories	-	-	-	4.1	-	-	-	-	4.1	-	4.1
Transactions with owners:											
Dividends	-	-	-	-	-	-	-	(191.1)	(191.1)	-	(191.1)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-	2.6	2.6
Shares issued on exercise of employee share options	-	0.1	-	-	-	-	-	-	0.1	-	0.1
Shares issued on rights issue ³	81.3	493.4	-	-	-	-	-	-	574.7	-	574.7
Purchase of own shares held by employee trusts	-	-	-	-	-	-	-	(8.9)	(8.9)	-	(8.9)
Credit for share-based payments	-	-	-	-	-	-	-	18.5	18.5	-	18.5
Deferred tax on share schemes	-	-	-	-	-	-	-	(0.4)	(0.4)	-	(0.4)
As at 28 March 2020	487.6	910.4	2,210.5	68.6	5.7	(6,542.2)	(35.9)	6,597.8	3,702.5	6.0	3,708.5
As at 29 March 2020	487.6	910.4	2,210.5	68.6	5.7	(6,542.2)	(35.9)	6,597.8	3,702.5	6.0	3,708.5
Loss for the year	-	-	-	-	-	-	-	(198.0)	(198.0)	(3.2)	(201.2)
Other comprehensive (expense)/income:											
Foreign currency translation											
- movements recognised in other comprehensive income	-	-	-	-	-	-	(27.7)	-	(27.7)	-	(27.7)
- reclassified and reported in profit or loss	-	-	-	-	-	-	3.7	-	3.7	-	3.7
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	-	(1,352.0)	(1,352.0)	-	(1,352.0)
Tax credit on retirement benefit schemes	-	-	-	-	-	-	-	256.5	256.5	-	256.5
Cash flow hedges											
- fair value movement in other comprehensive income	-	-	-	(214.2)	(1.3)	-	-	-	(215.5)	-	(215.5)
- reclassified and reported in profit or loss	-	-	-	26.5	-	-	-	-	26.5	-	26.5
Tax on cash flow hedges	-	-	-	36.8	0.2	-	-	-	37.0	-	37.0
Other comprehensive (expense)/income	-	-	-	(150.9)	(1.1)	-	(24.0)	(1,095.5)	(1,271.5)	-	(1,271.5)
Total comprehensive (expense)/income	-	-	-	(150.9)	(1.1)	-	(24.0)	(1,293.5)	(1,469.5)	(3.2)	(1,472.7)
Cash flow hedges recognised in inventories	-	-	-	33.9	-	-	-	-	33.9	-	33.9
Tax on cash flow hedges recognised in inventories	-	-	-	(6.4)	-	-	-	-	(6.4)	-	(6.4)
Transactions with owners:											
Shares issued in respect of employee share options	1.6	-	-	-	-	-	-	(1.6)	-	-	-
Purchase of own shares held by employee trusts	-	-	-	-	-	-	-	(0.8)	(0.8)	-	(0.8)
Credit for share-based payments	-	-	-	-	-	-	-	19.3	19.3	-	19.3
Deferred tax on share schemes	-	-	-	-	-	-	-	4.0	4.0	-	4.0
As at 3 April 2021	489.2	910.4	2,210.5	(54.8)	4.6	(6,542.2)	(59.9)	5,325.2	2,283.0	2.8	2,285.8

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.

2. Included within Retained earnings is the fair value through other comprehensive income reserve.

3. The share premium amount of £493.4m is net of £26.6m in relation to transaction costs associated with the rights issue.

Consolidated statement of cash flows

		53 weeks ended 3 April 2021	52 weeks ended 28 March 2020 (Restated) ¹
	Notes	£m	£m
Cash flows from operating activities			
Cash generated from operations	14	876.7	1,045.4
Income tax paid		(5.8)	(91.6)
Net cash inflow from operating activities		870.9	953.8
Cash flows from investing activities			
Proceeds on property disposals		2.9	2.7
Purchase of property, plant and equipment		(158.9)	(251.0)
Purchase of intangible assets		(47.8)	(77.6)
(Purchase)/sale of current financial assets		(6.7)	130.1
Purchase of investments in associates and joint ventures ²		8.7	(580.3)
Interest received		9.2	10.4
Net cash used in investing activities		(192.6)	(765.7)
Cash flows from financing activities			
Interest paid ³		(219.3)	(224.2)
Issuance of Medium Term Notes		300.0	250.0
Redemption of Medium Term Notes		(136.4)	(400.0)
Repayment of lease liabilities		(184.3)	(201.4)
Payment of liability to the Marks & Spencer UK Pension Scheme		(17.2)	(63.5)
Equity dividends paid	7	-	(191.1)
Shares issued on exercise of employee share options		-	0.1
Proceeds from rights issue net of issue costs		-	574.4
Purchase of own shares by employee trust		(0.8)	(8.9)
Cash received from settlement of derivatives		14.0	7.7
Net cash used in financing activities		(244.0)	(256.9)
Net cash inflow/(outflow) from activities		434.3	(68.8)
Effects of exchange rate changes		(3.3)	0.5
Opening net cash		238.7	307.0
Closing net cash	15	669.7	238.7

¹ See note 1 for details on a change in accounting policy and the resulting restatement.

² Includes inflow of £11.2m upon finalisation of the completion statement in relation to the investment in Ocado Retail Limited (last year: outflow of £577.8m) and outflow of £2.5m (last year: £2.5m) in relation to Founders Factory Retail Limited.

³ Includes interest paid on the partnership liability to the Marks & Spencer UK Pension Scheme of £6.4m (last year: £8.4m) and interest paid on lease liabilities of £132.3m (last year: £134.3m).

1 Accounting Policies

General information

The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 3 April 2021 or 28 March 2020. The financial information for the year ended 28 March 2020 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. The statutory accounts for the year ended 3 April 2021 will be delivered to the Registrar of Companies following the company's annual general meeting.

Basis of preparation

Whilst the financial information included in this press release has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information has been prepared using accounting policies and methods of computation consistent with those applied in the financial statements for the year ended 28 March 2020, with the exception of the change in accounting policy and new accounting standards adopted in the year set out below. The Company's full financial statements will be prepared in compliance with IFRS Standards.

Going concern basis

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

At 3 April 2021, the Group had available liquidity of £1,799.4m, comprising cash and cash equivalents of £674.4m, an undrawn committed syndicated bank revolving credit facility ("RCF") of £1.1bn (set to mature in April 2023), and undrawn uncommitted facilities amounting to £25.0m. This is an increase of £395.2m compared to the £1,404.2m liquidity position as at 28 March 2020 and has been achieved through the active measures taken by the Group to strengthen liquidity in response to the risks posed by the Covid-19 pandemic. In addition to operational cash preservation actions, the following measures have also been undertaken:

- Refinancing the upcoming December 2021 bond maturity with a £300m 2026 bond issuance.
- Extending the relaxation of covenant tests with the lending syndicate of banks providing the £1.1bn revolving credit facility, up to and including the period to March 2022.

In adopting the going concern basis of preparation, the directors have assessed the Group's cash flow forecasts which incorporate a latest estimate of the ongoing impact of Covid-19 on the Group. The forecast assumes that the UK government's four-step roadmap out of lockdown continues as planned, but that a full lifting of restrictions does not occur until Q3 2021/22.

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

The directors have reviewed the evolution of Covid-19 and the impact on the business and considered the potential longer-term impacts of the pandemic by modelling a more severe, but plausible, downside scenario. This downside scenario assumes that:

- A four-month lockdown between December 2021 and March 2022 will be mandated by the government, resulting in store closures and a 3% decline in Food sales. Between this period, a range of 10% - 20% decline in Clothing & Home sales has been modelled, as well as a 10% decline in International sales. These declines have been set with reference to the 2020/21 results; and,
- An economic recession in the UK from October 2021, following the cessation of the Coronavirus Job Retention Scheme in the UK, that continues into 2022/23 and 2023/24, resulting in a decline in sales of between 1% - 5% per annum, continuing for three years, across both sides of the business.

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

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

As a result, the directors believe that the Group is well placed to manage its financing and other significant risks satisfactorily and that the Group will be able to operate within the level of its facilities for the foreseeable future, being a period of at least 12 months from the approval of the financial statements. For this reason, the directors consider it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

Change in accounting policy

Due to a change in the Group's accounting policy to recognise BACS payments at the settlement date, rather than when they are initiated, to more appropriately reflect the nature of these transactions, the comparative amounts have been restated.

The impact on the 28 March 2020 balance sheet is an increase to current trade and other payables of £74.6m (2019: £93.8m), a decrease to bank loans and overdrafts, within current liabilities, of £68.8m (2019: £68.8m) and an increase to cash and cash equivalents of £5.8m (2019: £25.0m). Net cash outflow from activities in 2019/20 has increased by £19.3m while net debt as at 28

March 2020 has decreased by £74.6m (2019: £93.9m). There is no impact on the income statement, earnings per share or net assets.

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 29 March 2020:

- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3: Definition of a Business
- Amendments to References to the Conceptual Framework in IFRS Standards

The Group also elected to adopt the following amendment early:

- Amendment to IFRS 16: Covid-19-Related Rent Concessions

The impact of early adopting the amendment to IFRS 16 is described below.

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

Amendment to IFRS 16: Covid-19-Related Rent Concessions

The Group has applied the amendment to IFRS 16 in advance of its effective date and, as a result, has treated rent concessions occurring as a direct consequence of Covid-19 as variable lease payments rather than as lease modifications.

The amount recognised in profit or loss in the period to reflect changes in lease payments arising from Covid-19-related rent concessions was a gain of £10.9m.

Government grants

The Group has received government assistance income in the period as a result of the Covid-19 pandemic. Government grants are recognised where there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attached to them.

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

New accounting standards in issue but not yet effective

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

- IFRS 17 Insurance Contracts
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture

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

Alternative performance measures

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

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

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

The Group reports some financial measures, primarily International sales, on both a reported and constant currency basis. The constant currency basis, which is an APM, retranslates the previous year revenues at the average actual periodic exchange rates

used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.

The Group makes certain adjustments to the statutory profit measures in order to derive many of these APMs. The Group's policy is to exclude items that are considered significant in nature and/or quantum to the financial statement line item or applicable disclosure note or are consistent with items that were treated as adjusting in prior periods. The Group's definition of adjusting items is consistent with prior periods. Previously these were presented in the consolidated income statement in a columnar format; the Group now presents a reconciliation of profit before tax and adjusting items to profit before tax on the face of the consolidated income statement. 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 53-week period ended 3 April 2021:

- Net charges associated with the strategic programme in relation to the review of the UK store estate.
- Significant restructuring costs and other associated costs arising from strategy changes that are not considered by the Group to be part of the normal operating costs of the business.
- Impairment charges and provisions that are considered to be significant in nature and/or value to the trading performance of the business.
- Charges and reversals of previous impairments arising from the write-off of assets and other property charges that are considered to be significant in nature and/or value.
- 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.
- Significant non-cash charges relating to the Group's defined benefit scheme arising from equalisation of guaranteed minimum pensions (GMP) and other pension equalisation.
- Significant costs arising from establishing the investment in Ocado Retail Limited.
- Amortisation of the identified intangible assets arising as part of the investment in Ocado Retail Limited.
- Remeasurement of contingent consideration including discount unwind.
- Directly attributable gains and expenses resulting from the Covid-19 pandemic.
- Transition costs associated with the Sparks loyalty programme¹.

¹ Adjusting items in the current year include the charges associated with the transition of the Sparks loyalty programme. While the Group provides vouchers to customers as part of its ongoing operations, vouchers of this nature and quantum have never been provided before in relation to a one-off event (refer to note 3 for further details). The Group has reviewed how it applies its policy and has concluded to include these charges in adjusting items.

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

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, with additional items due to the transition of the Sparks loyalty programme.

Note 3 provides further details on current year adjusting items and their adherence to Group policy.

UK defined benefit pension surplus

Where a surplus on a defined benefit scheme arises, the rights of the Trustees to prevent the Group obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised. The UK defined benefit scheme is in surplus at 3 April 2021. The directors have made the judgement that these amounts meet the requirements of recoverability on the basis that paragraph 11(b) of IFRIC 14 applies, enabling a refund of surplus assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme, and a surplus of £639.2m has been recognised.

Assessment of control

The directors have assessed that the Group has significant influence over Ocado Retail Limited and has therefore accounted for the investment as an associate (see note 17). This assessment is based on the current rights held by the respective shareholders and requires judgement in assessing these rights. These rights include determinative rights currently 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. Any future change to these rights requires a

reassessment of control and could result in a change in the status of the investment from associate to joint venture, subsidiary or investment.

Determining the lease term

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

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

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

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

Determining whether forecast purchases are highly probable

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

The Group has applied judgement in assessing whether forecast purchases are "highly probable". In making this assessment, the Group has considered the most recent budgets and plans. The Group's policy is a "layered" hedging strategy where only a small fraction of the forecast purchase requirements are initially hedged, approximately 15 months prior to a season, with incremental hedges layered on over time as the buying period for that season approaches and therefore as certainty increases over the forecast purchases. As a result of this progressive strategy, a reduction in the supply pipeline of inventory does not immediately lead to over-hedging and the disqualification of "highly probable". If the forecast transactions were no longer expected to occur, any accumulated gain or loss on the hedging instruments would be immediately reclassified to profit or loss.

Last year, a £2.9m gain was recognised in the income statement as a result of US\$76.6m notional forecast purchases no longer being expected to occur. There was no such occurrence in the current year.

During the year, the settlement of certain forecast purchases were delayed as a result of the Covid-19 pandemic and, as a result, the deferred fair value of the applicable forward foreign exchange contracts has been retained in reserves to be recycled in line with the delayed forecast purchases. As discussed above, due to our progressive hedging strategy, this delay does not affect the qualification of "highly probable". At 3 April 2021, the Group had £4.0m of deferred fair value retained in the cash flow hedge reserve which will be released over the first half of 2021/22.

Key sources of estimation uncertainty ***UK store estate programme***

The Group is undertaking a significant strategic programme to review its UK store estate resulting in a net charge of £95.3m (last year: £29.3m) in the year. A significant level of estimation has been used to determine the charges to be recognised in the year. The most significant judgement that impacts the charge is that the stores identified as part of the programme are more likely than not to close. Further significant closure costs and impairment charges may be recorded in future years depending on decisions made about further store closures and the successful delivery of the transformation programme.

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

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

- Estimation of the value of dilapidation payments required for leasehold store exits, which is dependent on a number of factors including the extent of modifications of the store, the terms of the lease agreement, and the condition of the property.

The assumptions most likely to have a material impact are closure dates and changes to future sales. See notes 3 and 11 for further detail.

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

Depreciation and amortisation are provided to write down the cost of property, plant and equipment and certain intangibles to their estimated residual values over their estimated useful lives, as set out above. The selection of the residual values and useful lives gives rise to estimation uncertainty, especially in the context of changing economic and market factors, the channel shift from stores to online, increasing technological advancement and the Group's ongoing strategic transformation programmes. The useful lives of property, plant and equipment and intangibles are reviewed by management annually. See notes 10 and 11 for further details. Refer to the UK store estate programme section above for specific sources of estimation uncertainty in relation to the useful lives of property, plant and equipment for stores identified as part of the UK store estate programme. Due to the nature of the Group's property, plant and equipment, it is not practicable to provide a meaningful sensitivity analysis.

Impairment of property, plant and equipment and intangibles

Property, plant and equipment and computer software intangibles are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and indefinite life brands are reviewed for impairment on an annual basis. When a review for impairment is conducted, the recoverable amount is determined based on the higher of value in use and fair value less costs to sell. The value in use method requires the Group to determine appropriate assumptions in relation to the cash flow projections over the three-year strategic plan period (which is a key source of estimation uncertainty), the long-term growth rate to be applied beyond this three-year period and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value. See notes 10 and 11 for further details on the Group's assumptions and associated sensitivities.

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

Inventory provisioning

The Group assesses the recoverability of inventories by applying assumptions around the future saleability and estimated selling prices of items. At 28 March 2020, the Group recorded a write-down of £157.0m, based on the estimated impact of trade restrictions introduced in response to the Covid-19 pandemic. Performance during 2020/21 has exceeded the estimates made at last year end and the Group has updated the assumptions regarding future performance. As a result, and supported by the certainty provided by vaccines and a clear government Covid-19 re-emergence strategy, a net release of £101.6m of this provision has been recognised in the period. See note 3 for further details on the assumptions and associated sensitivities.

Post-retirement benefits

The determination of pension net interest income and the defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate and mortality rates. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. The fair value of unquoted investments within total plan assets is estimated with consideration of fair value estimates provided by the manager of the investment or fund. See note 8 for further details on the impact of changes in the key assumptions and estimates.

2 Segmental Information

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

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

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

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

The Ocado operating segment has been identified as reportable in the current period based on the quantitative thresholds in IFRS 8. As the Group's reportable segments have changed, the comparative information has been restated.

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

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

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

	53 weeks ended 3 April 2021						52 weeks ended 28 March 2020					
	UK Clothing & Home	UK Food	International	Ocado	All other segments	Group	UK Clothing & Home	UK Food	International	Ocado	All other segments	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue before adjusting items ¹	2,239.0	6,138.5	789.4	-	-	9,166.9	3,209.1	6,028.2	944.6	-	-	10,181.9
Operating (loss)/profit before adjusting items ²	(130.8)	228.6	44.1	78.4	1.9	222.2	223.9	236.7	110.7	2.6	16.8	590.7
Finance income before adjusting items						57.4						44.0
Finance costs before adjusting items						(229.3)						(231.6)
(Loss)/profit before tax and adjusting items	(130.8)	228.6	44.1	78.4	1.9	50.3	223.9	236.7	110.7	2.6	16.8	403.1
Adjusting items						(259.7)						(335.9)
(Loss)/profit before tax	(130.8)	228.6	44.1	78.4	1.9	(209.4)	223.9	236.7	110.7	2.6	16.8	67.2

¹ Revenue is stated prior to adjusting items of £11.2m (see note 3).

² Operating (loss)/profit before adjusting items 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.

Other segmental information

	53 weeks ended 3 April 2021						52 weeks ended 28 March 2020					
	UK Clothing & Home	UK Food	International	Ocado	All other segments	Group	UK Clothing & Home	UK Food	International	Ocado	All other segments	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Additions to property, plant and equipment, and intangible assets (excluding goodwill and right-of-use assets)	50.5	105.0	6.8	-	-	162.3	166.5	170.1	15.7	-	-	352.3
Depreciation and amortisation ^{1,2}	(312.3)	(259.4)	(25.1)	-	-	(596.8)	(350.6)	(283.4)	(34.6)	-	-	(668.6)
Impairment charges, impairment reversals and asset write-offs ¹	(155.1)	(34.9)	(4.7)	-	-	(194.7)	(69.9)	(45.3)	(10.3)	-	-	(125.5)

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 £0.3m (last year: £nil) depreciation charged on the investment property.

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

3 Adjusting items

The total adjusting items reported for the 53-week period ended 3 April 2021 is a net charge of £259.7m (last year: £335.9m). The adjustments made to reported profit before tax to arrive at adjusted profit are:

	Notes	2021 £m	2020 £m
Included in revenue			
Sparks loyalty programme transition		(11.2)	-
		(11.2)	-
Included in operating profit			
Strategic programmes - Organisation	11	(133.7)	(13.8)
Strategic programmes - UK store estate ¹	11	(95.3)	(29.3)
Strategic programmes - International store closures and impairments		(3.6)	(2.2)
Strategic programmes - UK logistics	11	(2.2)	(10.2)
Strategic programmes - Operational transformation		-	(11.6)
Strategic programmes - Changes to pay and pensions		-	(2.9)
Strategic programmes - IT restructure		-	(0.4)
Directly attributable gains/(expenses) resulting from the Covid-19 pandemic ¹		90.8	(166.5)
Intangible asset impairments	10	(79.9)	(13.4)
Store impairments, impairment reversals and other property charges ¹	11	6.9	(78.5)
Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited		(14.2)	(16.8)
Sparks loyalty programme transition		(5.4)	-
M&S Bank charges incurred in relation to insurance mis-selling and Covid-19 forward economic guidance provision		(2.4)	(12.6)
Establishing the investment in Ocado Retail Limited		(1.7)	(1.2)
GMP and other pension equalisation	8	(1.0)	-
Other		-	23.5
		(241.7)	(335.9)
Included in net finance costs			
Remeasurement of contingent consideration including discount unwind		(6.8)	(2.9)
Directly attributable gains/(expenses) resulting from the Covid-19 pandemic ^{1,2}		-	2.9
		(6.8)	-
Adjustments to profit before tax		(259.7)	(335.9)

¹ Gains/(expenses) directly attributable to the Covid-19 pandemic in the current and prior year are presented below; this includes the resulting incremental impairment charge disclosed within the strategic programmes above related to the UK store estate, UK store impairments, International store impairments and the impairment of per una goodwill.

	2021 £m	2020 £m
Directly attributable gains/(expenses) resulting from the Covid-19 pandemic – included in operating profit	90.8	(166.5)
Directly attributable gains/(expenses) resulting from the Covid-19 pandemic – included in net finance costs ²	-	2.9
UK store estate impairments	-	(11.6)
Store impairments	-	(24.2)
Goodwill impairment – per una	-	(13.4)
Total Covid-19 gains/(charges)	90.8	(212.8)

² The 2019/20 gain for Directly attributable gains/(expenses) resulting from the Covid-19 pandemic within net finance costs is a £2.9m gain relating to forecast purchases no longer expected to occur.

Strategic programmes – Organisation (£133.7m)

During 2020/21, the Group announced a commitment to integrate more flexible management structures into store operations as well as streamline the business at store and management level in the UK and Republic of Ireland as part of the 'Never the Same Again' transformation. As part of the transformation, the Group has incurred £9.5m of consultancy costs. The changes have resulted in a reduction of c.8,200 roles across central support centres, regional management and stores, with a charge of £99.7m recognised in the period primarily for redundancy costs associated with these changes. The majority of the charges have been settled during 2020/21, with a provision being held on the balance sheet for the remaining charges. The provision is expected to be fully utilised during 2021/22, with no further significant charges anticipated.

During 2016/17, the Group announced a wide-ranging strategic review across a number of areas of the business which included UK organisation and the programme to centralise our London Head Office functions into one building. A further £24.5m of costs have been recognised in the period associated with centralising the Group's London Head Office functions, with a £9.7m charge relating to the sub-let of previously closed offices. £14.8m of these charges relate to closure costs to further consolidate our

London Head Office functions as announced in February 2021. Total costs of centralising our London Head Office functions into one building incurred to date are c.£98m. Any future charges will relate to the updating of assumptions and market fluctuations over the life of the sub-let lease.

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 organisation structure and to aid comparability from one period to the next. The treatment as adjusting items is consistent with the disclosure of costs for similar restructuring and centralisation programmes previously undertaken.

Strategic programmes - UK store estate (£95.3m)

In November 2016, the Group announced a strategic programme to transform the UK store estate with the overall objective to improve our store estate to better meet our customers' needs. The Group has incurred charges of £562.3m up to March 2020 under this programme primarily relating to closure costs associated with stores identified as part of the strategic transformation plans.

While Covid-19 has continued to impact the Group's day-to-day operations, the Group has experienced a significant channel shift from stores to online. The pandemic has driven a much faster and more acute switch to online, accelerating the Group's ambition to now achieve a Clothing & Home online sales mix of at least 40% over the next three years. This acceleration in channel shift has required the Group to revise the UK store estate strategic programme in order to ensure the estate continues to meet our customers' needs. As a result, the programme has been further accelerated with additional stores identified as part of the transformation, extending the length to 10 years. Coupled with this, the Group is identifying opportunities to unlock value from the estate through redevelopments and new site acquisitions, with charges and gains associated with these activities now included within the UK store estate programme.

The Group has recognised a charge of £95.3m in the year in relation to those stores identified as part of the revised transformation plans. The charge primarily reflects a revised view of latest store exit routes and assumptions underlying estimated store closure costs in response to the unanticipated acceleration in channel shift experienced as a result of the pandemic. The charge primarily relates to impairment of buildings and fixtures and fittings, and depreciation as a result of shortening the useful economic life of stores based on the latest approved exit routes. Refer to note 11 for further detail on these charges.

Further material charges relating to the closure and reconfiguration of the UK store estate are anticipated over the next 10 years as the programme progresses, the quantum of which is subject to change throughout the programme period as decisions are taken in relation to the size of the store estate and the specific stores affected. Following the latest view of store closure costs, at 3 April 2021, further charges of c.£268m are estimated within the next 10 financial years, bringing anticipated total programme costs since 2016 up to c.£926m.

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.

Strategic programmes – International store closures and impairments (£3.6m)

In 2016/17, the Group announced its intention to close owned stores in 10 international markets. A charge of £3.6m has been recognised in the year, reflecting an updated view of the estimated final closure costs for certain markets and those costs which can only be recognised as incurred, taking the programme cost to date to £148.6m.

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

Strategic programmes – UK logistics (£2.2m)

In 2017/18, as part of the previously announced long-term strategic programme to transition to a single-tier UK distribution network, the Group announced the opening of a new Clothing & Home distribution centre in Welham Green. As a direct result, the Group announced the closure of two existing distribution centres.

In February 2020, the next phase of the single-tier programme was announced with the closure of two further distribution centres across 2020/21 and 2021/22. A net charge of £2.2m has been recognised in the period, reflecting an updated view of estimated closure costs and transition project costs relating to these closures. Total programme costs to date are £39.8m with further charges next financial year.

The Group considers these costs to be adjusting items as they have been significant in quantum and relate to a significant strategic initiative of the Group. Treatment of the costs as being adjusting items is consistent with the treatment of charges in previous periods in relation to the creation of a single-tier logistics network.

Directly attributable gains/(expenses) resulting from the Covid-19 pandemic (£90.8m gain)

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

As a result in 2019/20, the Group identified total Covid-19 charges of £212.8m across four adjusting items programmes. The charges related to three separately identifiable areas of accounting judgement and estimates: the write-down of inventories to net realisable value; impairments of intangible assets and property, plant and equipment; and onerous contract provisions, cancellation charges and one-off costs. The Group disclosed in 2019/20 that should the estimated charges prove to be in excess

of the amounts required, the release or reassessment of any amounts previously provided would also be treated as adjusting items.

The pandemic continued to impact the Group throughout 2020/21 and it became increasingly more difficult to differentiate Covid-19 items from costs that support the underlying performance of the business. In addition, the estimated timeframe over which these effects may impact the business increased. As a result, the Group took the decision in the interim 2020/21 results to only include changes in estimates to items that were included in adjusting items in 2019/20, in this case relating to the inventory provision. Impairment reversals in the period were not able to be reliably differentiated from the underlying performance of the business and therefore have not been recognised within this category.

Write-back of inventories to net realisable value (£90.8m gain)

The carrying value of the Group's inventories at 28 March 2020 was £564.1m. The carrying value of this inventory split across the UK Clothing & Home, UK Food and International businesses included gross inventories of £539.7m, £162.9m and £66.3m respectively, against which a provision of £184.3m, £8.3m and £12.2m was recognised.

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

The Group's half year results announced on 4 November 2020 included a partial release of the £157.0m incremental write-down of inventory. At the time of our half year results announcement, a second national lockdown had just been implemented with the return of restrictions on non-essential retail and an expectation that at the end of national lockdown the United Kingdom would remain under regional tiered restrictions. However, stronger trading particularly in online, has allowed the Group to continue to sell much higher volumes of stock than assumed versus the Covid-19 scenario.

As a result, and supported by the certainty provided by vaccines and a clear government Covid-19 re-emergence strategy, a net credit of £90.8m has been recorded, representing a significant release to the inventory provisions recorded in the 2019/20 financial statements to align to our latest estimates based on current sales performance, offset by charges in the period relating to reassessment of storage and fabric cancellation provisions. Incremental provisions remain in place where risk remains and include a provision of £10.8m against excess slow moving personal protective equipment, committed to during the peak of the first Covid-19 lockdown and incurred directly in response to the Covid-19 pandemic. The total remaining provision held is £35.0m.

The carrying value of the Group's inventories at 3 April 2021 is £624.6m, split across the UK Clothing & Home, UK Food and International businesses represents gross inventories of £508.8m, £144.0m and £78.5m respectively, against which a provision of £78.2m, £15.9m and £12.6m has been recognised. Included within the UK Clothing & Home provision is an incremental write-down of inventory to net realisable value of £18.6m reflecting management's best estimate of the impact of the Covid-19 pandemic on UK Clothing & Home inventory as at 3 April 2021. The total UK Clothing & Home inventory provisions represent 15.4% of UK Clothing & Home inventory. The UK Clothing & Home inventory provision is based on future trading assumptions in line with the Group's 2021/22 Budget. However, trading could be higher or lower than expected and a 5% increase in the UK Clothing & Home inventory provision (from 15% to 20%) would result in a reduction in the valuation of inventory held on the balance sheet of £25.4m and would result in a corresponding increase to recognised loss before tax in the period.

The £90.8m directly attributable net gains from the Covid-19 pandemic are considered to be adjusting items as they meet the Group's established definition, being both significant in nature and value to the results of the Group in the current period and treatment as adjusting items is consistent with the treatment of charges of a consistent nature recognised in 2019/20. Further charges may be incurred in 2021/22 should government lockdown restrictions be reinstated and restrictions on trade and consumer behaviour return. Any future credits relating to these items will continue to also be classified as adjusting.

The impact that Covid-19 has had on underlying trading continues not to be recognised within adjusting items. The Group has provided additional disclosure of the significant impacts of Covid-19 on the underlying results on page 22.

Within this, the Group has received support from the government during the period in the form of Business Rates relief of £174.6m and the Coronavirus Job Retention Scheme of £131.5m. Further details of which are provided in note 18 – government support.

Intangible asset impairments (£79.9m)

The Group has recognised impairment charges in the period for certain intangible assets.

A further impairment charge of £39.6m has been recorded against per una goodwill. The charge primarily reflects an updated view of assumptions and cash flows to reflect the impact of the new broader Brands strategy and a longer Covid-19 recovery period. Refer to note 10 for further details on the impairment charge related to per una goodwill.

The per una goodwill impairment charge has been classified as an adjusting item on the basis of the significant quantum of the charge in the period to the results of the Group and for consistency with prior periods.

In November 2020, the Group performed a critical review of the UK Clothing & Home operations leading to the launch of the new MS2 division within UK Clothing & Home to build on our investment in data and digital and step change online growth.

The Group conducted a review of the intangible computer software assets held on the balance sheet which were to be replaced, retired or decommissioned as part of the MS2 programme. An impairment charge of £40.3m has been recognised reflecting significant changes to certain intangible assets used by UK Clothing & Home.

These costs are considered to be adjusting items as they relate to the transformation and the total costs are significant in quantum and as a result not considered to be normal operating costs of the business. No further significant charges are expected to be recognised within adjusting items in relation to MS2.

Store impairments, impairment reversals and property charges (£6.9m gain)

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

In response to the ongoing pressures impacting the retail industry in light of the ongoing Covid-19 pandemic, as well as reflecting the Group's strategic focus towards growing online market share, the Group has revised future cash flow projections for UK and International stores (excluding those stores that have been captured as part of the UK store estate programme). As a result, store impairment testing has identified stores where the current and anticipated future performance does not support the carrying value of the stores. A charge of £66.4m has been incurred primarily in respect of the impairment of assets associated with these stores. In addition, a credit of £73.3m has been incurred for the reversal of store impairments recognised in previous periods, where revised future cash flow projections more than support the carrying value of the stores, reflecting improved trading expectations compared to those assumed at the prior year end. Refer to note 11 for further details on the impairments.

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.

Amortisation and fair value adjustments arising as part of the investment in Ocado Retail Limited (£14.2m)

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 £17.5m recognised in the period and a related deferred tax credit of £3.3m.

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. Identifying these items as adjusting allows greater comparability of underlying performance.

Sparks loyalty programme transition (£16.6m)

In July 2020, the Group relaunched its Sparks loyalty programme as a Digital First loyalty scheme. The new Sparks programme removed certain elements of the old, such as points and sale access tiers, and introduced new instant rewards to deliver immediate and clearer value to customers for shopping with M&S. As part of the transition to the new Sparks programme, customers who were members of the old loyalty scheme were provided with 'thank you' gifts for their loyalty, the value of which was determined in part with reference to the number of Sparks points earned historically. These 'thank you' gifts consisted of tote bags and vouchers for money off future purchases. As a result, a charge of £16.6m has been recognised in the period relating to one-off transition and 'thank-you' costs associated with the closure of the old Sparks programme.

These costs are directly attributable to the closure of the old Sparks programme and are considered to be adjusting as they are significant in quantum, are one-off in nature and not considered to be part of the normal operating costs of the business. No similar charges of this type have been incurred by the Group in the past, and no further charges are expected in future years.

M&S Bank charges incurred in relation to insurance mis-selling and Covid-19 forward economic guidance provision (£2.4m)

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

Since the year ended 31 December 2010, M&S Bank has recognised in its audited financial statements an estimated liability for redress to customers in respect of possible mis-selling of financial products. The Group's profit share and fee income from M&S Bank has been reduced by the deduction of the estimated liability in both the current and prior years. In line with the accounting treatment under the Relationship Agreement, there is a cap on the amount of charges that can be offset against the profit share in any one year, whereby excess liabilities carried forward are deducted from the Group's future profit share from M&S Bank. The deduction in the period is £2.4m.

The treatment of this in adjusting items is in line with previous charges in relation to settlement of PPI claims and although it is recurring, it is significant in quantum in the context of the total charges recognised for PPI mis-selling to-date and is not considered representative of the normal operating performance of the Group. As previously noted, while the August 2019 deadline to raise potential mis-selling claims has now passed, costs relating to the estimated liability for redress are expected to continue. The total charges recognised in adjusting items since September 2012 for both PPI and Covid-19 forward economic guidance provision is £338.3m which exceeds the total offset against profit share of £225.1m to date and this deficit will be deducted from the Group's share of future profits from M&S Bank.

Establishing the investment in Ocado Retail Limited (£1.7m)

In 2018/19, the Group announced its 50/50 investment in Ocado Retail Limited. £4.6m of charges were recognised across 2018/19 and 2019/20 primarily relating to due diligence for the Ocado Retail transaction and one-off charges, that are not part of the day-to-day operational costs of our business with Ocado Retail, incurred in preparation for the launch in September 2020.

A further £1.7m of "getting ready" charges were incurred in the period prior to launch on 1 September, bringing the total one-off charges relating to Ocado Retail to £6.3m. No further costs are expected.

These costs are adjusting items as they relate to a major transaction and as a result are not considered to be normal operating costs of the business.

GMP and other pension equalisation (£1.0m)

The Group has recognised a charge of £1.0m in respect of the Group's defined benefit pension liability arising from equalisation of GMP for past transfers following a High Court ruling in November 2020. Additional detail on the Group's GMP assessment is provided in note 8.

Treatment of the costs as being adjusting items is consistent with the treatment of charges recognised in 2018/19 in relation to the equalisation of GMP and other pension equalisation. Total GMP and other pension equalisation costs are £21.5m.

Remeasurement of contingent consideration including discount unwind (£6.8m)

Contingent consideration, resulting from the investment in Ocado Retail Limited, is remeasured at fair value at each reporting date with the changes in fair value recognised in profit or loss. A charge of £6.8m has been recognised in the period, representing the revaluation of the contingent consideration payable. The change in fair value is considered to be an adjusting item as it relates to a major transaction and consequently is not considered representative of the normal operating performance of the Group. The remeasurement will be recognised in adjusting items until the final contingent consideration payment is made in 2024/25.

4 Finance income/(costs)

	2021	2020
	£m	£m
Bank and other interest receivable	2.9	8.6
Other finance income	1.8	5.9
Pension net finance income	47.2	23.6
Interest income on subleases	5.5	5.9
Finance income before adjusting items	57.4	44.0
Finance income in adjusting items	-	2.9
Finance income	57.4	46.9
Other finance costs	(0.6)	-
Interest payable on syndicated bank facility	(3.9)	(2.3)
Interest payable on Medium Term Notes	(86.4)	(78.2)
Interest payable on commercial paper facility	(0.4)	-
Interest payable on lease liabilities	(130.4)	(139.3)
Unwind of discount on provisions	(2.7)	(4.9)
Unwind of discount on partnership liability to the Marks & Spencer UK Pension Scheme (see note 9)	(4.9)	(6.9)
Finance costs before adjusting items	(229.3)	(231.6)
Finance costs in adjusting items	(6.8)	(2.9)
Finance costs	(236.1)	(234.5)
Net finance costs	(178.7)	(187.6)

5 Income tax (credit)/expense

The effective tax rate was 3.9% (last year: 59.3%) and the effective tax rate of profit before tax and adjusting items was 50.3% (last year: 20.7%).

6 Earnings per share

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

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

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

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

	2021 £m	2020 £m
(Loss)/profit attributable to equity shareholders of the Company	(198.0)	23.7
Add/(less):		
Adjusting items (see note 3)	259.7	335.9
Tax on adjusting items	(33.5)	(43.6)
Profit before adjusting items attributable to equity shareholders of the Company	28.2	316.0
	Million	Million
Weighted average number of ordinary shares in issue	1,953.5	1,894.9
Potentially dilutive share options under Group's share option schemes ¹	15.0	10.7
Weighted average number of diluted ordinary shares	1,968.5	1,905.6
	Pence	Pence
Basic (loss)/earnings per share	(10.1)	1.3
Diluted (loss)/earnings per share	(10.1)	1.2
Adjusted basic earnings per share	1.4	16.7
Adjusted diluted earnings per share	1.4	16.6

¹ Potentially dilutive share options only considered in relation to adjusted diluted earnings per share as the Group made a basic loss per share.

7 Dividends

	2021 per share	2020 per share	2021 £m	2020 £m
Dividends on equity ordinary shares				
Paid final dividend	-	6.8p	-	115.1
Paid interim dividend	-	3.9p	-	76.0
	-	10.7p	-	191.1

The Board of Directors has not proposed a final dividend for 2020/21. The Board of Directors continues to defer consideration of further dividends until visibility of the pace and scale of market recovery has improved.

8 Retirement benefits

	2021	2020
	£m	£m
Opening net retirement benefit surplus	1,902.6	914.3
Current service cost	(0.2)	(0.2)
Administration cost	(4.5)	(4.5)
Net interest income	47.2	23.6
Employer contributions	41.5	41.8
Past service cost	(1.0)	-
Remeasurements ¹	(1,354.5)	927.9
Exchange movement	0.3	(0.3)
Closing net retirement benefit surplus	631.4	1,902.6

	2021	2020
	£m	£m
Total market value of assets	10,442.9	10,653.8
Present value of scheme liabilities	(9,803.7)	(8,743.3)
Net funded pension plan asset	639.2	1,910.5
Unfunded retirement benefits	(3.8)	(3.9)
Post-retirement healthcare	(4.0)	(4.0)
Net retirement benefit surplus	631.4	1,902.6

Analysed in the statement of financial position as:

Retirement benefit asset	639.2	1,915.0
Retirement benefit deficit	(7.8)	(12.4)
Net retirement benefit surplus	631.4	1,902.6

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

Financial assumptions

The financial assumptions for the UK DB pension scheme and the most recent actuarial valuations of the other post-retirement schemes have been updated by independent qualified actuaries to take account of the requirements of IAS 19 "Employee Benefits" in order to assess the liabilities of the schemes. The most significant of these are the discount rate and the inflation rate which are 2.00% (last year: 2.40%) and 3.30% (last year: 2.70%). The inflation rate of 3.30% (last year: 2.70%) reflects the Retail Price Index (RPI) rate.

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

In September 2020, the UK DB Pension Scheme purchased additional pensioner buy-in policies with two insurers for approximately £750m. Together with the policies purchased in April 2019 and March 2018, the Scheme has now, in total, insured around 80% of the pensioner cash flow liabilities for pensions in payment. The buy-in policies cover specific pensioner liabilities and pass all risks to an insurer in exchange for a fixed premium payment, thus reducing the Group's exposure to changes in longevity, interest rates, inflation and other factors.

In November 2020, there was a further High Court ruling in relation to guaranteed minimum pension benefits. The latest ruling states that trustees of defined benefit (DB) schemes that provided guaranteed minimum payments should revisit, and where necessary, top-up historic cash equivalent transfer values that were calculated on an unequalised basis if an affected member makes a successful claim. The impact of the ruling implies that pension scheme trustees are responsible for equalising the guaranteed minimum payments for members who transferred out of its DB pension scheme. This has resulted in an increase in the liabilities of the UK DB Pension Scheme of £1.0m, which was recognised in the results as a past service cost.

9 Marks and Spencer Scottish Limited Partnership

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

The Partnership holds £1.4bn (last year: £1.4bn) of properties which have been leased back to Marks and Spencer plc. The Group retains control over these properties, including the flexibility to substitute alternative properties into the Partnership. The first limited partnership interest (held by the Marks & Spencer UK Pension Scheme) entitles the Pension Scheme to receive an annual distribution of £71.9m until June 2022 from the Partnership. The second limited partnership interest (also held by the Marks & Spencer UK Pension Scheme), entitles the Pension Scheme to receive a further annual distribution of £36.4m from June 2017 until June 2031. All profits generated by the Partnership in excess of these amounts are distributable to Marks and Spencer plc.

The partnership liability in relation to the first interest of £193.5m (last year: £207.4m) is included as a financial liability in the Group's financial statements as it is a transferable financial instrument and measured at amortised cost, being the net present value of the future expected distributions from the Partnership. During the year to 3 April 2021, an interest charge of £4.9m (last year: £6.9m) was recognised in the income statement representing the unwinding of the discount included in this obligation. The first limited partnership interest of the Pension Scheme is included within the UK DB pension scheme assets, valued at £142.5m (last year: £211.2m).

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

10 Intangible assets

	Goodwill	Brands	Computer software	Computer software under development	Total
	£m	£m	£m	£m	£m
At 30 March 2019					
Cost	136.5	112.3	1,402.2	74.6	1,725.6
Accumulated amortisation and impairments	(59.0)	(109.5)	(1,025.1)	(32.1)	(1,225.7)
Net book value	77.5	2.8	377.1	42.5	499.9
Year ended 28 March 2020					
Opening net book value	77.5	2.8	377.1	42.5	499.9
Additions	-	-	1.1	76.5	77.6
Transfers and reclassifications	-	-	91.8	(91.4)	0.4
Asset impairments	(13.4)	-	-	-	(13.4)
Asset write-offs	-	-	(0.5)	-	(0.5)
Amortisation charge	-	(2.8)	(162.0)	-	(164.8)
Exchange difference	(0.1)	-	-	-	(0.1)
Closing net book value	64.0	-	307.5	27.6	399.1
At 28 March 2020					
Cost	136.4	112.3	1,495.1	59.7	1,803.5
Accumulated amortisation, impairments and write-offs	(72.4)	(112.3)	(1,187.6)	(32.1)	(1,404.4)
Net book value	64.0	-	307.5	27.6	399.1
Year ended 3 April 2021					
Opening net book value	64.0	-	307.5	27.6	399.1
Additions	-	6.3	0.1	41.4	47.8
Transfers and reclassifications	-	-	44.7	(44.2)	0.5
Asset impairments ¹	(39.6)	-	(40.0)	-	(79.6)
Asset write-offs	-	-	(3.2)	-	(3.2)
Amortisation charge	-	(0.2)	(131.4)	-	(131.6)
Exchange difference	(0.7)	-	(0.3)	-	(1.0)
Closing net book value	23.7	6.1	177.4	24.8	232.0
At 3 April 2021					
Cost	135.7	118.6	1,539.6	56.9	1,850.8
Accumulated amortisation, impairments and write-offs	(112.0)	(112.5)	(1,362.2)	(32.1)	(1,618.8)
Net book value	23.7	6.1	177.4	24.8	232.0

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

	per una	India	Other	Total goodwill
	£m	£m	£m	£m
Net book value at 28 March 2020	56.1	7.2	0.7	64.0
Asset impairments	(39.6)	-	-	(39.6)
Exchange difference	-	(0.7)	-	(0.7)
Net book value at 3 April 2021	16.5	6.5	0.7	23.7

¹Asset impairments of £79.6m made up of: £39.6m charge recorded against per una goodwill, £40.0m in relation to replaced, retired or decommissioned as part of MS2 (see note 3).

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: £56.1m), India £6.5m (last year: £7.2m) 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 is held at a net book value of £nil (last year: £nil). The per una goodwill and brand are considered together for impairment testing purposes and are therefore tested 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 0.5% (last year: 0.7%), which is a reduction from the overall Group long-term growth rate of 1.75% (last year: 2%). The Group's current view of achievable long-term growth for India is 5.9% (last year: 5.9%).

Management estimates discount rates that reflect the current market assessment of the time value of money and the risks specific to each asset or CGU. The pre-tax discount rates are derived from the Group's post-tax weighted average cost of capital ("WACC") which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The post-tax WACC is subsequently grossed up to a pre-tax rate and was 11.0% for per una (last year: 9.7%) and 12.9% for India (last year: 14.3%).

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 India, there is no reasonably possible change in key assumptions that would lead to an impairment and the assumptions do not give rise to a key source of estimation uncertainty.

per una

The future cash flows applied in the per una calculation reflect the Group's current plan for the per una brand over the next three years. These plans reflect the updated trading position of the per una brand post Covid-19 and rationalisation of the per una range whereby certain product ranges have been removed from the brand.

The trading assumptions applied in the prior year reflected the expectation that the impact of Covid-19 would last 12 months, with sales and customer trends returning to pre-pandemic levels in 2021/22. Therefore, the impact of Covid-19 was reflected within the forecast per una sales for 2020/21 only, with return to pre Covid-19 levels by February 2021. A year on, it has become apparent that the recovery of per una sales will take longer and that there is likely to be a permanent shift in customer behaviour and habits, especially triggered by two additional lockdowns in the second half for the financial year. As a result, the revised plan assumes a per una sales decline of c. 40% in 2021/22 vs 2019/20, followed by moderate increases in sales in years 2 and 3 of the plan. The revised plan does not return to 2019/20 sales levels.

In the medium to long-term, the key assumption driving the value in use is the ability to generate profitable growth in the context of significant change in the UK retail market. The model assumes 0.5% (last year: 0.7%) growth into perpetuity, which is the per una sales growth assumed in year 3 of the plan. If a shorter trading period was assumed then this could result in a further impairment.

The outcome of the value in use calculation is an impairment of £39.6m (prior year impairment charge of £13.4m).

As disclosed in the accounting policies (note 1), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to a further impairment. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions for the per una brand. Individually a 50-basis point increase in the WACC rate or a reduction in the perpetuity growth rate to 0% would cause an increase in the impairment below £0.7m. A 20% reduction in cash flows over the whole three-year plan period would cause a £3.3m further impairment and in combination, these reasonably possible changes in the key assumptions would cause a further impairment of £3.9m.

Computer software impairment testing

Following the announcement of the new MS2 division, the Group conducted a review of the intangible computer software assets held on the balance sheet which were to be decommissioned, replaced or retired as part of the MS2 programme. An impairment charge and write off of £40.0m has been recognised reflecting significant changes to certain intangible assets used by UK Clothing & Home.

Jaeger

During the period, the Group recognised additions to brand intangible assets of £6.3m, relating to the purchase of the Intellectual Property of the Jaeger brand (including registered trademarks, goodwill, logos, domain names and social media accounts) as part of an asset acquisition.

11 Property, plant and equipment

The Group's property, plant and equipment of £5,058.6m (last year: £5,494.2m) consists of owned assets of £3,562.6m (last year: £3,863.9m) and right-of-use assets of £1,496.0m (last year: £1,630.3m).

Property, plant and equipment - owned

	Land and buildings	Fixtures, fittings and equipment	Assets in the course of construction	Total
	£m	£m	£m	£m
At 30 March 2019				
Cost	2,885.9	5,673.6	98.1	8,657.6
Accumulated depreciation, impairments and write-offs	(637.1)	(4,015.6)	(18.0)	(4,670.7)
Net book value	2,248.8	1,658.0	80.1	3,986.9
Year ended 28 March 2020				
Opening net book value	2,248.8	1,658.0	80.1	3,986.9
Additions	2.1	27.7	244.9	274.7
Transfers and reclassifications	22.2	183.6	(205.0)	0.8
Impairment reversals	25.7	32.4	-	58.1
Impairment charge	(73.9)	(52.7)	-	(126.6)
Asset write-offs	(1.8)	(7.1)	-	(8.9)
Depreciation charge	(62.0)	(267.2)	-	(329.2)
Exchange difference	6.3	1.8	-	8.1
Closing net book value	2,167.4	1,576.5	120.0	3,863.9
At 28 March 2020				
Cost	2,887.5	5,457.1	138.0	8,482.6
Accumulated depreciation, impairments and write-offs	(720.1)	(3,880.6)	(18.0)	(4,618.7)
Net book value	2,167.4	1,576.5	120.0	3,863.9
Year ended 3 April 2021				
Opening net book value	2,167.4	1,576.5	120.0	3,863.9
Additions	3.8	18.6	92.1	114.5
Transfers and reclassifications	7.2	157.0	(162.6)	1.6
Impairment reversals	36.9	36.2	-	73.1
Impairment charge ¹	(73.2)	(48.7)	-	(121.9)
Asset write-offs	(29.8)	(17.4)	(0.1)	(47.3)
Depreciation charge	(83.3)	(228.5)	-	(311.8)
Exchange difference	(6.6)	(2.8)	(0.1)	(9.5)
Closing net book value	2,022.4	1,490.9	49.3	3,562.6
At 3 April 2021				
Cost	2,809.9	5,450.2	67.5	8,327.6
Accumulated depreciation, impairments and write-offs	(787.5)	(3,959.3)	(18.2)	(4,765.0)
Net book value	2,022.4	1,490.9	49.3	3,562.6

¹Asset impairments of £121.9m made up of: £48.2m charge as a result of UK store impairment testing, £73.4m charge relating to the ongoing UK store estate programme and £0.3m in relation to assets replaced, retired or decommissioned as part of the MS2 programme (see note 3).

Asset write-offs in the year include assets with gross book value of £67.4m (last year: £680.5m) and £nil (last year: £nil) net book value that are no longer in use and have therefore been retired.

Right-of-use assets

The Group adopted IFRS 16 Leases from 31 March 2019. Refer to note 1 for the accounting policy. The right-of-use assets recognised on adoption of IFRS 16 are reflected in the underlying asset classes of property, plant and equipment.

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

Right-of-use assets

	Land and buildings	Fixtures, fittings and equipment	Total
	£m	£m	£m
As at 30 March 2019	1,637.8	37.6	1,675.4
Additions	140.3	40.4	180.7
Transfers and reclassifications	0.2	(0.2)	-
Disposals	(18.9)	-	(18.9)
Impairment reversals	50.2	-	50.2
Impairment charge	(84.4)	-	(84.4)
Depreciation charge	(155.9)	(18.7)	(174.6)
Exchange difference	1.8	0.1	1.9
As at 28 March 2020	1,571.1	59.2	1,630.3
Additions	37.2	13.1	50.3
Transfers and reclassifications	0.3	-	0.3
Disposals	(5.5)	0.2	(5.3)
Impairment reversals	36.9	-	36.9
Impairment charge	(52.7)	-	(52.7)
Depreciation charge	(132.0)	(21.1)	(153.1)
Exchange difference	(10.6)	(0.1)	(10.7)
As at 3 April 2021	1,444.7	51.3	1,496.0

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

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

Each CGU is tested for impairment at the balance sheet date if any indicators of impairment have been identified. Stores identified within the Group's UK store estate programme are automatically tested for impairment (see note 3). The ongoing Covid-19 pandemic is considered an impairment trigger and as a result all stores have been tested for impairment.

The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows, covering a three-year period, which have regard to historic performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed initiatives. The cash flows include ongoing capital expenditure required to maintain the store network, but exclude any growth capital initiatives not committed. Cash flows beyond this three-year period are extrapolated using a long-term growth rate based on management's future expectations, with reference to forecast GDP growth. These growth rates do not exceed the long-term growth rate for the Group's retail businesses in the relevant territory. If the CGU relates to a store which the Group has identified as part of the UK store estate programme, the value in use calculated has been modified by estimation of the future cash flows up to the point where it is estimated that trade will cease and then estimation of the timing and amount of costs associated with closure detailed fully in note 3.

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 8.9% to 14.0% (last year: 8.6% to 16.8%). If the CGU relates to a store which the Group has identified as part of the UK store estate programme, the additional key assumptions in the value in use calculations are costs associated with closure, the disposal proceeds from store exits and the timing of the store exits.

Impairments – UK stores excluding the UK store estate programme

During the year, the Group has recognised an impairment charge of £66.4m and impairment reversals of £64.5m as a result of UK store impairment testing unrelated to the UK store estate programme (last year: impairment charge of £69.3m). The impaired stores were impaired to their 'value in use' recoverable amount of £98.5m, which is their carrying value at year end. The stores with impairment reversals were written back to their 'value in use' recoverable amount of £223.0m. These impairments and impairment reversals have been recognised within adjusting items (see note 3).

For UK stores, cash flows beyond the three-year period are extrapolated using the Group's current view of achievable long-term growth of 1.75%, adjusted to 0% where management believes the current trading performance and future expectations of the store do not support the growth rate of 1.75%. The rate used to discount the forecast cash flows for UK stores is 8.9% (last year: 8.6%).

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

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

A reduction in sales of 5% from the three-year plan in year 3 would result in an increase in the impairment charge of £33m and a 25 basis point reduction in gross profit margin from year 3 onwards would increase the impairment charge by £4.0m. In combination, a 1% fall in sales and a 10 basis point fall in gross profit margin would increase the impairment charge by £7.0m. Reasonably possible changes of the other key assumptions, including a 50 basis point increase in the discount rate or reducing the long-term growth rate to 0% across all stores, would not result in a significant increase to the impairment charge, either individually or in combination.

A reduction in sales of 5% from the three-year plan in year 3 would result in a reduction in the reversal of £1.1m and a 25 basis point reduction in gross profit margin from year 3 onwards would have no impact on the reversal. In combination, a 5% fall in sales and a 25 basis point fall in gross profit margin would reduce the reversal by £2.0m.

Impairments – UK store estate programme

During the year, the Group has recognised an impairment charge of £107.9m and impairment reversals of £36.7m relating to the on-going UK store estate programme (last year: impairment charge of £132.0m and impairment reversals of £108.3m). These stores were impaired to their 'value in use' recoverable amount of £109.6m, which is their carrying value at year end. The impairment charge relates to the store closure programme and has been recognised within adjusting items (see note 3). Impairment reversals predominantly reflect improved trading expectations compared to those assumed at the end of the prior year.

Where the planned closure date for a store is outside the three-year plan period, no growth rate is applied. The rate used to discount the forecast cash flows for UK stores is 8.9% (last year: 8.6%).

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

A delay of 12 months in the probable date of each store exit would result in a decrease in the impairment charge of £24.7m. A 5% reduction in planned sales in years 2 and 3 (where relevant) would result in an increase in the impairment charge of £21.7m. Neither a 50 basis point increase in the discount rate, a 25 basis point reduction in management gross margin during the period of trading nor a 2% increase in the costs associated with exiting a store would result in a significant increase to the impairment charge, individually or in combination with the other reasonably possible scenarios considered.

Impairments – International stores

During the year, the Group has recognised an impairment reversal of £8.8m in Ireland (last year: impairment charge of £9.0m) and £nil in the Czech Republic (last year: £0.2m) as a result of store impairment testing.

For Irish stores, cash flows beyond the three-year period are extrapolated using a long-term growth rate of 0%. The rate used to discount the forecast cash flows for Irish stores is 10.0% (last year: 14.1%).

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

For Irish stores, reasonably possible changes in other key assumptions, including a reduction in sales of 5% from the three-year plan in years 2 and 3 to reflect a potential recession, a 25 basis point reduction in gross profit margin throughout the plan period, a 50 basis point increase in the discount rate or a 1% fall in sales combined with a 10 basis point fall in gross profit margin would not result in a change in the impairment reversal.

12 Financial instruments

Fair value hierarchy

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

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

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

	2021				2020			
	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								
- derivatives held at FVTPL	-	0.7	-	0.7	-	2.5	-	2.5
Derivatives used for hedging	-	32.4	-	32.4	-	183.4	-	183.4
Short-term investments	-	18.4	-	18.4	-	11.7	-	11.7
Unlisted investments ¹	-	-	9.7	9.7	-	-	9.7	9.7
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss								
- derivatives held at FVTPL	-	(12.1)	-	(12.1)	-	(2.8)	-	(2.8)
- contingent consideration ²	-	-	(212.0)	(212.0)	-	-	(202.4)	(202.4)
Derivatives used for hedging	-	(94.6)	-	(94.6)	-	(10.9)	-	(10.9)

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

² As part of the investment in Ocado Retail Limited, a contingent consideration arrangement was agreed. The fair value of contingent consideration payable is estimated by calculating the present value of the future expected cash flows. The contingent consideration arrangement comprises three separate elements which only become payable on the achievement of three separate financial and operational performance targets, the most significant of which is Ocado Retail Limited achieving a specified target level of earnings in the financial year ending November 2023. The maximum potential undiscounted amount of all future payments that the Group could be required to make under the arrangement is £187.5m plus interest of 4%.

The fair value was estimated by applying an appropriate discount rate to the expected future payments. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. The performance targets are binary and, based on the latest five-year plan of Ocado Retail Limited, are expected to be met and therefore the fair value reflects the full, discounted £187.5m plus interest, and it is therefore expected that £33.7m will become payable in 2021/22 and £190.8m will become payable in 2024/25. Should some, or all, of these targets not be met, less, or no, consideration would be payable. Should the discount rate applied be changed, the fair value of the contingent consideration would change, but the amount of consideration that would ultimately be paid would not necessarily change. The discount rates used ranged from 0.8% to 2.0% (last year: 1.7% to 2.2%) and a 1.0% change in the discount rates would result in a change in fair value of £6.0m (last year: £7.3m). A 5% change in the forecast level of earnings used to assess the performance targets would not result in a significant change in fair value of the contingent consideration.

The Marks & Spencer UK Pension Scheme holds a number of financial instruments which make up the pension asset of £10,442.9m (last year: £10,653.8m). Level 1 and Level 2 financial assets measured at fair value through other comprehensive income amounted to £5,446.0m (last year: £6,328.7m). Additionally, the scheme assets include £4,996.9m (last year: £4,325.1m) of Level 3 financial assets. See note 8 for information on the Group's retirement benefits.

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

	2021	2020
	£m	£m
Opening balance	4,325.1	3,216.1
Fair value gain/(loss) recognised in other comprehensive income	68.3	(130.1)
Additional investment	603.5	1,239.1
Closing balance	4,996.9	4,325.1

Fair value of financial instruments

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

The carrying value of the Group's fixed rate bond debt (level 1 equivalent) was £1,682.1m (last year: £1,536.2m); the fair value of this debt was £1,807.6m (last year: £1,531.4m) 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 £193.5m (last year: £207.4m) and the fair value of this liability is £185.5m (last year: £202.7m).

13 Contingencies and commitments

A. Capital commitments

	2021	2020
	£m	£m
Commitments in respect of properties in the course of construction	88.3	78.7
Software capital commitments	10.6	8.6
	98.9	87.3

B. Other material contracts

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

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

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

Cash flows from operating activities

	2021	2020
	£m	£m
(Loss)/profit on ordinary activities after taxation	(201.2)	27.4
Income tax (credit)/expense	(8.2)	39.8
Finance costs	236.1	234.5
Finance income	(57.4)	(46.9)
Operating profit	(30.7)	254.8
Share of results of Ocado Retail Limited	(78.4)	(2.6)
Decrease/(increase) in inventories	41.2	(29.3)
Decrease/(increase) in receivables	67.4	(9.2)
Increase/(decrease) in payables ¹	159.5	(29.3)
Depreciation, amortisation and write-offs	603.1	632.5
Non-cash share based payment expense	19.3	18.5
Defined benefit pension funding	(37.1)	(37.9)
Adjusting items net cash outflows ^{2,3}	(118.1)	(75.4)
Adjusting items M&S Bank ⁴	(2.4)	(12.6)
Adjusting operating profit items	252.9	335.9
Cash generated from operations	876.7	1,045.4

¹ See note 1 for details on a change in accounting policy and the resulting restatement.

² Excludes £12.4m (last year: £11.3m) of surrender payments included within repayment of lease liabilities in the consolidated statement of cash flows relating to leases within the UK store estate programme.

³ Adjusting items net cash outflows relate to strategic programme costs associated with the UK store estate, organisation, UK logistics, the utilisation of the provisions for International store closures and impairments, expenses directly attributable to the Covid-19 pandemic, cash outflows incurred as part of the Sparks loyalty programme transition and establishing the investment in Ocado Retail Limited.

⁴ Adjusting items M&S Bank relates to M&S Bank income recognised in operating profit offset by charges incurred in relation to the insurance mis-selling provision, which is a non-cash item.

15 Analysis of net debt

A. Reconciliation of movement in net debt

	At 31 March 2019 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash movements ² £m	At 28 March 2020 £m
Net debt						
Bank loans, overdrafts and syndicated bank facility ¹	(3.5)	(12.0)	-	-	-	(15.5)
	(3.5)	(12.0)	-	-	-	(15.5)
Cash and cash equivalents ¹	310.5	(56.8)	-	-	0.5	254.2
Net cash per statement of cash flows	307.0	(68.8)	-	-	0.5	238.7
Current other financial assets	141.8	(130.1)	-	-	-	11.7
Medium Term Notes	(1,673.8)	230.1	-	-	(92.5)	(1,536.2)
Lease liabilities	(2,576.8)	335.7	-	(204.1)	(116.8)	(2,562.0)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 9)	(266.2)	71.9	-	-	(8.4)	(202.7)
Derivatives held to hedge Medium Term Notes	23.9	(7.7)	86.0	-	-	102.2
Liabilities from financing activities	(4,492.9)	630.0	86.0	(204.1)	(217.7)	(4,198.7)
Less: Cashflows related to interest and derivative instruments	62.6	(215.1)	(86.0)	-	236.2	(2.3)
Net debt	(3,981.5)	216.0	-	(204.1)	19.0	(3,950.6)
	At 29 March 2020 £m	Cash flow £m	Changes in fair values £m	Lease additions and remeasurements £m	Exchange and other non-cash movements ² £m	At 3 April 2021 £m
Net debt						
Bank loans, overdrafts and syndicated bank facility ¹	(15.5)	10.8	-	-	-	(4.7)
	(15.5)	10.8	-	-	-	(4.7)
Cash and cash equivalents ¹	254.2	423.5	-	-	(3.3)	674.4
Net cash per statement of cash flows	238.7	434.3	-	-	(3.3)	669.7
Current other financial assets	11.7	6.7	-	-	-	18.4
Medium Term Notes	(1,536.2)	(87.9)	-	-	(58.0)	(1,682.1)
Lease liabilities	(2,562.0)	316.7	-	(48.3)	(112.3)	(2,405.9)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 9)	(202.7)	23.6	-	-	(6.4)	(185.5)
Derivatives held to hedge Medium Term Notes	102.2	(14.0)	(96.3)	-	-	(8.1)
Liabilities from financing activities	(4,198.7)	238.4	(96.3)	(48.3)	(176.7)	(4,281.6)
Less: Cashflows related to interest and derivative instruments	(2.3)	(212.6)	96.3	-	196.2	77.6
Net debt	(3,950.6)	466.8	-	(48.3)	16.2	(3,515.9)

B. Reconciliation of net debt to statement of financial position

	2021	2020
	£m	£m
Statement of financial position and related notes		
Cash and cash equivalents ¹	674.4	254.2
Current other financial assets	18.4	11.7
Bank loans and overdrafts ¹	(4.7)	(15.5)
Medium Term Notes – net of foreign exchange revaluation	(1,657.9)	(1,471.4)
Lease liabilities	(2,405.9)	(2,562.0)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 9)	(193.5)	(207.4)
	(3,569.2)	(3,990.4)
Interest payable included within related borrowing and the partnership liability to the Marks & Spencer UK Pension Scheme	53.3	39.8
Total net debt	(3,515.9)	(3,950.6)

¹ See note 1 for details on a change in accounting policy and the resulting restatement.

² Exchange and other non-cash movements includes interest charge on Medium Term Notes of £86.4m (last year: £78.2), interest charge on lease liabilities of £130.4m (last year: £139.3) and interest charge relating to Partnership liability to the Marks & Spencer UK Pension Scheme of £4.9m (last year: £6.9m).

16 Related party transactions

A shareholder loan facility with Ocado Retail Limited was established in the prior year, with Ocado Retail Limited having the ability to draw down up to £30m from each shareholder. The facility was not utilised by Ocado Retail Limited during the year ended 3 April 2021 (last year: not utilised).

As part of the Ocado Retail Limited investment, Ocado Retail Limited entered into a £30m, three-year revolving credit facility. Along with Ocado Group Plc, the Group has provided a parent guarantee to cover 50% of the £30m revolving credit facility provided by BNPP to Ocado Retail Limited. The revolving credit facility was undrawn at 3 April 2021 (last year: undrawn).

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

Sales and purchases of goods and services:

	2021	2020
	£m	£m
Sales of goods and services	28.5	-
Purchases of goods and services	-	-

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

The only other related party transactions during the year related to key management compensation.

17 Investments in joint ventures and associates

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

Ocado Retail Limited is considered an associate of the Group as certain rights are conferred on Ocado Group Plc for an initial period of at least five years from acquisition in August 2019, giving Ocado Group Plc control of the company. Following this initial period, a reassessment of control will be required as the Group will have an option to obtain more power over Ocado Retail Limited if certain conditions are met. If the Group is deemed to have obtained control, Ocado Retail Limited will then be consolidated as a subsidiary of the Group. Through Board representation and shareholder voting rights, the Group is currently considered to have significant influence, therefore the investment in Ocado Retail Limited is treated as an associate and applies the equity method of accounting.

Ocado Retail Limited has a financial year end date of 29 November 2020, aligning with its parent company, Ocado Group Plc. For the Group's purpose of applying the equity method of accounting, Ocado Retail Limited has prepared financial information to the nearest quarter-end date of its financial year end, as to do otherwise would be impracticable. The results of Ocado Retail Limited are incorporated in these financial statements from 2 March 2020 to 28 February 2021. There were no significant events or transactions in the period from 28 February 2021 to 3 April 2021.

The carrying amount of the Group's interest in Ocado Retail Limited is £819.0m (last year: £754.8m). The Group's share of Ocado Retail Limited profits of £64.2m (last year: £14.2m loss) includes the Group's share of underlying profits of £78.4m, which includes £25.2m of exceptional income before tax related to insurance receipts (share of profit last year: £2.6m) and adjusting item charges of £14.2m (last year: £16.8m) (see note 3).

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

	As at 28 Feb 2021 £m	As at 1 Mar 2020 £m
Ocado Retail Limited		
Current assets	353.9	484.9
Non-current assets	336.8	206.6
Current liabilities	(245.7)	(489.7)
Non-current liabilities	(264.6)	(178.2)
Net assets	180.4	23.6
	2 Mar 2020 to 28 Feb 2021 £m	5 Aug 2019 to 1 Mar 2020 £m
Revenue	2,353.2	979.7
Profit for the period	156.8	5.1
Other comprehensive income	-	-
Total comprehensive income	156.8	5.1

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 3 Apr 2021 £m	As at 28 Mar 2020 £m
Ocado Retail Limited		
Net assets	180.4	23.6
Proportion of the Group's ownership interest	90.2	11.8
Goodwill	449.1	449.1
Brand	249.2	255.7
Customer relationships	88.3	98.9
Other adjustments to align accounting policies	(63.5)	(66.4)
Acquisition costs	5.7	5.7
Carrying amount of the Group's interest in Ocado Retail Limited	819.0	754.8

In addition, the Group holds immaterial investments in joint ventures totalling £6.8m (last year: £5.6m). The Group's share of losses totalled £1.3m (last year: £0.9m loss).

18 Government support

During the year, the Group has received support from governments in connection with its response to the Covid-19 pandemic. This support included furlough and job retention scheme reliefs, tax payment deferral schemes and business rates relief.

The Group has recognised government grant income of £131.5m in relation to furlough programmes, such as the Coronavirus Job Retention Scheme (CJRS) in the UK, and its equivalents in other countries. The salary expense relating to those colleagues on furlough during the period was £181.8m.

The Group also benefited from the business rates holiday for the retail, hospitality and leisure sector of £174.6m.

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

19 Subsequent events

Subsequent to the balance sheet date, the Group has monitored trade performance, internal actions, as well as other relevant external factors (such as changes in any of the government restrictions). No material changes in key estimates and judgements have been identified as adjusting post balance sheet events. There have been no material non-adjusting events since 3 April 2021.

Principal risks & uncertainties

The Board continually reviews and monitors the principal risks and uncertainties which could have a material effect on the Group's results. The updated principal risks and uncertainties for 2020/21 are listed below. Full disclosure of the risks including the factors which mitigate them will be set out within the Strategic Report of the 2020/21 Annual Report and Accounts.

TRADING PERFORMANCE RECOVERY	Failure of our Food and/or Clothing & Home business to effectively and rapidly respond to the pressures of an increasingly competitive and changing retail environment, including recovery from the pandemic, would adversely impact customer experience, operational efficiency and business performance.
BUSINESS TRANSFORMATION	A failure to execute our transformation and cultural change initiatives with pace, consistency and cross business buy-in will impede our ability to improve operational efficiency, competitiveness, and to restore the business to sustainable profitable growth.
BREXIT	Failing to mitigate the continuing costs and friction arising from the complexities surrounding the border and further developments in the Trade and Cooperation Agreement ("TCA") may have a significant and long-term impact on our trading performance.
OCADO RETAIL	A failure to effectively manage the strategic and operational relationship with Ocado Retail would significantly impact the achievement of our multi-channel food strategy and our ability to deliver shareholder value.
TALENT, CULTURE & CAPABILITY	Our inability to evolve the culture of our business as well as develop and retain the right talent and capabilities will influence our means to expand the business with agility and appropriate commercial acumen. This will also impede the execution of our transformation programme and impact our broader strategic objectives and performance.
FOOD SAFETY AND INTEGRITY	Failure to prevent or effectively respond to a food safety incident, or to maintain the integrity of our products, could impact business performance, customer confidence and our brand.
LIQUIDITY AND FUNDING	An inability to maintain short- and long-term funding to meet business needs or to effectively manage associated risks may influence our ability to transform at pace, as well as have an adverse impact on business viability.
SOCIAL, ETHICAL & ENVIRONMENTAL RESPONSIBILITY	Increasingly our customers, colleagues and investors demand reassurance that we are managing ethical and environmental issues across our business, including supply chains. Our inability to uphold adequate oversight of, and respond to, our responsibility commitments may result in failing to meet their expectations.
TECHNOLOGY & DIGITAL CAPABILITY	A failure to simplify and improve our core technology, enhance our digital capabilities and reduce our dependency on legacy systems could limit our ability to keep pace with market competition and customer expectations, preventing successful transformation.
BUSINESS CONTINUITY & RESILIENCE	Failures or resilience issues at key business locations, such as at Castle Donington, our primary online Clothing & Home distribution centre, could result in significant business interruption. More broadly, an inability to effectively respond to global events, such as the pandemic or a supply chain disruption, would also significantly impact business performance.
INFORMATION SECURITY	Failure to adequately prevent or respond to a data breach or cyber-attack could adversely impact our reputation, resulting in significant fines, business disruption, loss of information for our customers, employees or business and/or loss of stakeholder and customer confidence.
CORPORATE COMPLIANCE & RESPONSIBILITY	Failure to deliver against our legal and regulatory obligations, as well as responsibility commitments would undermine our reputation as a responsible retailer, may result in legal exposure or regulatory sanctions, and could negatively impact our ability to operate and/or remain relevant to our customers.

Glossary

The Group tracks a number of alternative performance measures in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

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

These alternative performance measures should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial information relating to the Group, which are prepared in accordance with IFRS. The Group believes that these alternative performance measures are useful indicators of its performance. However, they may not be comparable with similarly-titled measures reported by other companies due to differences in the way they are calculated.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose																																	
Income Statement Measures																																				
Like-for-like revenue growth	Movement in revenue per the income statement	Sales from non like-for-like stores	<p>The period-on-period change in revenue (excluding VAT) from stores which have been trading and where there has been no significant change (greater than 10%) in footage for at least 52 weeks and online sales. The measure is used widely in the retail industry as an indicator of sales performance. It excludes the impact of new stores, closed stores or stores with significant footage change.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21 £m</th> <th>2019/20 £m</th> </tr> </thead> <tbody> <tr> <td colspan="3"><i>UK Food</i></td> </tr> <tr> <td>Like-for-like</td> <td>5,831.1</td> <td>5,754.4</td> </tr> <tr> <td>Net new space¹</td> <td>163.7</td> <td>273.8</td> </tr> <tr> <td>Week 53</td> <td>143.7</td> <td>-</td> </tr> <tr> <td>Total UK Food revenue</td> <td>6,138.5</td> <td>6,028.2</td> </tr> <tr> <td colspan="3"><i>UK Clothing & Home</i></td> </tr> <tr> <td>Like-for-like</td> <td>2,164.5</td> <td>3,084.5</td> </tr> <tr> <td>Net new space</td> <td>34.1</td> <td>124.6</td> </tr> <tr> <td>Week 53</td> <td>40.4</td> <td>-</td> </tr> <tr> <td>Total UK Clothing & Home revenue</td> <td>2,239.0</td> <td>3,209.1</td> </tr> </tbody> </table> <p>¹ UK Food net new space includes sales to Ocado Retail Limited.</p>		2020/21 £m	2019/20 £m	<i>UK Food</i>			Like-for-like	5,831.1	5,754.4	Net new space ¹	163.7	273.8	Week 53	143.7	-	Total UK Food revenue	6,138.5	6,028.2	<i>UK Clothing & Home</i>			Like-for-like	2,164.5	3,084.5	Net new space	34.1	124.6	Week 53	40.4	-	Total UK Clothing & Home revenue	2,239.0	3,209.1
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Food LFL ex hospitality and franchise	Movement in revenue per the Income Statement	Sales from non like-for-like stores and hospitality and franchise categories	<p>The period-on-period change in Food excluding the hospitality and franchise categories' revenue (excluding VAT) from stores which have been trading and where there has been no significant change (greater than 10%) in footage for least 52 weeks and online sales. The LFL measure is used widely in the retail industry as an indicator of sales performance. It excludes the impact of new stores, closed stores or stores with significant footage change. The hospitality category includes cafes, counters and marketplace. This measure has been introduced as both hospitality and franchise were closed for a majority of the year.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21 £m</th> <th>2019/20 £m</th> <th>%</th> </tr> </thead> <tbody> <tr> <td colspan="4">UK Food</td> </tr> <tr> <td>Like-for-like</td> <td>5,831.1</td> <td>5,754.4</td> <td>1.3</td> </tr> <tr> <td>Hospitality</td> <td>(52.0)</td> <td>(249.4)</td> <td>(79.1)</td> </tr> <tr> <td>Franchise</td> <td>(420.2)</td> <td>(491.0)</td> <td>(14.4)</td> </tr> <tr> <td>Like-for-like ex hospitality and franchise</td> <td>5,358.9</td> <td>5,014.0</td> <td>6.9</td> </tr> </tbody> </table>		2020/21 £m	2019/20 £m	%	UK Food				Like-for-like	5,831.1	5,754.4	1.3	Hospitality	(52.0)	(249.4)	(79.1)	Franchise	(420.2)	(491.0)	(14.4)	Like-for-like ex hospitality and franchise	5,358.9	5,014.0	6.9									
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Clothing & Home stores/Clothing & Home online	None	Not applicable	<p>Clothing & Home revenue through stores and through the Clothing & Home online platforms. These revenues are reported within the UK Clothing & Home segment results. Store revenue excludes revenue from 'shop your way' and click & collect, which are included in online revenue. The growth in revenues on a year-on-year basis is a good indicator of the performance of the stores and online channels. This measure has been introduced given the Group's focus on online sales.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21 £m</th> <th>2019/20 £m</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>UK Clothing & Home</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Stores</td> <td>1,088.9</td> <td>2,487.8</td> <td>(56.2)</td> </tr> <tr> <td>Online</td> <td>1,109.7</td> <td>721.3</td> <td>53.9</td> </tr> <tr> <td>Total UK Clothing & Home revenue – 52-week basis</td> <td>2,198.6</td> <td>3,209.1</td> <td>(31.5)</td> </tr> <tr> <td>Week 53</td> <td>40.4</td> <td>-</td> <td>-</td> </tr> <tr> <td>Total UK Clothing & Home revenue</td> <td>2,239.0</td> <td>3,209.1</td> <td>(30.2)</td> </tr> </tbody> </table>		2020/21 £m	2019/20 £m	%	UK Clothing & Home				Stores	1,088.9	2,487.8	(56.2)	Online	1,109.7	721.3	53.9	Total UK Clothing & Home revenue – 52-week basis	2,198.6	3,209.1	(31.5)	Week 53	40.4	-	-	Total UK Clothing & Home revenue	2,239.0	3,209.1	(30.2)
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M&S.com revenue / Online revenue	None	Not applicable	<p>Total revenue through the Group's online platforms. These revenues are reported within the relevant UK Clothing & Home, UK Food and International segment results. The growth in revenues on a year-on-year basis is a good indicator of the performance of the online channel and is a measure used within the Group's incentive plans. Refer to the Remuneration Report for an explanation of why this measure is used within incentive plans.</p>																												
International online	None	Not applicable	<p>International revenue through International online platforms. These revenues are reported within the International segment results. The growth in revenues on a year-on-year basis is a good indicator of the performance of the online channel. This measure has been introduced given the Group's focus on online sales.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21 £m</th> <th>2019/20 £m</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>International revenue</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Stores</td> <td>613.6</td> <td>867.4</td> <td>(29.3)</td> </tr> <tr> <td>Online</td> <td>165.7</td> <td>77.2</td> <td>114.6</td> </tr> <tr> <td>Week 53</td> <td>10.1</td> <td>-</td> <td>-</td> </tr> <tr> <td>At reported currency</td> <td>789.4</td> <td>944.6</td> <td>(16.4)</td> </tr> </tbody> </table>		2020/21 £m	2019/20 £m	%	International revenue				Stores	613.6	867.4	(29.3)	Online	165.7	77.2	114.6	Week 53	10.1	-	-	At reported currency	789.4	944.6	(16.4)				
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Revenue growth at constant currency	None	Not applicable	<p>The period-on-period change in revenue retranslating the previous year revenue at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21 £m</th> <th>2019/20 £m</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>International revenue</td> <td></td> <td></td> <td></td> </tr> <tr> <td>At constant currency</td> <td>779.3</td> <td>942.7</td> <td>(17.3)</td> </tr> <tr> <td>Impact of FX retranslation</td> <td>-</td> <td>1.9</td> <td>-</td> </tr> <tr> <td>International revenue – 52-week basis</td> <td>779.3</td> <td>944.6</td> <td>(17.5)</td> </tr> <tr> <td>Week 53</td> <td>10.1</td> <td>-</td> <td>-</td> </tr> <tr> <td>At reported currency</td> <td>789.4</td> <td>944.6</td> <td>(16.4)</td> </tr> </tbody> </table>		2020/21 £m	2019/20 £m	%	International revenue				At constant currency	779.3	942.7	(17.3)	Impact of FX retranslation	-	1.9	-	International revenue – 52-week basis	779.3	944.6	(17.5)	Week 53	10.1	-	-	At reported currency	789.4	944.6	(16.4)
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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.
Revenue before adjusting items	Revenue	Adjusting items (See note 3)	Revenue before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee. This measure has been introduced as certain adjustments have been made to revenue for the first time in accordance with the Group's policy for adjusting items.
Operating profit before adjusting items	Operating profit	Adjusting items (See note 3)	Operating profit before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
Finance income before adjusting items	Finance income	Adjusting items (See note 3)	Finance income before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
Finance costs before adjusting items	Finance costs	Adjusting items (See note 3)	Finance costs before the impact of adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
Interest on leases	Finance income/costs	Finance income/costs (See note 4)	The net of interest income on subleases and interest payable on lease liabilities. This measure has been introduced as it allows the Board and Executive Committee to assess the impact of IFRS 16 Leases.
Net financial interest	Finance income/costs	Finance income/costs (See note 4)	Calculated as net finance costs, excluding interest on leases and adjusting items. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported and assessed by the Board and the Executive Committee.
EBIT before adjusting items	EBIT ¹	Adjusting items (See note 3)	Calculated as profit before the impact of adjusting items, net finance costs and tax as disclosed on the face of the consolidated income statement. This measure is used in calculating the return on capital employed for the Group.
Ocado Retail Limited EBITDA	EBIT	Not applicable	Calculated as Ocado Retail Limited earnings before interest, tax, depreciation, amortisation, impairment and exceptional items.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose																																																												
Profit before tax and adjusting items	Profit before tax	Adjusting items (See note 3)	<p>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.</p> <p>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.</p>																																																												
Adjusted basic earnings per share	Earnings per share	Adjusting items (See note 3)	<p>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.</p> <p>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.</p>																																																												
Adjusted diluted earnings per share	Diluted earnings per share	Adjusting items (See note 3)	<p>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.</p>																																																												
Effective tax rate before adjusting items	Effective tax rate	Adjusting items and their tax impact (See note 3)	<p>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.</p>																																																												
52-week basis for the 2020/21 financial year	Corresponding equivalent statutory measure	Last trading week of 2020/21	<p>The Group's financial year ends on the nearest Saturday to 31 March. The current financial year is for the 53 weeks ended 3 April 2021 with the comparative financial year being for the 52 weeks ended 28 March 2020. In order to provide comparability with the prior year results, adjustments have been made to the 2020/21 53-week income statement to remove sales, operating costs and other items relating to the last trading week of the 2020/21 financial year. In determining the week 53 adjustment, revenue and cost of goods sold represent the actual trading performance in that week, with overhead expenses allocated proportionally to week 53.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21 £m</th> <th>Exclude week 53 £m</th> <th>2020/21 52- week basis</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td></td> <td></td> </tr> <tr> <td>UK Food</td> <td>6,138.5</td> <td>(143.7)</td> <td>5,994.8</td> </tr> <tr> <td>UK Clothing & Home</td> <td>2,239.0</td> <td>(40.4)</td> <td>2,198.6</td> </tr> <tr> <td><i>Total UK Retail</i></td> <td><i>8,377.5</i></td> <td><i>(184.1)</i></td> <td><i>8,193.4</i></td> </tr> <tr> <td>International</td> <td>789.4</td> <td>(10.1)</td> <td>779.3</td> </tr> <tr> <td><i>Total Group</i></td> <td><i>9,166.9</i></td> <td><i>(194.2)</i></td> <td><i>8,972.7</i></td> </tr> <tr> <td>Operating profit/(loss) before adjusting items</td> <td></td> <td></td> <td></td> </tr> <tr> <td>UK Food</td> <td>228.6</td> <td>(15.0)</td> <td>213.6</td> </tr> <tr> <td>UK Clothing & Home</td> <td>(130.8)</td> <td>1.4</td> <td>(129.4)</td> </tr> <tr> <td>International</td> <td>44.1</td> <td>1.0</td> <td>45.1</td> </tr> <tr> <td>Adjusted profit before tax</td> <td></td> <td></td> <td></td> </tr> <tr> <td><i>Total Group</i></td> <td><i>50.3</i></td> <td><i>(8.7)</i></td> <td><i>41.6</i></td> </tr> <tr> <td>Loss before tax</td> <td></td> <td></td> <td></td> </tr> <tr> <td><i>Total Group</i></td> <td><i>(209.4)</i></td> <td><i>8.2</i></td> <td><i>(201.2)</i></td> </tr> </tbody> </table>		2020/21 £m	Exclude week 53 £m	2020/21 52- week basis	Revenue				UK Food	6,138.5	(143.7)	5,994.8	UK Clothing & Home	2,239.0	(40.4)	2,198.6	<i>Total UK Retail</i>	<i>8,377.5</i>	<i>(184.1)</i>	<i>8,193.4</i>	International	789.4	(10.1)	779.3	<i>Total Group</i>	<i>9,166.9</i>	<i>(194.2)</i>	<i>8,972.7</i>	Operating profit/(loss) before adjusting items				UK Food	228.6	(15.0)	213.6	UK Clothing & Home	(130.8)	1.4	(129.4)	International	44.1	1.0	45.1	Adjusted profit before tax				<i>Total Group</i>	<i>50.3</i>	<i>(8.7)</i>	<i>41.6</i>	Loss before tax				<i>Total Group</i>	<i>(209.4)</i>	<i>8.2</i>	<i>(201.2)</i>
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UK Food	6,138.5	(143.7)	5,994.8																																																												
UK Clothing & Home	2,239.0	(40.4)	2,198.6																																																												
<i>Total UK Retail</i>	<i>8,377.5</i>	<i>(184.1)</i>	<i>8,193.4</i>																																																												
International	789.4	(10.1)	779.3																																																												
<i>Total Group</i>	<i>9,166.9</i>	<i>(194.2)</i>	<i>8,972.7</i>																																																												
Operating profit/(loss) before adjusting items																																																															
UK Food	228.6	(15.0)	213.6																																																												
UK Clothing & Home	(130.8)	1.4	(129.4)																																																												
International	44.1	1.0	45.1																																																												
Adjusted profit before tax																																																															
<i>Total Group</i>	<i>50.3</i>	<i>(8.7)</i>	<i>41.6</i>																																																												
Loss before tax																																																															
<i>Total Group</i>	<i>(209.4)</i>	<i>8.2</i>	<i>(201.2)</i>																																																												

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 15)	Net debt comprises total borrowings (bank and bonds net of accrued interest and lease liabilities), net derivative financial instruments that hedge the debt and the Scottish Limited Partnership liability to the Marks and Spencer UK Pension Scheme less cash, cash equivalents and unlisted and short-term investments. Net debt does not include contingent consideration as it is conditional upon future events which are not yet certain at the balance sheet date. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.
Net debt excluding lease liabilities	None	Reconciliation of net debt (see note 15) Lease liabilities	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	Net cash inflow from operating activities	See Financial Review	The cash generated from the Group's operating activities less capital expenditure, cash lease payments and interest paid. This measure shows the cash retained by the Group in the year.
Free cash flow pre-shareholder returns	Net cash inflow from operating activities	See Financial Review	Calculated as the cash generated from the Group's operating activities less capital expenditure and interest paid, excluding returns to shareholders (dividends and share buyback). This measure shows the cash generated by the Group during the year that is available for returning to shareholders and is used within the Group's incentive plans.
Other Measures			
Covid-19 scenario	None	Not applicable	As part of the Group's normal financial planning process, the Board approved the 2020/21 budget and three-year plan. As a result of the UK government restrictions on trade that were announced in response to the Covid-19 pandemic, the Group revisited the 2020/21 budget and three-year plan to determine a downside scenario. The downside scenario assumed the government guidelines at the period end continued for a period of at least four months, resulting in a significant decline in sales for the remainder of 2020/21, as outlined in the basis of preparation in the Group's 2020 Annual Report and Financial Statements. This downside scenario was approved by the directors and is defined as the Covid-19 scenario.
Capital expenditure	None	Not applicable	Calculated as the purchase of property, plant and equipment, investment property and intangible assets during the year, less proceeds from asset disposals excluding any assets acquired or disposed of as part of a business combination or through an investment in an associate.
Ocado Retail Limited	None	Not applicable	References made to Ocado Retail Limited also include its two subsidiaries, Speciality Stores Limited (disposed on 31 January 2021) and Paws & Purrs Limited.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose																																																												
Return on capital employed	None	Not applicable	<p>Calculated as being EBIT before adjusting items divided by the average of opening and closing capital employed. The measures used in this calculation are set out below:</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21 £m</th> <th>2019/20 £m</th> </tr> </thead> <tbody> <tr> <td>EBIT before adjusting items</td> <td>222.2</td> <td>590.7</td> </tr> <tr> <td>Net assets</td> <td>2,285.8</td> <td>3,708.5</td> </tr> <tr> <td>Add back:</td> <td></td> <td></td> </tr> <tr> <td>Partnership liability to the Marks & Spencer UK Pension Scheme</td> <td>193.5</td> <td>207.4</td> </tr> <tr> <td>Deferred tax liabilities</td> <td>42.3</td> <td>332.4</td> </tr> <tr> <td>Non-current borrowings and other financial liabilities</td> <td>3,659.9</td> <td>3,865.9</td> </tr> <tr> <td>Retirement benefit deficit</td> <td>7.8</td> <td>12.4</td> </tr> <tr> <td>Derivative financial instruments</td> <td>73.6</td> <td>-</td> </tr> <tr> <td>Current tax liabilities</td> <td>-</td> <td>-</td> </tr> <tr> <td>Less:</td> <td></td> <td></td> </tr> <tr> <td>Investment property</td> <td>(15.2)</td> <td>(15.5)</td> </tr> <tr> <td>Derivative financial instruments</td> <td>-</td> <td>(172.2)</td> </tr> <tr> <td>Retirement benefit asset</td> <td>(639.2)</td> <td>(1,915.0)</td> </tr> <tr> <td>Current tax assets</td> <td>(35.4)</td> <td>(19.3)</td> </tr> <tr> <td>Net operating assets</td> <td>5,573.1</td> <td>6,004.6</td> </tr> <tr> <td>Add back: Provisions related to adjusting items</td> <td>100.8</td> <td>71.1</td> </tr> <tr> <td>Capital employed</td> <td>5,673.9</td> <td>6,075.7</td> </tr> <tr> <td>Average capital employed</td> <td>5,874.8</td> <td>5,887.5</td> </tr> <tr> <td>ROCE %</td> <td>3.8%</td> <td>10.0%</td> </tr> </tbody> </table> <p>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.</p>		2020/21 £m	2019/20 £m	EBIT before adjusting items	222.2	590.7	Net assets	2,285.8	3,708.5	Add back:			Partnership liability to the Marks & Spencer UK Pension Scheme	193.5	207.4	Deferred tax liabilities	42.3	332.4	Non-current borrowings and other financial liabilities	3,659.9	3,865.9	Retirement benefit deficit	7.8	12.4	Derivative financial instruments	73.6	-	Current tax liabilities	-	-	Less:			Investment property	(15.2)	(15.5)	Derivative financial instruments	-	(172.2)	Retirement benefit asset	(639.2)	(1,915.0)	Current tax assets	(35.4)	(19.3)	Net operating assets	5,573.1	6,004.6	Add back: Provisions related to adjusting items	100.8	71.1	Capital employed	5,673.9	6,075.7	Average capital employed	5,874.8	5,887.5	ROCE %	3.8%	10.0%
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¹ EBIT is not defined within IFRS but is a widely accepted profit measure being earnings before interest and tax.