Company registration number: 00358949

Wm Morrison Supermarkets Limited

Annual Report and Financial Statements

for the

52 weeks ended 29 October 2023

Contents

Company information

Company registration number
00358949

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Strategic report

Our principal activities and business model

Principal activities

The principal activities of Wm Morrison Supermarkets Limited and its subsidiaries (together referred to as ‘Morrisons’ or ‘the Group’) are the retailing of food, clothing, general merchandise products and fuel throughout the United Kingdom.

Morrisons is a retailer, distributor, wholesaler and food manufacturer. We focus on ensuring that we offer the right price for our customers; have friendly colleagues in store; invest in our Market Street service counters; and provide a great choice of fresh, sustainably sourced, high quality produce, with strong links to local British growers and farmers.

The wider Group includes Market Bidco Limited and other subsidiaries of the ultimate parent entity, Market Topco Limited.

Business model

The key principles of our business model and core purpose have remained consistent for some time. Our business model has customers right at its heart but delivers for all stakeholders. Our aim is ‘to make and provide food we’re all proud of, where everyone's effort is worthwhile, so more and more people can afford to enjoy eating well and to give customers more reasons to shop at Morrisons’. Our purpose remains relevant and appropriate.

We have been guided by our ‘Fix, Rebuild, Grow, Sustain’ strategy, and have aimed to build a brand that is broader, stronger, popular and more accessible. We believe that this has contributed to the delivery of profitable and capital-light growth, particularly through leveraging further our vertically integrated assets.

We have seven priorities underpinning our strategy and six ways of working to deliver it, as set out below.

Priorities

1. **Be more competitive** - We help customers make every penny go further, saving them money on the everyday items they want and need. We continue to invest in price and improve product specification across hundreds of our customers’ favourite items.

2. **Tough on costs and improve free cash flow** - Our aim is to develop a lower cost operating model designed to support positive cultural change to deliver growth, with a focus on what matters most to customers.

3. **Simplify and remove wasted effort** - We continue to build a culture that speeds up and simplifies the operation, focusses colleagues on the work that needs doing, provides synergies, removes duplication and reduces wasted effort.

4. **Deliver great availability, value & quality for customers** - We aim to deliver great on shelf and online availability so that customers can get the great value, good quality products they want, when they want them.

5. **Deliver great service through our Market Street offer** - We are continually improving our fresh and market street offer with helpful and friendly colleagues available whenever and wherever they are needed.

6. **Improve brand recognition and accessibility** - Our new Loyalty Programme through the Morrisons More Card and app gives us the capability to target and serve customers better.

7. **Give Britain more reasons to shop at Morrisons** - We aim to provide “More Reasons to Shop at Morrisons” by offering good quality fresh food at great value, with friendly and helpful colleagues finding ways to make it easier for customers to shop with us.

Ways of working

1. **Customers first** - we care about our customers and do everything we can to meet their needs.
2. **Listen and respond** - taking the time to talk with and listen to colleagues and customers, and to always do the right thing for them, is at the heart of our plans.
3. **Teamwork** - all of our colleagues play their part in the team and recognise that we go further together. The importance of supportive managers, helping each other, and open and honest communication is recognised.
4. **Work freely in a framework** - colleagues are trusted to make their own decisions within the Morrisons plan, and are encouraged to improve things for customers and for themselves. Colleagues are adventurous, curious, remove barriers and embrace new ideas and ways of working.
5. **Care and respect** - our care, empathy and respect reflects how we interact with each other and those we work with.
6. **Grow sales, low on costs** - we will grow sales by starting with our customers. By doing what is right for them, they will reward us with the decision to shop with us.

Strategic report (continued)

Our principal activities and business model (continued)

Customer promises, colleague promises and environmental promises

We recognise the importance of looking after our customers and our colleagues to provide more reasons to shop and work at Morrisons. We have promises to these groups which outline what we are striving for. The customer promises were created to reflect what matters most to customers in their shopping trip; good quality fresh food at great value, ensuring the products are available and easy to shop and friendly and helpful staff. For our colleagues, the commitments reflect what is needed to create a fulfilling and rewarding working environment, where everyone is welcome, celebrated, treated with respect and has a manager who supports them. Colleagues also need a fair days pay, tools to do the job and the opportunity to succeed. As a result, our colleagues know what to expect from working for Morrisons and our leaders have the guidance they need in how best to support their teams. Morrisons is a responsible business and a commitment has been created to reflect our aspirations given the important role it plays in the environment.

Our business is different in many ways: we are a diverse team, united by our ways of working and our food maker and shopkeeper credentials. Every day, our skilled food makers in our manufacturing sites and on Market Street make fresh food for our customers, with almost half of the fresh food we sell being made by us. Our automated production lines increase productivity and efficiency, and reduce waste. We also work collaboratively with our suppliers to carefully source, improve and innovate for products that we do not make ourselves.

By controlling the whole supply chain, we know where our food comes from and we can provide our customers with what they want, when they want it. Our supermarkets are serviced by eight regional distribution centres and one national distribution centre, which supports our growth across all channels. Through our 497 supermarkets, our convenience stores, our manufacturing sites, our online business and our wholesale partners, we can leverage our brand to achieve meaningful and sustainable capital-light growth, supported by a strong balance sheet, including a nationwide freehold estate and well-funded pension schemes.

The Group operates through our supermarkets and convenience stores complemented by our online and other home delivery channels, with most customers across Britain having access to several different options available to them to shop with us. We offer online grocery shopping through our own website, Morrisons.com, fulfilled either by in-store picking by Morrisons colleagues to serve home delivery and click & collect customers, or via customer fulfilment centres through our partnership with Ocado. The customer fulfilment centres use a centralised picking model to service a large catchment area, leveraging technology, logistics and distribution services with Ocado to deliver our products to customers.

In addition, we sell products through our ‘Morrisons on Amazon’ home delivery channel. The same-day delivery service is available to Prime members on the Amazon website and app. We also supply all Amazon Fresh UK stores with a range of items for customers to purchase.

Finally, we offer home delivery and takeaway services through our partnerships with Deliveroo and GoPuff. Groceries can be ordered online, picked up at a Morrisons store and delivered to local customers in as little as 30 minutes.

Since the CMA restrictions were lifted in October 2022, we have successfully integrated the McColl’s business. The conversion programme for ‘Morrisons Daily’ continues at pace. As at the period end, we have 704 McColl’s convenience stores trading under the ‘Morrisons Daily’ fascia. These stores as well as our wholesale customers are serviced by a separate logistic network.

Our wholesale business supplies products to the convenience channel via Morrisons Daily convenience stores and supply agreements with wholesale partners. This presents an opportunity for us to leverage our brand strength and integrated supply chain to achieve incremental, profitable and sustainable growth with limited capital expenditure requirements.

Strategic report (continued)

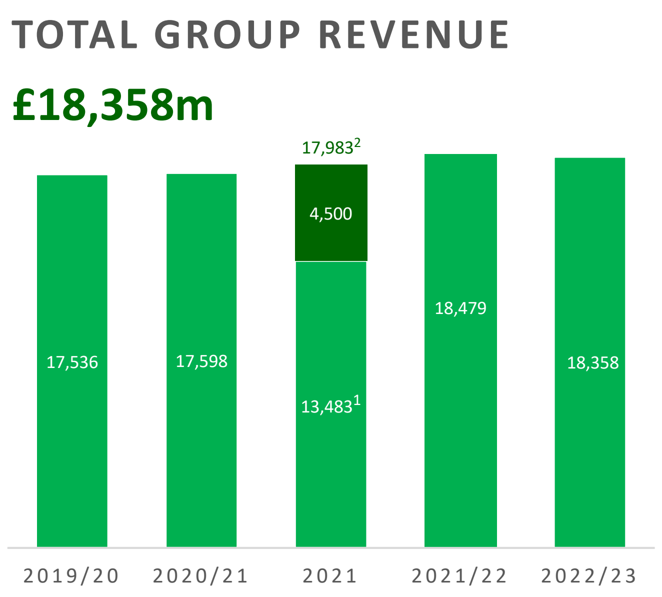
Financial results and financial key performance indicators

Basis of preparation

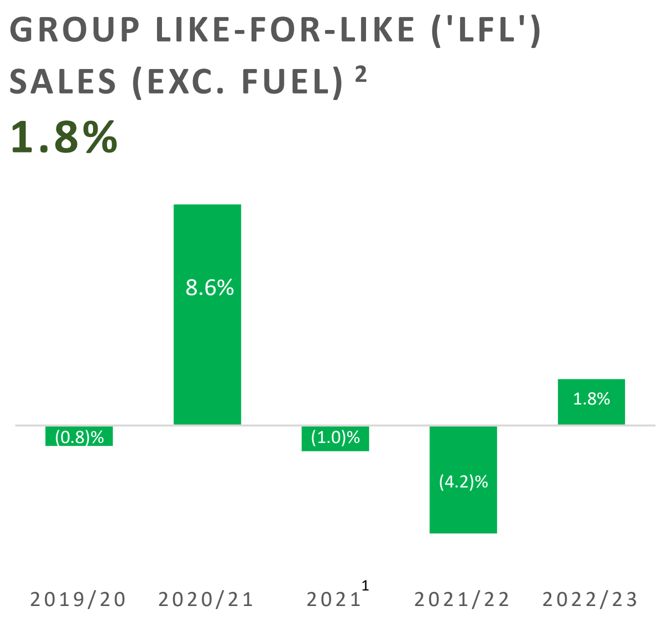
The Annual Report and consolidated Financial Statements of the Group represents the 52 week period to 29 October 2023 and the comparative period the 52 week period to 30 October 2022.

Revenue

	2022/23 £m	2021/22 £m
Sale of goods in-store and online	**14,361**	13,752
Other sales	**524**	737
Total sales excluding fuel	**14,885**	14,489
Fuel	**3,473**	3,990
Total revenue	**18,358**	18,479



[1] 39 weeks ended 31 October 2021, as reported
[2] 39 weeks ended 31 October 2021 prorated to 12 months for LFL



[1] 39 weeks ended 31 October 2021, as reported
[2] Alternative performance measures are defined in the glossary

Total Group revenue for the period at £18,358m was £121m down compared to the comparative period as a result of several factors. Fuel was down £517m to £3,473m primarily driven by lower prices. Other sales were down £213m to £524m reflecting the full period impact of the acquisition of McColl's, as previously wholesale sales to McColl's were classified as other sales prior to the Group's acquisition of the business. This was offset by store and online sales which were up £609m to £14,361m primarily due to the impact of the acquisition of McColl's.

For the period Group like-for-like ('LFL') sales excluding fuel was positive 1.8% and Group LFL sales including fuel was negative 1.4%.

Results for the period

	2022/23 £m	2021/22 £m
Operating profit	**89**	18
Operating profit before exceptionals and supply chain disruption[1,2]	**307**	290
Underlying EBITDA	**970**	911

[1] Alternative performance measures are defined in the glossary.

[2] Supply chain disruption costs for the period was £nil (2021/22: £44m).

Strategic report (continued)

Financial results and financial key performance indicators (continued)

Results for the period (continued)

The reported profit before tax was £51m for the period (2021/22: loss of £38m). Profit before exceptionals and tax was £236m for the period (2021/22: £181m).

Underlying EBITDA was £970m for the period (2021/22: £911m). There have been no supply chain disruption and direct COVID costs in the period (2021/22: £44m and £20m respectively).

Exceptional costs are fully analysed and explained in note 1.4 to the Group financial statements. Net exceptional charges for the period totalled £185m (2021/22: charge of £219m). The most significant exceptional items in the period relate to impairments, restructuring and store closure costs and credits related to legal cases, which are all consistently reported as exceptional.

Cash flow and borrowings

Cash generated from operations was an inflow of £966m for the period (2021/22: inflow of £735m).

Following the acquisition of the Group by Market Bidco Limited, the Group's existing external borrowings were largely repaid during the prior period, funded by an intercompany loan from the new parent company.

	Borrowings				
	Current £m	Non-current £m	Total £m	Cash £m	Borrowings net of cash £m
At 30 October 2022	(1,843)	(84)	(1,927)	287	(1,640)
At 29 October 2023	**(882)**	**(84)**	**(966)**	**279**	**(687)**

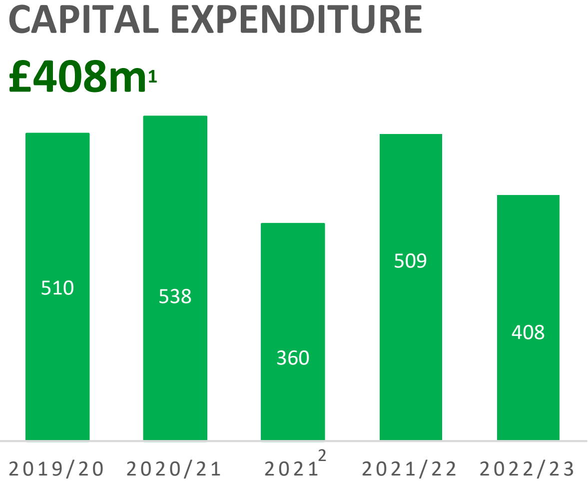
The Group's external debt remaining at period end amounted to £84m of bonds (2021/22: £84m). The balance of the intercompany loan was £882m (2021/22: £1,843m). In addition, the Group had £279m cash and cash equivalents at the end of the period (2021/22: £287m).

Interest and lease payments in the period were £76m and £97m, respectively (2021/22: £78m and £78m). The loan from the parent company is interest free. Please see note 6.4 for further details.

The wider Group is funded by external debt held in the immediate parent entity, Market Bidco Limited, and other wider Group entities. Full details of these borrowings can be found in the Annual Reports and consolidated Financial Statements of the immediate and ultimate parent entities. The covenants attached to the debt are linked to the consolidated financial performance of the wider Group and the Company, along with its subsidiaries Safeway Limited, Safeway Stores Limited and Optimisation Investments Limited, are guarantors to certain facilities held in other wider Group entities.

Financial results and financial key performance indicators (continued)

Capital expenditure



[1] Excludes acquisition of businesses and investments in joint ventures
[2] 39 weeks ended 31 October 2021, as reported

During the period, the Group invested £408m in tangible and intangible assets (2021/22: £509m). Capital investments made in the period primarily relate to maintaining and updating our stores and sites, including investments on the opening of three new stores, investments in technology and capital expenditure for the conversion of McColl's stores to 'Morrisons Daily'.

The Group continues to hold the majority of its properties as freeholds, with 81% of our supermarket sites being freehold (2021/22: 87%). The reduction is primarily due to the sale and leaseback of a number of the Group's supermarket sites in the period.

Working capital

Net working capital was an inflow of £124m in the period (2021/22: £185m inflow) driven by a favourable movement on provisions and inventories, partially offset by an adverse movement on creditors.

	Note	**2022/23 £m**	2021/22 £m
Movement in inventory	5.6	**72**	(88)
Movement in debtors	5.6	**(12)**	1
Movement in creditors	5.6	**44**	284
Movement in provisions	5.6	**20**	(12)
Working capital		**124**	185

Financial risk management

The Group takes actions to mitigate risks arising from credit, foreign exchange and commodity price fluctuations. Details of the Group's policies and approach to managing these risks can be found in note 7 to the Group financial statements.

To manage liquidity, the Group manages its underlying operating performance, capital expenditure and working capital, with ongoing support from its parent and in full consideration of the wider Group's debt position. The Group has a centralised treasury function which manages funding, liquidity and other financial risks on behalf of the wider Group, in line with policies set and monitored by the Board.

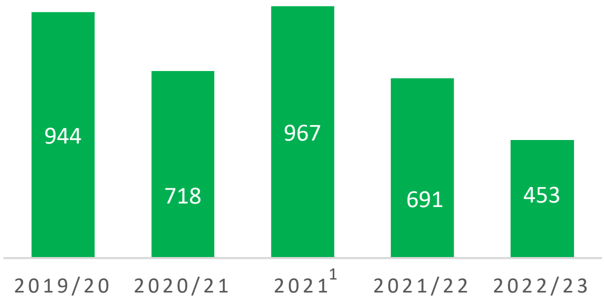
Strategic report (continued)

Financial results and financial key performance indicators (continued)

Pensions

NET RETIREMENT BENEFIT SURPLUS

£453m



[1] 39 weeks ended 31 October 2021, as reported

The Group operates a number of defined benefit schemes which remain well-funded. The Morrisons and Safeway Schemes (the 'CARE' Schemes) are not open to new members and were closed to future accrual in July 2015. The Retirement Saver Plan ('RSP') was closed to future accrual in September 2018. The McColl's Schemes are not open to new members and are closed to future accrual in July 2008.

During the period, the Safeway Scheme and the Morrisons Scheme both entered into new buy-in investment policies that provide insurance for all the remaining members of the schemes in order to reduce the risk of investment, longevity, interest rate changes and inflation for the members covered by the policy. The Trustees agreed to defer part of the insurance premiums owed to the insurance companies and the outstanding amount is expected to be paid over the next two years. The deferred premium payments have been deducted from the total asset value for the current period.

The net pension accounting surplus at the period end was £453m (2021/22: £691m).

The latest agreed full actuarial valuations were carried out in April 2022 for the Safeway Scheme and the Morrisons Scheme. These valuations indicated that, on the agreed funding basis, the Safeway, Morrisons and RSP Schemes had surpluses of £528m, £214m and £38m, respectively. The latest agreed full actuarial valuation was carried out in March 2022 for the McColl's Schemes. The valuation indicated that, on the agreed funding basis, there was a surplus of £5m for the TM Group Pension Scheme and a deficit of £6m for the TM Pension Plan.

	2022/23 £m	2021/22 £m
CARE Schemes	**421**	639
RSP	**31**	50
McColl's Schemes	**1**	2
Net retirement benefit surplus	**453**	691

In addition the Group operates three defined contribution retirement benefit schemes, which means that the Group is not subject to the same investment, interest rate, inflation or longevity risks as it is for the defined benefit schemes. The benefits that the colleagues receive are dependent on the contributions paid, investment returns, and the form of benefit chosen at retirement.

Tax

We understand the importance of the tax contribution that we make and we take our responsibility towards the communities in which we operate, and towards our colleagues, customers, investors and suppliers seriously. We have a tax management framework which ensures that the needs of all of our stakeholders are considered. The Group is committed to paying all of its taxes in full and on time.

The Group has recognised a tax credit of £1m for the period based on a profit before tax of £51m (effective rate of (1.9)%). Adjusting for exceptional items, the current period tax becomes a charge of £34m on a profit before exceptionals of £236m (pre-exceptional normalised rate of 14.5%).

Strategic report (continued)

Financial results and financial key performance indicators (continued)

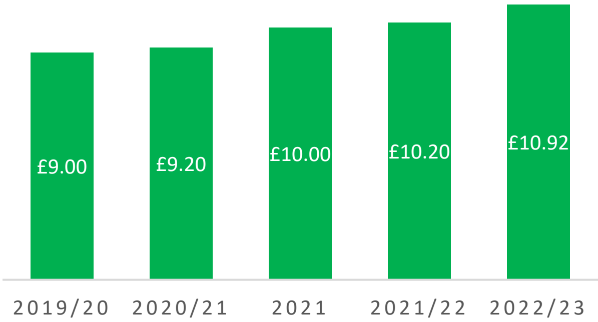
Incentive plans

Following the completion of the Clayton Dubilier & Rice, LLC ('CD&R') acquisition of the Group in 2022, certain employees of the Group, including Directors and members of key management, were invited to invest in Preference and Ordinary shares of the ultimate parent company, Market Topco Limited. The share purchases were transacted in September 2022, funded through a combination of an ex-gratia bonus payment and a proportionate level of personal funds, plus additional voluntary personal investment. The attributable in-year share-based payment charge on the Ordinary shares was £6m. Further details are in note 9 to the Group financial statements.

Non-financial key performance indicators

INVESTMENT IN COLLEAGUE PAY

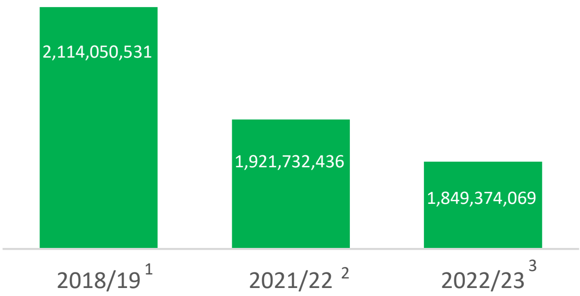
£10.92 Per hour



We continue to deliver our ambition of a fair day's pay for a fair day's work, with base pay increasing to £10.92 per hour for our front line colleagues in sites and stores during the period.

TOTAL ENERGY USE (kWh)

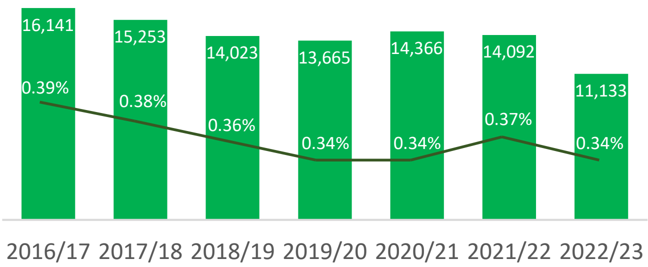
1,849,374,069 kWh



Period covered for the purpose of measuring the energy use is different from the financial period:
[1] Period between 1 November 2018 and 31 October 2019
[2] Period between 1 November 2021 and 31 October 2022
[3] Period between 1 November 2022 and 31 October 2023

FOOD WASTE

11,133 tonnes



[1] Food waste is calculated as a percentage of tonnes of waste versus tonnes of food products sold during the period

We take all available steps to minimise food waste in our stores, and so far have reduced our operational food waste in stores by 5,000 tonnes. By 2030 we aim to have cut it by 50% against a 2016 baseline.

Strategic report (continued)

Customers

Listening hard and responding to our customers is as important as ever. Our team of colleagues serve more than ten million customers every week across our 497 conveniently located supermarkets, our online channels and our convenience stores. During the period, we opened three new supermarkets, in addition to completing 33 ‘Fresh Look’ refits.

Following our acquisition of the McColl’s business during the prior period, we have converted 440 McColl’s to Morrisons Daily as of the end of this period. This takes the total to 704 stores trading as Morrisons Daily and we have 266 left to convert.

We listen hard to our customers, hearing from nearly 10,000 shoppers every week through our weekly satisfaction surveys with in-store, online and convenience shoppers. We recognise the competitive market we operate in and use the feedback we receive to continuously improve the shopping experience we deliver.

Customer behaviours

We have seen consumer confidence and optimism improve over the last year, but we know that the cost of living crisis remains a key concern for customers. We see this reflected in continued savvy shopping behaviours.

Shoppers have made long term changes to the way they plan, shop for and use groceries. Customers tell us that they continue to plan their meals and batch cook, reduce how much food they waste, and eat less products that they perceive as expensive, such as meat and treating items.

We continue to see customers trade more into own brand products, especially ‘Economy Own Brand’ - which has continued to see double digit growth. Many customers have had to cut back, resulting in smaller baskets across the majority of retailers. We have seen basket sizes across the market stabilise more recently, after two years of consistent decline, in line with food inflation slowing. We expect this stabilisation to continue if food inflation continues to slow.

Customer proposition

Value for money remains the most important factor to customers when deciding where to shop. Though we still face significant cost price inflation across the market and in our supply chain, we continue to work hard to remain competitive for our customers.

Delivering value for customers is a priority for us. We have delivered five significant waves of price cut investments, having launched our ‘Prices Locked Low’ campaign with over 1,500 items locked low at any one point in time. We have prioritised investment in the products we know matter most to our customers, including milk, canned soup, bread, butter, easy peeler oranges and carrots. We have also offered timely fuel promotions, and a strengthened loyalty proposition, to improve our overall value proposition.

After listening hard to our customers, we launched our new and improved ‘Morrisons More’ scheme in May 2023, which saw the reintroduction of ‘More Points’ and ‘Fivers’. We have continued to grow our ‘More Card Exclusive’ prices on branded and own brand items, as well as continuing to offer personal rewards to ‘More Card’ customers.

Item availability remains the number one driver of satisfaction for our customers, and we have continued to make improvements throughout the period, which we see reflected in our customer satisfaction scores.

This period, we launched ‘More Reasons to Shop at Morrisons’, our new brand campaign and communications platform, following in-depth research with customers. Within this, we have highlighted the distinctive and motivating reasons why our customers shop with us, including highlighting quality, fresh food at great value.

Our own brand range covers many different customer needs across different budget and dietary requirements and we continue to focus on improving this for customers. We have strengthened our ‘Savers’ brand, at a time when customers needed us to help them make their money go further - introducing new, bolder packaging on ‘Savers’ products and adding over 50 new products into this range. We are also the first retailer to introduce our entry brand into convenience stores. These ‘Savers’ products are available in over 500 Morrisons Daily stores at the same price as our supermarkets. This has resonated well with customers and has resulted in ‘Savers’ currently being the fastest growing economy own-brand in the market.

We continually monitor trends and innovate, in order to remain relevant for customers, and have launched over 1,000 new products to form part of everyday ranges, alongside products for specific seasonal events or occasions.

Health and nutrition remains important and we maintain our focus on improving the nutritional content of our own brand ranges, with the removal of over 14.11 billion calories from our products.

Strategic report (continued)

Colleagues

A fair day's pay for a fair day's work

Despite a very challenging market we've continued to deliver on our promise of a fair day's pay for a fair day's work, for everyone. In April 2023, we made an out of cycle c.£30m investment in pay for our retail and manufacturing colleagues, ensuring all colleagues, irrespective of age, moved to a minimum of £10.42 per hour and ensuring differentials for all hourly roles were fully maintained.

Then, as part of our regular pay review cycle we made a further annualised investment of c.£70m in pay, including a small reinvestment from changes to the sickness payment scheme. This meant the majority of our frontline colleagues received a further 50p per hour increase in their hourly pay to £10.92 per hour from October 2023.

Supporting our colleagues

Like everyone, our colleagues continued to feel the impact of the cost of living crisis throughout 2023. To help their money go further, we continued to offer further support through a market leading 15% colleague discount when they shopped with us. We also ran increased discount events at the times of year they needed it the most. We ran three 20% off events across the autumn and winter of 2022 and ran another 20% off event during the Coronation. We also offered a colleague exclusive 25% off our 'Back to School Nutmeg' range.

Our 'My Perks' website is an online platform where colleagues can access discounts and savings on everyday purchases including retailers, insurers, days out and holidays. We continue to partner with Salary Finance to provide colleagues with access to financial education and loans at very competitive rates compared with high street lenders. Since launching the benefit in January 2023 nearly 3,500 loans have been funded.

Listening and responding

Throughout the period, we've further invested in our listening and responding channels to ensure colleagues' ideas, suggestions and questions were heard and answered quickly.

As well as our established channels, at the end of 2021/22 we launched a 'Stop, Start, Continue' exercise as part of our 'Be more competitive' programme of work. 'Stop, Start, Continue' has so far received over 10,000 ideas from colleagues about how we can save money to reinvest or make improvements directly in the shopping trip for our customers. Ideas generated through this channel have brought savings of £14m that we have reinvested in sharper retail prices and more colleague hours in our stores. To make sure colleagues can access the updates and responses to their suggestions we launched a website they can access from any device, whenever they want.

We have continued to hold monthly colleague forums, in every store and site, regionally, and two 'National Your Say' forums, where we asked representatives from across the business to join a meeting hosted by the Group Operations Director, Group People & Corporate Services Director and a panel of senior leaders to listen to their ideas and feedback.

'Your Say' and 'Colleague Facebook', two of our most popular listening channels, have also continued to give colleagues a platform where they can share their ideas and have their voices heard. This period we've seen a number of great ideas put into practice, including an online app that colleagues can use to order food from our cafes in advance of their shifts and breaks. The app is easy to use, means colleagues don't have to wait for their food to be made and allows them to access the colleague discount we provide in our cafes or on 'Food to go' items for their breaks.

In May 2023, we also moved our 'My Communities' platform over to 'Google Spaces', creating an easier way for front line colleagues to talk to, and give feedback, to central teams that work on the same departments as them e.g. meat or fish counters. Feedback so far has been positive as the chat groups are easy to use and provide updates quickly from other stores, colleagues or central head office.

The opportunity to succeed

We're proud of our Market Street heritage, and remain the UK's largest provider of craft apprentices in butchery, bakery and fishmongery with a further 180 apprentices enrolling on these programmes in September 2023. We currently hold awards for 'Best Multiple Retailer Apprentice' and 'Best Abattoir Apprentice' with the Institute of Meat.

We also have a strong focus on leadership development across all business areas, with over 500 colleagues on our internal pathway programmes. During the period, we launched our new pathway to People Manager programme which is designed for current managers in retail looking to transition to the People Manager role. Our pre pathways learning is also now fully digital which provides us with visibility of those working towards joining future cohorts.

Strategic report (continued)

Colleagues (continued)

The opportunity to succeed (continued)

We also put a great deal of emphasis on nurturing young talent from a diverse range of backgrounds which is why we give graduates, degree apprentices, finance apprentices and industrial placements an opportunity to grow and be part of Morrisons' future. During the period, we hired 100 colleagues in these areas with 22% from ethnic minorities, and 44% female. In June 2023, we were proud to be awarded the best overall emerging talent strategy at the Institute of Student Employers award ceremony.

During summer 2023, we also provided an eight week internship for a group of undergraduates from ethnic minorities in our retail stores and head office in Bradford for the second consecutive year. These undergraduates will be fast tracked to the final interview stage if they choose to apply for our 2024 graduate schemes and are endorsed by their internship line manager.

We also continue to share our levy funds with other employers and have recently agreed to fund the very first cohort of Fisher Apprentices in partnership with Supply Train and Devon College, as well as continuing our support of the NHS Ambulance Apprenticeships.

Everyone is welcome and celebrated at Morrisons
Building an inclusive culture where everyone feels welcome and celebrated is important. That's why in 2022/23 we've continued to recognise and celebrate events that matter to our colleagues and customers.

We have continued to support local Pride events, and for the first time this year, we also celebrated Disability Pride. These events, along with delivering autism experience training, help raise awareness for those living with autism. We've also offered dementia training and continue to work to be a dementia friendly organisation.

We've partnered with Bradford Council's Interfaith team to provide upskilling around religious events which involved visiting multiple places of worship across Bradford. The visits cover the principles of each faith and their practices, and allows us to understand how better to support our colleagues and customers of different faiths.

In partnership with 'Show Racism the Red Card', we have trained our leadership teams on unconscious bias and how to be an effective ally, and we are also delighted, for the second year running, to have sponsored the 'Yorkshire Asian Young Achievers Awards' in our local community of Bradford.

We have partnered with Smart Works, a charity giving women the confidence they need to secure employment and change the trajectory of their lives. Working with Smart Works, we have trained and supported 12 colleagues to become active coaches. We have also supported 514 women through a 'Women in Morrisons' mentoring programme.

Gender diversity information

Number of employees split by gender

2022/23 - Wm Morrison Supermarkets Limited and subsidiaries ("the Group")				
	Men	Women	Prefer not to say	**Total**
Employees	45,879	58,039	16	103,934
Managers	567	249	-	816
Executive Leadership	37	26	-	63
Total	**46,483**	**58,314**	**16**	**104,813**

2021/22 - Wm Morrison Supermarkets Limited and subsidiaries ("the Group") [1]				
	Men	Women	Prefer not to say	**Total**
Employees	43,707	55,034	12	98,753
Managers	569	264	-	833
Executive Leadership	38	22	-	60
Total	**44,314**	**55,320**	**12**	**99,646**

[1] The acquisition of McColl's during the prior period and the CMA's hold separate order in place until 27 October 2022 has presented reporting challenges for the data for the 52 weeks ended 29 October 2022. Data presented above relate to the Group, excluding McColl's.

Strategic report (continued)

Suppliers

Strong supplier relationships, based on mutual trust and respect are at the heart of what we do and continue to be a key priority in our growth and development.

Listening hard to build collaborative relationships

Listening and engaging with our suppliers continues to be a priority in order to maintain strong relationships and unlock growth and mutually beneficial opportunities for both parties. Throughout the period we communicated regularly with our suppliers, both in person and virtually, with key business updates.

In the period, we partnered with the Institute of Grocery Distribution ('IGD') to deliver the first Morrisons & IGD supplier trade briefing in October 2023.

During the day, the Morrisons' leadership team outlined for our suppliers the business' plans to be a broader, stronger, and more accessible Morrisons to more than 1,300 delegates in person and virtually.

Our new 'More Card' gives suppliers another reason to work with Morrisons, providing data that suppliers will now be able to access to truly understand the Morrisons customer better.

Our wholesale and convenience channels provide further growth opportunities for our suppliers. The expansion in this area has largely been driven by the acquisition of the McColl's estate, with store conversions yielding substantial sales uplifts.

Throughout the period, we engaged with our suppliers to gather feedback and gain information in regards to their experience and their working relationship with Morrisons. Through listening to the results, we identified three areas of focus and improvement for the coming year; supply chain systems and forecast accuracy, the cost-price change process, and the shopper marketing programme.

There has been continued pressure on our supply chain, with further inflation and availability challenges. We have worked with our suppliers on the mutual challenge of keeping prices low for our customers, offering value and having consistent availability to service all of our stores and customers. We have introduced a new cost-price change process for our suppliers to help govern any cost change and to support fact-based decision-making from both parties.

Morrisons continues to invest in and develop its supply chain systems. Part of this has involved creating a single integrated supply chain platform called 'Morrisons Data Hub' where our suppliers have access to the same data as the Morrisons business teams, that is, one source of information in one place. We recognise forecast accuracy and collaborative planning are essential for our suppliers, and we continue to work hard to keep improving.

The Morrisons Media Group (MMG) is now fully established, a partnership established to support both branded and own brand suppliers to advertise their products.

'Sustain' programme

Over the period, we continued to evolve our 'Sustain' programme, streamlining the goals based on customer insight gained through our own surveys and those performed by IGD and Impact. This resulted in the programme being built around three pillars – the environment, our communities and British agriculture, and a total of seven headline goals across the three pillars. These cover climate, waste, plastics, charity, human rights, healthy and sustainable diets and agriculture. A series of milestones exist supporting these headline goals.

The two key elements, the aims of the programmes, remain in place;

- Delivering sustainable growth with a lower environmental and positive supply chain impact; and
- For us to play our full part in supporting the lives of our colleagues and the communities that we serve.

The programme is implemented through eight working groups, each led by a Director acting as a pillar sponsor. A further working group is in place covering reporting, disclosure and communication. The eight work streams are:

- Climate change
- Food waste
- Sustainable sourcing
- British agriculture
- Charity and community
- Human rights
- Plastic and packaging
- Healthy and sustainable diets

Suppliers (continued)

Backing British farmers

We pride ourselves on being British food makers. As British farming's biggest direct supermarket customer, we value the efforts of farmers who work hard all year round. Our fresh meat, milk and eggs are 100% British. We have continued to support our farmers through our 'For Farmers' range partnership with Arla, Lactalis and Ornua which has now donated over £23 million to farmers since the initiative started in 2017.

In recognition of the climate impact challenge, we set an ambition to be net zero for emissions in our direct UK agriculture supply chain by 2030. This is a very challenging timescale, but an important part of our Sustain agenda and how we can demonstrate practical support to lead and work with the farmers who supply us. To support this aim, we were founding partners in setting up the School of Sustainable Food and Farming at Harper Adams University to help research and train current and future farmers in net zero and sustainable farming practices. We continue to work closely with over 75 project farms in our beef, lamb, pork, eggs and produce supply chains to set a baseline carbon footprint and develop roadmaps to improve emissions and sequestration on farms. Sales from our 'Better for the Planet Egg' continue to give customers the chance to buy eggs which have a footprint three times lower than the standard egg from farms regenerating their landscape and looking after hen welfare.

We continue to sponsor the agricultural industry's biggest online event, Farm24.

Working with suppliers to fulfil our responsibility to protect the environment

Reducing plastics

We continue to work with the sector, the industry and our suppliers to reduce primary plastic packaging, as well as increase recyclability and recycled content of packaging. We continue to engage with suppliers of products and packaging to drive positive change in the packaging space, and have retained our industry leading target of reducing primary plastic by 50% by 2025. By the end of this period, reductions stood at 17.5% and over 10,000 tonnes.

During 2023, the ban on many single use plastics came into force, and the work done previously to remove over one billion items of single use plastic came to the fore, making compliance a simple process.

Each of our commercial categories now have a specific plastic and packaging plan, with the duel aim of reducing plastic and achieving commercial savings. Delivery of these plans will continue to be a key sustainability activity in the coming period.

In the period, we continued our progress on removing problematic plastics and were the first retailer to replace non-recyclable plastic coffee cup lids with a recyclable paper alternative. The move will save over 14.4 tonnes, which is 4.5 million fewer pieces of single use plastic going in the bin every year.

In addition we also moved all of our mushroom packaging from being wrapped in non-recyclable PVC plastic, to plastic which our customers can bring back and recycle in store. At the same time we also removed almost 150 tonnes of plastic a year from the range, which was more than 20% of the total.

We continued to focus on removing plastic packaging and in 2023 we achieved the milestone of 10,000 tonnes of primary own brand plastic packaging per year removed versus our baseline year of 2017:

- We reduced plastic packaging on our dips, olives and antipasti range by 228 tonnes;
- We removed over 35 tonnes of non-recyclable plastic packaging from our blocks of cheese; and
- We saved 1.2 tonnes by having completely plastic free own brand Easter eggs in 2023.

Promoting the British fishing industry

We continue to offer the broadest range of fresh British fish of any major retailer, providing customers with a wide range of responsibly, locally caught seafood that helps reduce pressure on key international stocks.

We continue to work with the wider industry in supporting 'Fishery Improvement' programmes through 'Project UK', improving environmental standards for key fisheries like South West (crab, lobster and scallops), North Sea (crab, lemon sole and plaice), Channel monkfish, and British nephrops.

Suppliers (continued)

Working with suppliers to fulfil our responsibility to protect the environment (continued)

Sustainable sourcing

As one of our eight pillars of activity in 'Sustain', sustainable sourcing continues to be an area of focus. Key targets in this area include a commitment to zero deforestation by 2025, and 100% of the cotton used in Nutmeg to be Better Cotton Initiative ('BCI') certified by 2025. Fish sourcing standards, sustainable palm oil and responsible soy are also areas of focus, and good progress has been made against all these target areas.

As signatories to the WRAP Courtauld 2030 commitment, we are committed to the goal of 50% of UK fresh food being sourced from areas with sustainable water management. Morrisons has committed multi-year funding to support three projects in the UK working towards sustainable catchment management in key sourcing regions.

The Groceries Supply Code of Practice ('GSCOP' or 'the Groceries Code')

GSCOP applies to designated grocery retailers in the UK, adding specific regulations into the trading relationships between retailers and their suppliers. We take our responsibilities to suppliers seriously and have established ways of working which enable us to build strong collaborative relationships. For more details, see *morrisons-corporate.com/suppliers/supplier-information/*. We listen hard to our suppliers at all times and this has continued to be vital during the challenges of recent years. Working closely and collaboratively with our suppliers we have sought to minimise the impact of inflationary pressures for both our suppliers and our customers.

During the period, we have continued to make significant investments into our commercial and supply chain systems and processes, including our ordering and receiving, warehouse management and supplier database systems, to improve the ways in which we communicate with our suppliers.

We actively engage with the relevant regulatory bodies, the Groceries Code Adjudicator ('GCA') and the CMA, to build best practice. We meet with the GCA regularly and provide updates on our activity and details on specific areas of interest to the Adjudicator.

Effective compliance risk management is critical to delivering on our commitments to all of our stakeholders. We have well-established governance structures to support GSCOP compliance. This includes a group consisting of senior Leadership team members from all relevant functions. Routine updates were provided to the Group Executive Directors and to the Risk Committee, including developments about the operation of the Groceries Code. We formally report details of activity and specific concerns raised with our Code Compliance Officer ('CCO') to the GCA and to the CMA at the period end.

Our legal, compliance and audit teams work closely together to provide colleagues across the business with the support and guidance needed to comply with the Code. We provide training, guidance and support to all colleagues in our trading teams, together with bespoke training for relevant colleagues in our supply chain and finance teams through a range of formats. We review and update all of our training activities and materials to take account of any new learnings, build in current real-life examples and to reflect additional guidance from the GCA.

In the 2023 GSCOP supplier survey conducted by YouGov on behalf of the GCA, more Morrisons suppliers completed the survey than those of any other retailer and 90% of suppliers rated Morrisons as complying with the Groceries Code 'mostly' or 'consistently well'.

GSCOP related enquiries are dealt with in accordance with the regulations. Any matter not resolved directly with a buyer is escalated to the relevant Category Director and, if requested, to our CCO. During the previous period, we were contacted by suppliers to review concerns, including in the following areas:

- Questions relating to resolution of goods receipt and invoice queries;
- Requesting review of supplier de-listing decisions; and
- Queries regarding the response to cost price increase requests.

At all stages, we try to resolve the concern by talking to the supplier openly and honestly and this approach is generally successful in reaching a swift resolution. At the end of the period, there were three direct Groceries Code-related complaints which were yet to be resolved. Contact details and further up-to-date information can be found at *morrisons-corporate.com/suppliers/meet-our-buyers.*

Strategic report (continued)

Protecting the environment and supporting communities

Our environment

We know our long-term success depends on the sustainable use of the planet's resources.

Climate change

The food system is a significant contributor to climate change and we recognise the urgent need to develop innovative approaches to reduce greenhouse gas ('GHG') emissions and transform food production and consumption. As a leading retailer, we know we must play our part, which is why we have been taking action in our own operations and our wider value chain to reduce our carbon footprint.

We are committed to targets and in our own operations (referred to as Scope 1 & 2) we plan to reach net zero GHG emissions by 2035 and to reduce our value chain emissions for own-brand products by 30% by 2030 (referred to as Scope 3). We are also a signatory to the British Retail Consortium's Climate Change Roadmap. During the financial period, Morrisons has developed a plan to deliver the 30% scope 3 reduction including category by category reduction requirements and new ways to engage and work with our suppliers. Our targets are approved by SBTi and in 2024 we will review these in line with any market or sector changes. On Scope 1 and 2 emissions, Morrisons is aligned with the highest ambition of the Paris Agreement - to limit temperature rises to 1.5°C above pre-industrial levels.

We are further integrating climate change into our strategic planning, and for the first time this year we report under the UK Climate related Financial Disclosures framework (UKCFD) (see pages 20 to 22).

Own operations (Scopes 1 & 2)

To enable growth, whilst considering our impact on the environment, we have continued to invest in energy efficient technology and generate our own power. A summary of our energy initiatives are outlined below, which have helped us to reduce our carbon emissions by 7% versus the previous year:

- we have set out a detailed roadmap to achieve our targets across our emissions, focusing on reducing baseline consumption through colleague behaviour and remote control of assets, installing energy efficient technology and generating our own power through on site generation where possible;
- we have improved performance across our engagement campaigns in sites and stores to encourage the right energy-saving behaviours, such as keeping blinds on fridges closed at night;
- challenged all operational usage, and where possible reduced number of spotlights, turned off excess refrigeration and put some units onto timers;
- upgraded additional sites to LED with improved lighting control and dimming capability;
- over a quarter of the estate now has new HVAC controls - this upgrade helps to reduce gas and electricity consumption through improved remote heating and ventilation controls;
- we have retrofitted sites with doors on refrigeration;
- we have ensured our existing solar estate is well maintained and we continue to invest in retrofit installations on our sites and stores - a total of 85 sites with solar panels generating just under 20GWh during the reporting period;
- our replacement of refrigeration systems has continued, moving away from HFC-based refrigerants towards CO_2 alternatives wherever possible;
- we have four heat pumps live within our supermarket operation, removing the reliance of gas at these sites, and continue to work through an expansion of this;
- across our Manufacturing sites we have invested in further resource to drive operational usage reduction. This has been achieved through incentive schemes and minor engineering upgrades to improve control on key energy using assets;
- successfully trialled electric online delivery vans, with plans to expand our electric fleet tenfold in our next financial year; and
- integrated McColl's into the group, ensuring efficient operations and identifying a programme of works to reduce energy consumption via behavioural and capital programmes.

Group greenhouse gas emissions methodology

We have reported for the period from 1 November 2022 to 31 October 2023. Our reporting covers a 365-day period, which is one day longer than the financial period. We have used the Government's Environmental Reporting Guidelines (2019) to prepare the report, and the emissions factors from the UK Government GHG Conversion Factors for Company Reporting.

In-line with Streamlined Energy and Carbon Reporting ('SECR') requirements we have also reported on the underlying energy use used to calculate Group GHG emissions. The reporting boundary has been determined by operational control, which includes emissions from the operation of the Group's supermarkets, manufacturing, distribution sites and operation of its fleet where not controlled by a third party.

Protecting the environment and supporting communities (continued)

Group greenhouse gas emissions methodology (continued)

Within the year we have reviewed operational carbon emissions across our logistics fleet, and restated where emissions have moved to third party operational control. Despite our logistics fleet change in terms of carbon operation boundary, the team has continued to undertake a number of activities designed to reduce the distance travelled and fuel consumed while delivering to our stores. This includes careful scheduling to minimise mileage, longer semi-trailers, and using vehicle telematics systems to encourage drivers to reduce harsh braking, acceleration and engine idling time.

Group GHG emissions for period ending 31 October 2023 (tC02e)

Emission source	Baseline 1 November 2018 – 31 October 2019	1 November 2021 – 31 October 2022	**1 November 2022 – 31 October 2023[4]**
Total – Scope 1[1]	238,223	218,496	**195,846**
Total – Scope 2 – Electricity – Location Based[2]	345,321	230,369	**223,116**
Total – Scope 1 and 2	583,543	448,865	**418,962**
Grey Fleet Travel (Scope 3)[3]	1,361	2,656	**829**
Intensity Ratio: Tonnes of CO_2e per £m turnover	33	24	**23**
Underlying Energy Use (kWh)	2,114,050,531	1,921,732,436	**1,849,374,070**
Electricity	1,328,703,193	1,184,419,432	**1,108,158,593**
Stationary combustion	759,134,884	661,670,396	**665,040,172**
Mobile combustion (haulage & company vehicles)	26,212,454	75,642,608	**76,175,305**

1 Scope 1 includes: Stationary combustion; emissions from the combustion of natural gas, fuel oil, diesel, LPG and gas oil; Refrigerant Gases, Other Gases and Mobile Combustion within our operational control.

2 Data taken from most recent invoice data which includes subsequent adjustments for rebilling; re-baselining of site inclusions/exclusions; and adjustments to the way data is apportioned across the year to ensure ongoing consistency.

3 Only partial data available for baseline year. As such the grey fleet consumption and associated emissions have been estimated on a pro-rata basis and unknown fuel types are assumed to be electric vehicles. Additionally, fuel for rental vehicles has been excluded as immaterial consumption.

4 1st November 2022 to 31st October 2023 include McColl's operational carbon emissions. Group mobile combustion (company car) data includes hybrid and electric vehicles.

We transitioned our Haulage emissions from Scope 1 to Scope 3 within the financial year and we have also moved McColl's portfolio into our overall footprint therefore triggering a rebaseline as qualification for a significant change.

Gibraltar supermarket's emissions are included in the table above. We have excluded our Hong Kong office and Dutch Bos Brothers site, which together represent less than 0.1% of the total Group footprint and are therefore deemed immaterial.

Group GHG emissions

Morrisons Scope 1 & Scope 2 GHG emissions and intensity ratio for the period 1 November 2022 to 31 October 2023 are subject to independent assurance by Challenge Sustainability in accordance with the ISAE 3000 standard. The full assurance statement with Challenge Sustainability's scope of work, basis of conclusion and the Group's basis of calculation will be published online on the sustainability section of our website in 2024.

Water

We report on our water usage weekly across all operations, using our automated meter read ('AMR') data. We also use this data to identify high consumptions to alert our manufacturing sites to early identification of leaks. We have also reviewed all manufacturing sites for water-saving opportunities. In the financial year we used 4,929,354 litres of water across the Morrisons and McColl's portfolio, a 5% reduction versus previous financial year.

Value chain emissions (Scope 3)

In the period, we have undertaken a significant exercise to engage 400 of our own-brand suppliers in our new environmental improvement programme. In partnership with 'Manufacture 2030', this measures the carbon footprint of our suppliers' manufacturing operations.

In addition to, and supporting our overall scope 3 reduction target, as British farming's biggest customer we have an ambition to work towards net zero agriculture by 2030. This specifically covers products from the 2,700 UK farmers and growers sourced directly for our own-brand products and relates to the whole lifecycle of farm produce, from germination to leaving the farm gate for a Morrisons store.

Strategic report (continued)

Protecting the environment and supporting communities (continued)

Value chain emissions (Scope 3) (continued)

Farmers are being encouraged to reduce emissions through a range of methods, including breed and variety choice, increasing the use of renewable energy, and removing or reducing high carbon feedstuffs like soya. Residual carbon emissions will be offset through a range of measures including planting trees and seeding hedgerows within the farm footprint. Our first net zero product, 'Planet Friendly Eggs', were launched in August 2022, a UK own-brand first and an important milestone in our farming environmental journey.

Footprint and target boundaries

Our scope 3 footprint disclosed in this report relates to our 2021 reporting year (1 January 2021 - 31 December 2021). During this year our total reported footprint was 15,272,724 tonnes CO_2e, representing a reduction of 13% compared to our 2019 baseline year (2019: 17,571,495). Whilst we continue making efforts to reduce the impact of the products we sell in our stores, a significant portion of this reduction can be attributed to lower fuel sales during the year.

Our scope 3 footprint relates to purchased goods and services, upstream transportation and distribution and use of sold products (direct). These three categories account for around two-thirds of the measured emissions from Morrisons value chain and form the boundary for our scope 3 science-based target, approved by the SBTi, to reduce emissions by 30% by 2030.

Within purchased goods and services our target boundary covers own-brand products. Use of sold products is included in the boundary for direct emissions (primarily relating to fuel sales), however indirect emissions are excluded as we have significantly less control over how our products are used by customers after sale. Upstream transportation and distribution relates to own-brand emissions only. Other categories have been excluded on the basis of not being material to our footprint.

Our scope 3 footprint was prepared using as much direct primary data as possible. In 2021 this included on-farm measurement covering farms that directly supply us, data from third party manufacturing facilities (via Manufacture 2030) and packaging emission data. This was combined with life-cycle assessments, industry emission factors provided by The Carbon Trust, and environmentally extended input and output data.

Table 1 - Scope 3 Footprint (2021 calendar year)

Category	Total Emissions (t CO_2e) within SBTi target boundary
1a & 1b Purchased goods and services (product and non-product)	7,821,859
4: Upstream transportation and distribution	545,857
11a: Use of sold products (direct)	6,905,008
Totals (excluding indirect emissions)	**15,272,724**

Strategic report (continued)

Protecting the environment and supporting communities (continued)

Climate-related Financial Disclosures ('CFD')

Governance

The Board has the overall responsibility for both risk management and sustainability matters. This includes risks and opportunities related to climate change. The Board discharges the responsibility of the Group sustainability strategy and governance to the Sustain Sub-Committee, including the management of climate related issues. The Sustain Sub-Committee meets quarterly to monitor progress, and ensures that strategy and governance are appropriate and that measures and targets are in place and reported on. The Sustain Sub-Committee oversees progress against such targets quarterly. Responsibilities related to risk management are discharged to the Risk Committee. For further information on our Risk Committee please see page 37.

Assessing Risk

The process for identifying climate change risks for our business is the same as other risks and uses our established risk management framework. The framework incorporates both an approach to identify the Group's principal risks and to identify operational risks. Our environmental and sustainability risks are mapped across our functional risk registers, which detail the mitigating actions, as well as the relevant responsible individuals monitoring the risk. These risks are discussed as part of our regular functional risk register reviews. The risk registers are formally reviewed annually by the Board, which provides the assurance that risks are appropriately monitored and managed through the risk management framework.

Specific climate-related risks are included in several functional risk registers and are referenced under existing Group principal risks, as appropriate. Ownership and management of these risks is assigned according to where the risk arises together with the responsibility for the implementation of the risk improvement or mitigation plans.

Risks and impacts

Our principal risks and opportunities related to climate change are detailed below. We have used the following definitions of time periods, aligned with our risk management framework.

- Short term - 0 to 3 years. This is aligned to our business planning processes.
- Medium term - 3 to 10 years. Linked to our current sustain targets and captures both transition risks and opportunities.
- Long term - > 10 years. Linked to our long term net zero targets and captures the physical risks and opportunities.

Risks

1. Changing customer behaviour

Long term- transition risk

Potential decreased revenues due to demand for products and services reducing.

2. Heatwaves / Acute physical risks related to heat

Medium term- physical risk

Temperature rises increasing refrigeration breakdowns across operational sites. Potential disruption to supply chain due to heatwaves.

3. Carbon pricing

Short term- transition risk

Cost of climate change levy and increasing energy wholesale prices.

4. Flooding

Medium term- physical risk

Increased flooding events impacting operations of all sites.
Potential disruption to our supply chain due to flooding and crop failures.

Opportunities

1. Resource efficiency

Short term

Introducing new technologies to increase energy efficiency of buildings and services, resulting in reduced direct costs.
This includes the rollout of shelf-edge technology, HVAC upgrades, heat pump trials and solar power installation.

Strategic report (continued)

Protecting the environment and supporting communities (continued)

Climate-related Financial Disclosures (‘CFD’) (continued)

Risks and impacts (continued)

Opportunities (continued)

2. Development of new products and services

Short term

Potential for increased revenues and access to new markets as customer demand for products changes.
Our ‘Naturally Wonky’ range continues to reduce on-farm waste, unlocking surplus where there is customer demand to do so.

3. Local products and services

Short term

Implementation of local products and solutions, adapting to customer awareness of sustainability in sourcing, seasonality and supporting local food systems.

Scenario analysis

This period we reviewed the impacts and potential impacts of our risks on the business jointly with the sustainability, finance and risk teams. This acts as a useful test for our current business and supply chain operations and wider business strategy. As part of this review, mitigation actions including programmes already underway were considered as part of the overall potential impacts on our strategic and financial position under different scenarios. Qualitative analysis was undertaken using two emissions scenarios; a high emissions 4°C scenario and a 1.5°C limiting global warming scenario. This allowed for us to fully understand the transitional related risks in a 1.5°C transition, accounting for a rapid shift away from fossil fuels and greater policy changes towards a low carbon economy. A high emission 4°C scenario allowed for us to fully understand the acute physical risks related to rapid global temperature rises and weather related extremes. The results were used to inform how we manage identified risks and opportunities going forwards.

In our next period we plan to complete further qualitative scenario analysis against a number of our product categories for both physical and transitional risks.

Qualitative analysis of our own operations

Under a high emissions scenario potential flooding impacts were considered on our stores, manufacturing facilities and logistics sites, with several identified as potential high risk. Additionally the impacts of heatwaves on equipment and operational capacity of our sites were reviewed. As an area of significant potential impact, mitigation actions are already underway to increase the resilience of our infrastructure, implementing new refrigeration technology across our operations.

Under a low emission scenario considering transitional risks, increased operating costs within our own operations were reviewed, particularly the impact of potential environmental compliance requirements such as a carbon tax. Increased capital expenditure to address emissions activities within our own operations was also reviewed. A programme is in place to address several areas of high emissions through the rollout of lower carbon technologies. For more information please see page 17 to 19.

Qualitative analysis of our own supply chain

Assessing impacts of potential acute physical impacts under a high emissions scenario, we reviewed potential financial impacts of diminished or lost crop yields within our supply chain. Assuming additional costs are passed to the consumer, demand may decrease and therefore reduce overall revenue.

Alternatively when considering transitional risks associated with a low emission scenario, the potential financial impact of new technology requirements within our agricultural supply chain was assessed. Our ongoing work with directly supplying British farms as part of our ‘Net Zero Agriculture’ programme mitigates a number of the potential impacts.

Targets

To manage our climate related risks, we have a comprehensive carbon reduction programme and strategy in place. Our carbon reduction strategy includes a goal for net zero emissions in our own operations (scope 1 & 2) by 2035, and to reduce the emissions in our up and downstream supply chains (scope 3) by 30% by 2030. These reduction targets have been approved by the SBTi. In our current period our scope 1 and 2 emissions were reduced by 28% compared to the 2019.

We provide an annual update on our progress on climate-related goals, including energy consumption and scope 1 & 2 GHG emissions in line with our SECR requirements (see page 17 to 18).

Strategic report (continued)

Protecting the environment and supporting communities (continued)

Climate-related Financial Disclosures ('CFD') (continued)

Targets (continued)

Our scope 3 emissions are the largest GHG impact from our business. This is predominantly emissions related to agriculture and produce suppliers and downstream from the indirect emissions from fuel sales. In 2024 we plan to recalculate our baseline and scope 3 emissions to include emissions related to McColl's operations and assess our FLAG (Forest, Land and Agriculture) impacts.

We provide additional comprehensive annual carbon information through our CDP disclosures. We additionally measure and report progress annually against our food waste and plastic reduction targets, and sustainable sourcing certification coverage for deforestation and sustainable fishing.

Our community

We are committed to responding to local needs and being a force for good in the communities we serve. Our Community Champions are at the heart of this. They are a key link between our stores and the local community, working tirelessly to help good causes with fundraising, product donations and practical support. Each of our stores and sites has a dedicated Community Champion. Their role is to support local good causes in their communities through fundraising, product donations and engagement.

Tackling food poverty

We know lots of people in our communities experience food poverty and rising household bills have made life tougher. As a food maker and shopkeeper we have a responsibility and an opportunity to make a difference.

The school holidays can be particularly challenging for families in hardship and we want to help community partners ease some of the pressure. Over the summer, we donated thousands of food products and essential items to local organisations and clubs delivering support for low income families over the school holidays. Building on activity from previous years, Community Champions partnered with local schools and charities, as well as local authority activities organised as part of the UK Government's 'Holiday Activities and Food' programme.

Our 'Pick Up Pack' scheme continues to resonate with customers, allowing them to contribute by adding a pre-packed donation bag to their shopping. Working closely with local food banks and community groups, our Community Champions tailor these packs to address specific needs. This initiative generated food donations equivalent to three million meals during the period and was supported by in-store 'food drives' during the period to boost donations.

Morrisons Foundation

In the period, the Morrisons Foundation donated £1.5m in grants (over £2m including match funding) to registered charities across England, Scotland and Wales. Since its launch, the Foundation has donated over £40 million in grants and match funding to support over 3,300 charities which are making a positive difference in local communities.

During the period, the Morrisons Foundation placed particular focus on grant funding to organisations and projects delivering in the following areas: tackling poverty and social exclusion; enhancing community spaces and facilities; and improving health and wellbeing. The Morrisons Foundation Christmas Appeal doubled online customer donations which resulted in £137,000 being donated to the Trussell Trust, a charity which operates a network of food banks across the UK.

Supporting charities

Our colleagues, customers and suppliers raised £4m in the period for our national charity partner, Together for Short Lives. Our partnership is raising vital funds for children's hospices across the country and helping families caring for a seriously ill child, treasure every moment they have together. Our partnership total now stands at over £6.6m and we are on course to achieve our £10m target by the end of our 2023/24 financial period.

We are proud to support a number of other important national charities. As a strategic partner of the Royal British Legion and Poppy Scotland we are always pleased to welcome their volunteers into our stores. Poppy Appeal collections in our stores and online raised over £1.9m during the period of Remembrance in 2022. We also helped to raise £500,000 for Marie Curie's Great Daffodil Appeal in March 2023 and were the headline partner for the NHS Big Tea in July 2023, raising £120,000 for NHS Charities Together. In addition, we supported the Alzheimer's Society 'Forget Me Not Appeal' raising vital funds (£150,000) and standing in solidarity with people living with dementia. In addition to the amount donated through The Morrisons Foundation Christmas Appeal, over £250,000 has been donated to The Trussell Trust through customer donations in store and online throughout the period. During Pride month in June 2023 £35,000 was donated through our 'Every Pack Gives Back' event in store for Albert Kennedy Trust, who support LGBTQ+ young people aged 16-25 in the UK who are facing or experiencing homelessness or living in a hostile environment.

Our charitable activity is not limited to British shores. Morrisons is an emergency response partner for the Disasters Emergency Committee ('DEC'). We support DEC appeals (which are launched when large-scale disasters hit countries without the capacity to

Strategic report (continued)

Our community (continued)

Supporting charities (continued)

respond) with collections and fundraising activity. During the period, we supported the Turkey-Syria Earthquake Appeal following the devastating earthquakes which killed tens of thousands of people in February 2023 (£215,000).

As an extension of our work with NHS Charities Together in August 2023, we launched a first of its kind partnership with NHS England to display breast and testicular cancer awareness messaging in our Nutmeg bras and boxers and we continue to work with Bowel Cancer UK, displaying bowel cancer symptoms on our own brand toilet paper packaging.

Managing our risks

Successful delivery of our priorities depends on our ability to make sound, risk-informed decisions. Managing risk and uncertainty is an integral part of the Board's strategic thinking.

Risk management approach

We respond to changes in our industry and the wider political-economic climate by maintaining a business-wide understanding of our key risks and how to manage them. This helps us deliver our ambitions for all of our stakeholders and means that we are in a better position to achieve our priorities, respond to emerging risks and to create and take advantage of new opportunities.

The Risk Management process

Our established risk management framework has been built to identify, evaluate, mitigate and monitor those risks which threaten our ability to deliver on our seven priorities. The framework incorporates both a top-down approach to identify the Group's principal risks and a bottom-up approach to identify operational risks.

Risk registers for each business function sit at the heart of this process. These registers detail the main functional risks and are used to assess the gross level of risk to the business (based on their potential likelihood and impact), the extent of any mitigating controls, and the resultant net level of risk. They also detail any further plans to mitigate or reduce risks and the associated target level of risk. The impact assessment of a risk includes considering its potential reputational, financial and operational effects. We assign targets to each risk based on the risk appetite framework established and agreed with the Board.

The risk registers are owned and managed by operational management, with the head of each function certifying annually that these have been reviewed and that action plans are in place where required. The risk registers are also formally reviewed and challenged each year by the Risk Sub-Committee.

The Risk Sub-Committee reviews coverage across the Group's principal risks, the key controls already in place and any risk mitigation plans. Their review considers the completeness of risks captured in the detailed functional risk registers, strategic risks, external factors and any emerging risks. The Risk Committee and the Board review and approve the principal risks annually.

The Group's principal risks are monitored every month by the Risk Committee using key risk indicator reporting. In addition, the Risk Committee supports the Group in managing its key risks through a rolling agenda of deep dive reviews of key or emerging risk areas and approval of key policies.

The Risk and Internal Audit team facilitates the preparation of both the functional and Group risk registers. It also supports the Board in reviewing the effectiveness of the Group's risk management and systems of internal control. Where potential weaknesses are identified, the Risk and Internal Audit team work with the business to agree robust mitigating actions.

The Board maintains this robust risk management framework by approving the risk management process and reviewing the Group's principal risks, risk appetite and key risk indicator reporting on a regular basis.

Principal and Emerging Risks

The Directors have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, the achievement of our priorities, solvency or liquidity.

Changes to Principal Risks

With the integration of the convenience business progressing well, the Board has opted to broaden the previous Group Principal risk of 'McColl's Integration' to one on 'Business Strategy and Change'. This recognises the range of strategic change programmes being undertaken to build a business that is broader, stronger, popular and more accessible.

The Board has also considered the net risk ratings for each of the Group Principal risks and, although these will remain under review, believes that these remain appropriate at this time and no changes are required.

Strategic report (continued)

Managing our risks (continued)

Business Strategy and Change

Last year the Board recognised the new risks that could have arisen during the integration of the convenience business through the creation of a Group principal risk of McColl's Integration. With this work progressing well, the Board has opted to broaden this Group principal risk to one on Business Strategy and Change, recognising the range of strategic change programmes currently being undertaken across the business. These programmes, which include the segregation and sale of our petrol forecourts, major changes to our supply chain systems, improvements to our loyalty programme, as well as the moves to outsource our property maintenance and central customer service teams, aim to reduce our costs, improve our availability and improve our customer offer. Collectively these will help to improve the business, but will require careful coordination and oversight to ensure they deliver the required benefits while not impacting existing operations or our customers.

Emerging Risks

Our Risk Management process incorporates the formal identification and management of emerging risks and these are reported to the Risk Committee and the Board alongside our known principal risks.

We employ the following strategies to ensure that our business is adequately prepared for the potential threats or opportunities these present, and that we have a clear reporting route to the Board when necessary:

- Strategic and operational horizon scanning across the business;
- Working with our key strategic partners to share emerging consumer trends; and
- Using third party experts to assist with the consideration of emerging risks and legislation.

We continue to review and assess the potential impacts of evolving risks including those associated with interest rates and cost of living pressures, climate change and extreme weather events, labour market changes, innovations in technology and new regulation.

The Risk Management Framework

Top down	**Board of Directors**	Maintains sound risk management and control systems, assesses principal risks
	Risk Committee	Assesses principal, operational and emerging risks and undertakes regular monitoring of risk
Bottom up	**Risk and Internal Audit**	Coordinates risk management activity through review of risk registers, agreement of risk mitigation plans and preparation of risk reporting
	Operational Management	Reviews operational risks, operates controls and implements risk mitigation plans

The following keys have been used in the Principal Risks table on pages 25 to 29.

Key	
↑	Increase in net risk
←→	No change in net risk
↓	Decrease in net risk

Link to seven priorities					
1	Be more competitive	**4**	Delivery great availability, value and quality for customers	**7**	Give Britain more reasons to shop at Morrisons
2	Tough on costs and improve free cash flow	**5**	Delivery great service through our Market Street offer	**#**	Links to all seven priorities
3	Simplify and remove wasted effort	**6**	Improve brand recognition and accessibility		

Strategic report (continued)

Managing our risks (continued)

Principal Risks

Risk	Description	Mitigation
Business Interruption ←→ #	There is a risk that a major incident could cause significant disruption to business operations.	• We have recovery plans in place covering our stores, depots, online operation, manufacturing sites and offices; • Business continuity resilience and disaster recovery exercises are undertaken to test processes and management's ability to respond effectively; • A Crisis Management Group is in place to oversee these plans and to manage and respond to any major incidents; • We conduct supplier risk assessments and have contingency plans in place, where possible, to manage the risk of loss of supply; • There has been continued investment in cloud technologies to provide further resilience to our technology; and • We work alongside our strategic third party partners ensuring our combined continuity plans are robust and aligned.
Business Strategy and Change #	Without appropriate plans and governance to coordinate the business' strategic change programmes, there is a risk that they fail to deliver the desired benefits or adversely impact existing operations and/or customers.	• All major investment projects are subject to formal business case reviews, including expected financial returns, and are approved by the Board; • All major change programmes are overseen by formal Steering Groups which include cross functional representation as appropriate to ensure changes are considered, coordinated and well managed; • Regular reporting to and oversight from the Board is also in place for all major change programmes; and • We have a tried and tested methodology for delivering changes to the business.
Competitiveness ←→ #	The Grocery Sector continues to be highly competitive with increased price pressure caused by inflation. If we do not engage with our suppliers or effectively manage our prices, trade or promotional plans there is a risk this will adversely impact like-for-like sales and financial performance.	• Our pricing, trade plan and promotional and marketing campaigns are actively managed using customer insight so we invest in what matters most to our customers; • We closely monitor inflationary movements and make timely decisions with our retail pricing to remain as competitive as possible; • Long-term agreements are established with suppliers, ensuring a competitive customer offer and to help maintain security of supply; • We continue to actively engage our key suppliers, and to work closely with British growers and farmers; and • We continually review our range, category plans, product quality and respond to customer feedback, including investing heavily in our 'Savers' lines and making these available in our convenience stores.

Strategic report (continued)

Managing our risks (continued)

Principal Risks (continued)

Risk	Description	Mitigation
Customer **←→** **#**	There is a risk that we do not meet the needs and expectations of our customers in respect of price, range, quality and service across all our sales channels.	• We monitor customer satisfaction to understand what is most important to their shopping trip; • We actively respond to customer complaints and aim to continually improve the customer experience; • We closely monitor and carefully manage the price, quality and availability of the key products; • We have continued to invest in our loyalty scheme through further improvements to 'Morrisons More'; • We have made our products accessible to more customers through the ongoing integration of the McColl's business, expansion of online and continued growth with our wholesale partners; and • Our network of Community Champions actively engage local communities and support local charities.
Environment and Sustainability **←→** **6,7**	There is a risk that we fail to reduce the environmental impact of the business, or to meet the expectations of our customers, colleagues and wider stakeholders.	• Developments and progress in our sustainability agenda are reported to the Sustain Executive Sub-Committee and to the Board; • The Sustain Executive Sub-Committee meets regularly during the year and performs an oversight, monitoring and advisory role ensuring a focus on key areas which deliver sustainable growth with a lower environmental impact; • Each Sustain workstream has a senior responsible business owner providing updates to the Sustain Group, chaired by the Group Corporate Services Director. This group reports to the Sustain Sub-Committee; • We have a clear strategy to reduce our emissions footprint and expect to achieve net zero emissions by 2035 (scope 1 & 2); • This includes our ambition to be net zero in our UK agriculture supply chain by 2030, working with the farmers who directly supply us to reduce emissions from livestock and produce, increase carbon sequestration and improve the use of renewable energy on farms; and • We have pledged to reduce the plastic we use in our products by 50%, with 100% of plastic packaging used on our products to be recyclable, reusable or compostable by 2025.

Strategic report (continued)

Managing our risks (continued)

Principal Risks (continued)

Risk	Description	Mitigation
Financial and Treasury **←→** **1,2,3**	The key financial risks we may be exposed to include the availability and cost of funding, cash flow and liquidity management, fluctuations in interest rates, commodity, energy costs and foreign currency rates. Some suppliers benefit from access to supply chain finance facilities. The withdrawal of these facilities would lead to some terms being reviewed. We also have pension funding commitments that require active management and monitoring.	• Treasury operations are managed and monitored in line with the approved Treasury Policy with reporting to the Board. The Liquidity policy includes an assumption that certain supply chain finance facilities are not available for the benefit of suppliers; • The Group's Treasury function is responsible for the forward planning and management of funding, interest rates, foreign currency, exchange rates, energy costs and certain commodity price risks including hedging risks; • We manage energy commodity price risks in line with the Group hedging policy and continuously look to reduce consumption across the business through additional energy saving initiatives; • Governance forums and processes are in place to review and manage the Group's cash position and maximise working capital; • Credit risk is actively monitored across our wholesale customers to limit exposure while maintaining trade; and • A long-term funding framework and pension strategy exists with ongoing communication and engagement with the Pension Trustees.
Food Safety, Product Integrity and Ethical Sourcing **←→** **4,5,6,7**	There is a risk that the products we sell are unsafe, or not of the integrity or ethical standards that our customers expect. It is also important to us to support sustainable, ethical and resilient supply chains.	• Monitoring processes are in place to manage food safety and product integrity throughout the Group and supply chain. Horizon scanning is also in place to anticipate emerging issues; • Regular assessments of our suppliers and our own manufacturing and store production facilities are undertaken to ensure adherence to standards; • Our vertical integration model gives us control over the integrity of a significant proportion of our fresh food; • The process is supported by external accreditation and internal training programmes; • Systems and processes are in place to ensure ongoing compliance with allergen labelling under Natasha's Law; • Our Ethical Trading Policy and Code establishes key requirements for all suppliers. We actively monitor compliance through an extensive third party audit programme and provide support for suppliers if issues are identified; • We work closely with our supply chain to understand food provenance, sustainable and ethical practices including animal welfare; and • Our measures to tackle Modern Slavery are reported annually in our Modern Slavery Act statement.

Risk	Description	Mitigation
Health and Safety **←→** **3,5,7**	There is a risk of injury or harm to customers or colleagues if we do not have the right controls, policies and procedures in place to keep people safe and healthy across all of our stores and sites.	• We have clear policies and procedures detailing the controls required to manage health and safety risks across the business; • An ongoing training programme is in place for front line colleagues and management supported by an ongoing programme of health and safety audits across the Group; • Our dedicated health and safety team ensures our risks are managed effectively; and • Management regularly monitors health and safety performance and compliance with electronic accident reporting across all stores and sites to help identify and respond to any trends.
Information Security **←→** **#**	A cyber-attack or security breach could lead to a loss of customer, colleague or Group confidential data, business disruption, reputational damage and significant fines.	• Information Security policies, procedures and controls are in place, including encryption, network security, systems access and data protection; • This is supported by ongoing monitoring, reporting and rectification of vulnerabilities; • The Information Security Steering group oversee a rolling programme of work to review and enhance our information security controls, ensuring these remain commensurate with our level of risk and the evolving cyber landscape; and • The General Data Protection Regulation ('GDPR') Working group has responsibility for overseeing data management practices, policies, regulatory awareness and training associated with customer and colleague data. This includes change management activities and a review of third parties managing data on our behalf.
People **←→** **#**	There is a risk that if we fail to attract, retain or motivate talented colleagues, we will not provide the quality of service that our customers expect.	• We have fair employment policies and competitive remuneration and benefits packages; • A Group-wide reward framework is in place and roles are evaluated against an external framework, driving stronger consistency of rewards; • Our training and development programmes are designed to give colleagues the skills they need to do their job and support their career aspirations; • Line managers conduct regular talent reviews and processes are in place to identify and actively manage talent; • We give colleagues visibility and flexibility of their hours and rotas through the use of technology and modernised working patterns; • We continue to monitor the availability of labour across the Group and we have enacted specific people plans across our manufacturing and logistics sites; • Colleague engagement surveys, listening sessions and networking forums are used to understand and respond to our colleagues; and • We take pride in creating an inclusive work environment where everyone feels welcome and we celebrate our differences.

Strategic report (continued)

Managing our risks (continued)

Principal Risks (continued)

Risk	Description	Mitigation
Regulation ←→ **#**	The Group operates in an environment governed by numerous regulations including GSCOP, GDPR, competition, employment and regulations over the Group's products. The Board takes its responsibilities very seriously and recognises that a breach of regulations can lead to reputational damage and financial penalties.	• We have training, policies and legal guidance in place to support compliance with all applicable regulations; • The Group monitors for potential regulatory and legislative changes and the impact on contractual arrangements; • We actively engage with government and regulatory bodies on policy changes which could impact our colleagues and customers; • We have a GSCOP compliance framework in place to monitor compliance with key regulations so that action can be taken as necessary; and • We have an independent whistleblowing line for colleagues and suppliers to provide feedback to the Group so that action can be taken as necessary.

Climate Change Risk Management

The process for identifying climate change risks for our business is the same as other risks and uses our established risk management framework. The framework incorporates both a top-down approach to identify the Group's principal risks and a bottom-up approach to identify operational risks.

Our Environmental and Sustainability risks are mapped across all our functional risk registers, which detail the mitigations or controls in place, as well as the relevant responsible individuals monitoring the risk. Specific climate-related risks are included in multiple functional risk registers and are also included within several other functional risks, as appropriate. Ownership and management of these risks is assigned according to where the risk arises and the responsibility for implementing risk improvement plans.

Environmental and Sustainability risks are discussed as part of our regular functional risk register reviews and are considered when reviewing our Group principal risks.

Strategic report (continued)

Section 172(1)

The following section serves as our Section 172(1) statement. Section 172(1) requires that Directors act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole. In doing so the Directors should have regard (amongst other matters) to: the likely consequences of any decision in the long-term; the interests of employees; the need to foster relationships with suppliers, customers and others; the impact of the Group's operations on the community and the environment; the maintaining of a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

Morrisons has identified five main stakeholder groups: customers, colleagues, suppliers, communities and the environment, and debt holders. The Directors also regularly consider the needs of other stakeholders such as Government, regulatory bodies, charities and non-governmental organisations ('NGOs') when making decisions.

Our business model and operations are focused on delivering long-term benefits for all of our stakeholders while maintaining a high standard of business conduct. The Directors recognise the need for genuine, well-informed and dynamic engagement with our stakeholders and believe that the Group has the right representatives formally and informally engaging with a wide and diverse selection of stakeholders. The Group spends a lot of time listening to and understanding the views of our stakeholders which form an integral part of any decision making.

Customers

Why we engage

Customers are right at the heart of our business model. By striving to continually improve our offer through competitive pricing, quality and the overall shopping trip, which makes us accessible to more people, this supports the ongoing success of the business.

Stakeholder priorities

In a year of continued pressure on consumer spending, as a result of the cost of living crisis, our customers are looking for good quality products at great value prices, available when they want them. They enjoy the wide range of brands on offer, which cater for all budgets, tastes and dietary requirements. It is important to them that our range is sustainably sourced and that we support local suppliers and communities. Customers enjoy the distinctive offer of Market Street, the overall experience of our stores and the accessibility of our online and convenience channels.

How we engage

- Our Insight team receives over 12,000 pieces of feedback every day through a variety of channels, including quantitative surveys and qualitative focus groups, as well as communication through our contact centre.
- Our store management teams are committed to listening to our customers on a daily basis and receive store specific customer feedback from our support office or through a customer survey opportunity that is provided to Morrisons customers after their shopping trip.
- The Directors and senior management visit stores across the country on a regular basis and use the opportunity to speak both with customers and colleagues on a personal level.
- In the period, there has also been a programme of accompanied shopping trips. Members of senior management accompany customers on shopping trips to a variety of our store formats to understand shopping habits and preferences.

Outcomes

The Directors considered customers when making the following decisions:

- Launching our 'More Card' loyalty scheme in May 2023, giving more value to customers through earning points and gaining access to exclusive prices and market leading discounts on favourite products. Following feedback, the decision was made to bring back the popular Morrisons 'Fivers', which can be spent straight away or saved to be used when customers need them most.
- Continuing to adapt ranges to provide healthier and more environmentally conscious options for customers. In this period we have removed 14.11 billion calories, 398 tonnes of sugar and 59 tonnes of salt through recipe changes and improvements across our own-brand ranges.
- Investing in the reduction in price of over 1,500 products through our 'Prices Locked Low' proposition. By communicating in this way, customers are reassured that we are committed to these lower prices for the longer term.
- Converting 440 McColl's stores to Morrisons Daily in the period, to expand the accessibility of the brand into more local areas. This takes the total to 704 Morrisons Daily stores.
- Introducing our 'Savers' range into over 500 Morrisons Daily stores at the same price as our supermarkets. A number of our franchise partners have also agreed to stock our 'Savers' range to help customers through the cost of living crisis.
- Offering further great value to 'More Card' members through various collector schemes, including Christmas, summer and autumn periods.

Strategic report (continued)

Section 172(1) (continued)

Colleagues

Why we engage

Our colleagues are united by their food maker and shopkeeper credentials. Colleagues are key to our business and it is essential that we have an engaged workforce to deliver for our customers.

Stakeholder priorities

Our colleagues are looking to be trusted to do a fair day's work for a fair day's pay. They want to be supported with their health, safety and wellbeing. It is important that our colleagues have the right tools and training available to do their job. They want Morrisons to be an inclusive place to work, where success is celebrated.

How we engage

- There are two ‘National Your Say’ forum meetings held each period. This gives our Directors the opportunity to hear views and answer questions from our colleagues first hand.
- Colleagues receive weekly business updates from our senior management team through 'Team Talk' live streams, with the opportunity to ask questions.
- All colleagues are invited to join the Morrisons ‘colleague Facebook’ group, where they can provide direct feedback or updates on any subject.
- Every colleague was given the chance to share their views in a 'Stop, Start, Continue' initiative. Over 10,000 responses were shared and each one has been reviewed and considered in order to support our 'simplify and speed up' culture.

Outcomes

The Directors considered colleagues when making the following decisions:

- Allowing colleagues to take home surplus food, free of charge that could have otherwise gone to waste.
- Offering temporary increases to the colleague discount rate around paydays in the run up to the Christmas period, to support our colleagues through an expensive time of year. These discounts were communicated well in advance, so colleagues could factor this into their shopping plans.
- Increasing the minimum hourly pay for our store and manufacturing colleagues twice during the period, firstly to £10.42 per hour in April 2023 and then further to £10.92 in October 2023.

Suppliers

Why we engage

Suppliers are fundamental to the success of the Group as they provide us with the variety and quality of goods and services required to fulfil customers’ needs.

Stakeholder priorities

Suppliers want a relationship with mutual trust and respect. They want to be able to grow with us in a mutually beneficial partnership. We are a route to market for many new suppliers and products, and suppliers like the brand presence that we can offer, especially through a wide variety of different channels.

How we engage

- All commercial business team colleagues are encouraged to work collaboratively with their suppliers, spending time together in stores, in the central office and in the factories where products are made.
- The commercial team updates all suppliers on a quarterly basis through business team updates. These communications provide suppliers with an opportunity to understand our business in more depth, including updates on team priorities and business changes.
- In October 2023, we welcomed 1,300 suppliers and colleagues to our ‘Annual Supplier Conference’. This gave us the opportunity to engage with our suppliers and set out the Group's strategy for the year ahead. This included breakout sessions for teams to speak face to face with their suppliers to gather feedback and answer any questions.
- Suppliers are actively encouraged to take part in independent annual surveys, such as the ‘Advantage Group’ survey, to enable the Group to gain valuable insight into how they feel about Morrisons, and how we benchmark against other retailers.
- The Company's supplier portal offers two way communication and is used both by our commercial business teams and suppliers.

Strategic report (continued)

Section 172(1) (continued)

Suppliers (continued)

Outcomes

The Directors considered suppliers when making the following decisions:

- Continuing to develop and strengthen commercial policies and processes based on feedback from the Groceries Code Adjudicator.
- Implementing a new cost price change process, which gives suppliers better visibility on the progress of any cost price changes that they have submitted in the supplier portal.
- Further developing the supply chain system, including a number of technology upgrades which offer improvements to forecast accuracy, which is extremely important to our suppliers.

Communities and the Environment

Why we engage

It is a key part of our strategy to be locally integrated in the communities that we serve. Communities are our customers and our neighbours, therefore the Group needs to have respect and generate a positive impact on them. It is important that Morrisons is a responsible retailer to minimise our impact on the wider environment.

Stakeholder priorities

Communities expect Morrisons to be a socially responsible business and to care about the impact on the surrounding area and environment in which we operate.

How we engage

- Each of our stores and sites has a dedicated Community Champion. Their role is to support local good causes in their communities through fundraising, product donations and engagement.
- Our Morrisons Foundation awards grants to registered charities making a positive difference in communities throughout the country.
- Our annual 'Sustainability' survey asks over 3,500 customers every year to rate the key issues that they think a responsible retailer should consider. Protecting the environment through practical steps including reducing plastic packaging, reducing food waste and protecting natural habitats, woodlands and forests, remain high on our customer priority list. Whilst sustainability remains important to customers, for the first time this year they also highlighted the impact of the cost of living through this survey.
- We are signatories on the WRAP Plastic pact; a series of four targets for the reduction and sustainability of packaging through reducing plastic use, increasing recycled content and removing problematic plastics.
- We are active members of key industry working groups, including our support as a signatory to the 'Courtauld Commitment' for 2030. This is a voluntary agreement that enables collaborative action across the entire UK food chain to deliver farm-to-fork reductions in food waste, GHG emissions and water stress that will help the UK food and drink sector achieve global environmental goals.
- Our 'Net Zero' agriculture programme has also seen us deliver meaningful carbon reductions for participating farms, alongside a number of government and self-funded research projects to optimise efficiencies on farm.
- We have started the process of mapping key supply chains to the WWF risk filter for biodiversity and water resources.

Outcomes

The Directors considered communities and/or the environment when making the following decisions:

- Providing over 350,000 hours for dedicated Community Champions and a donation budget of over £500,000.
- Actively tackling food poverty in our communities by donating £100,000 to local community organisations tackling holiday hunger over the summer and raising over £150,000 for The Trussell Trust's Emergency Appeal.
- Donating over £2m to registered charities through the Morrisons Foundation.
- Maintaining our commitment to 'Bradford UK City of Culture 2025' by becoming a major partner.
- Signed up to the 'WRAP net zero collaborative retailers action programme', which accelerates the action in the UK retail supply chain to achieve a 50% reduction in carbon by 2030.
- Continuing to drive and review the Group's 'Sustain' programme to ensure continued progress towards achieving Environmental, Social and Governance ('ESG') targets, and approving additional activities to reduce water use in our own-brand supply chains in areas of water scarcity, and enhance biodiversity.

Strategic report (continued)

Section 172(1) (continued)

Debt holders

Why we engage

It is important to engage regularly with debt holders, including bond holders, term loan counterparties, and other financial institutions, to ensure that they remain comfortable with their exposure to the Group and to build and maintain long-term relationships. The majority of the wider Group's debt is held within the holding companies beneath the Group's ultimate parent, Market Topco Limited. Other similar stakeholders to debt holders include ratings agencies and trade credit insurers, and while they do not have a direct investment in the Group, their understanding and commitment to the Group and its strategy is important to our business.

Stakeholder priorities

Debt holders and other similar financial institutions want to ensure their investments are secure and that our strategy is delivering long-term growth. Timely dialogue, with honest and open conversations, supports building long-term relationships with these parties.

How we engage

- The Directors present the results and host a Q&A session every quarter for debt holders, with additional meetings throughout the year.
- Holders of the preference shares issued by Market Holdco 2 Limited (one of the Group's parent holding companies) are invited to attend board meetings, with regular dialogue maintained with them throughout the period.
- Debt holders and similar stakeholders have access to a secure part of the corporate website which contains financial presentations and accounts.

Outcomes

The Directors consider debt holders and similar stakeholders when assessing the financial position of the Group, its use of capital and its strategic direction.

Walker Guidelines

In preparing the Annual Report, the Directors have complied with the requirements of the Walker Guidelines for Disclosure and Transparency in Private Equity.

Approval of the Strategic report
Pages 4 to 33 of the report form the Strategic report.
The Strategic report was approved by the Board and signed on its behalf by:

Jonathan Burke, Company Secretary
30 January 2024

Governance report

This Corporate Governance report applies to the Group from the ultimate parent company Market Topco Limited to Wm Morrison Supermarkets Limited and its subsidiaries. All references to 'Group' within this section are in relation to Market Topco Limited and its subsidiaries and all references to 'Company' relate to Wm Morrison Supermarkets Limited.

Corporate Governance Update

The Group's current corporate governance framework is summarised within this Governance report. We expect to continue to develop and adapt our corporate governance framework in accordance with the changing demands of our business and stakeholders.

Adoption of the 'Wates Principles' by Wm Morrison Supermarkets Limited

The Companies (Miscellaneous Reporting) Regulations 2018 require all companies of a significant size to disclose their corporate governance arrangements. For 2022/23 and to the date of the signing of this Annual Report and Financial Statements, the Company has applied the Wates Corporate Governance Principles for Large Private Companies ('Wates Principles'). The principles were published by the Financial Reporting Council (FRC) in December 2018 and comprise six key principles: Purpose & Leadership; Board Composition; Director Responsibilities; Opportunity & Risk; Remuneration; and Stakeholder Relationships & Engagement. The following section summarises how the Company has applied the principles.

The Directors consider that the corporate governance policies and procedures are appropriate for the Group.

Principle 1 - Purpose and Leadership

As the shareholder in the Company, CD&R plays an active role in its strategic development. CD&R has regular interaction with the Directors and other senior managers within the Company and its subsidiaries. CD&R and the Directors meet formally on a monthly basis to discuss the operations and performance of the business. CD&R provides an important contribution through the expertise, knowledge and experience of its team.

As is consistent with previous years, the Directors continue to balance the interests of our various stakeholder groups in a way that promotes the long term success of the Company.

Our purpose continues to be: "To make and provide food we're all proud of, where everyone's effort is worthwhile, so more and more people can afford to enjoy eating well." For further information on purpose, see our Strategic report on pages 4 to 5.

The Directors assess and monitor the culture of the Company in line with the Company's purpose, ways of working and the needs of its various stakeholder groups. More information on this can be found on pages 4 to 5 and 11 to 33.

The Directors have a good understanding of the views of Company colleagues and culture, facilitated by the 'National Your Say' forums, formal and informal discussions with the senior managers of the Company and its subsidiaries, and day-to-day interactions with our colleagues in store. From these various sources, the Directors are able to confirm that the culture of our business is aligned to the purpose, values and strategy that the Directors have set.

The Company's approach to investing in and rewarding our colleagues is set out on page 12 and 13.

The Company is committed to ensuring that all colleagues have the ability to raise genuine concerns in good faith, without fear of victimisation, subsequent discrimination or disadvantage, even if they turn out to be mistaken. More information on our whistleblowing policy can be found on our website: https://www.morrisons-corporate.com/about-us/whistleblowing-policy/.

The Directors assess the basis on which the Company generates and preserves value over the long-term, and the opportunities for the Company going forward, through a formal strategy and long-term planning process. More information on this can be found on pages 4 to 5 and 11 to 33.

Governance report (continued)

Principle 2 - Board Composition

The Company is an indirect subsidiary of Market Topco Limited, which was the ultimate parent company of the Group throughout the period.

Market Topco Limited

The statutory Directors of Market Topco Limited are:

- Sir Terry Leahy
- Rami Baitiéh
- Manvinder Banga
- Joanna Goff
- Marco Herbst
- Gregory Lai
- David Novak

The role of Chair in Market Topco Limited is fulfilled by Sir Terry Leahy. As Chair, Sir Terry ensures that appropriate information is provided and that sufficient time is available for each of the discussion points during the Market Topco Limited Board meetings.

Wm Morrison Supermarkets Limited
As at the date of approval of the Annual Report and Financial Statements, the two Directors of the Company were:

Rami Baitiéh
Joanna Goff

David Potts resigned as Director and Chief Executive Officer of the Company and Director of Market Topco Limited on 1 November 2023.

Rami Baitiéh

Appointment

Rami joined the Group as Chief Executive Officer ('CEO') in October 2023, and was appointed a Director of the Company on 30 October 2023.

Experience

Rami was the CEO of Carrefour France between July 2020 and Sep 2023, Spain from May 2019 to July 2020, Argentina from January 2018 to May 2019 and Taiwan from February 2015 to January 2018.

External roles

None

Joanna Goff

Appointment
Joanna joined the Group in 2011 and has held a number of positions including Group Finance Director, and most recently Operations Development Director, with responsibilities that included Productivity, Procurement, Group Strategy, Loss Prevention and Fuel. Joanna joined the Board on 4 April 2022 as Chief Financial Officer ('CFO').

Experience
Prior to joining Morrisons, Joanna was at PricewaterhouseCoopers LLP ('PwC') for 11 years and is a member of the Institute of Chartered Accountants in England and Wales.

External roles
None

Certain key business matters relevant to the Company are formally reserved for approval by CD&R. These include, for example, the approval of the overall commercial and operating strategy; and annual financial plans and budgets.

The Directors regard the current structure of the Board as appropriate for the Company. The structure of the Board will continue to be reviewed in the context of the Company's ownership by CD&R going forward.

Governance report (continued)

Principle 2 - Board Composition (continued)

Wm Morrison Supermarkets Limited (continued)

Board Diversity, Skills and Experience

The Board's diversity is monitored and driven by the CEO and the Group People Director. The Directors understand the importance of having diversity with regard to skills, length of service, experience, ethnicity, gender and knowledge among the Directors and senior management team.

The Directors of the Group, together with the wider management team, are considered to have an appropriate combination of background, skills and experience to make considered and effective decisions. The performance, experience, balance of skills, independence and knowledge of the Directors and wider management team is monitored by the CEO and CD&R.

Principle 3 - Director Responsibilities

Wm Morrison Supermarkets Limited

As referred to above, CD&R plays an active role in the Company's strategic development. Board meetings, in the form of Operating Review meetings, are held with CD&R on a monthly basis. These meetings are attended by the Directors, the Company Secretary, and senior members of the CD&R team. The meetings are chaired by Sir Terry Leahy. The key responsibilities of the Operating Review meeting include, for example, determining the strategy and financial plans for the Company, setting the operational and capital budgets; reviewing ongoing financial performance against the budget; assessing the Company's risk profile and risk appetite; and considering the governance arrangements of the Company.

In advance of each Operating Review meeting, papers are circulated to the attendees, allowing them sufficient time for meeting preparation. The papers include, for example, updates on financial and operating performance (including a review against key performance indicators), customer insight information; updates on strategic projects; and updates on governance matters.

Activities of the Operating Review meeting have included monitoring, considering, reviewing and approving the following matters:

- Audited Annual Report and Financial Statements for the Company, including assessing whether the report is fair, balanced and understandable, and that a going concern basis of accounting is appropriate;
- Financial performance of the Company for each accounting period;
- Current trading and market environment;
- Performance of the Company's 'More Card' loyalty programme;
- Detailed review of key business functions, including, online, wholesale, convenience, manufacturing and logistics;
- Energy management and hedging strategy within the business;
- Environmental, Social and Governance matters, including sustainability targets;
- Company principal and emerging risks and agreement of risk appetite;
- Property strategy, including new store developments; and
- Current strategy with regard to the Group's pension schemes.

Audit Committee

On 12 January 2023, the Audit Committee was formally reconstituted for Market Topco Limited and its subsidiaries.

Initial members of the Committee are as follows:

- Marco Herbst
- Gregory Lai

Other Board members and senior managers attend as required.

It is intended that, going forward, the Audit Committee will include a majority of independent members (within the terms defined in the UK Corporate Governance Code). At least one of the independent members will have recent and relevant experience with financial accounting or auditing matters.

The Audit Committee's role is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- The integrity of audited financial information provided to investors;
- The Group's system of internal controls and risk management;
- The internal and external audit process and auditors;
- The Group's attitude to and appetite for risk and its future risk strategy; and
- How risk is reported internally and externally.

Principle 3 - Director Responsibilities (continued)

Wm Morrison Supermarkets Limited (continued)

Audit Committee (continued)

Since it has been reconstituted, the Committee has met twice; once to discuss the external audit plan for the period, and once to review and recommend that the Board approve and sign the Annual Report and Financial Statements of the Company.

Remuneration Committee

The Remuneration Committee was reconstituted on 22 February 2023. Its members are:

- Sir Terry Leahy
- Marco Herbst
- Gregory Lai
- Rami Baitiéh

The role of the Remuneration Committee includes:

- Determining and agreeing with the Board the framework and policy for the remuneration of Directors and other members of the executive management;
- Reviewing the ongoing appropriateness and relevance of the remuneration framework and policy;
- Approving the design of, and determining the targets for, any performance-related pay schemes operated by the Group and approving the total annual payments made under such schemes;
- Reviewing the design of all share incentive plans;
- Determining the total individual remuneration package of each Director and other members of the executive management; and
- Overseeing the management of The Market Topco Employee Benefit Trust.

Since it has been reconstituted, the Committee has met on four occasions.

Other Committees

At below Board level, formal committees were in place during the period for the following areas of the business:

- Capital Approvals
- Convenience
- GSCOP
- Manufacturing
- Online and Wholesale
- Operations
- Risk
- Sustainability
- Talent
- Treasury

Each of the committees, with the exception of GSCOP, is attended by at least one of the Directors (the GSCOP Committee formally reports into the Risk Committee). In addition to the Directors, committee membership also comprises the relevant subject matter experts and senior managers within the business. Terms of reference have been agreed upon and set out for each individual committee, including the authorities delegated to it.

Responsibilities and activities of the various committees named above include:

- Developing plans to implement the Group's strategy;
- Driving trading performance;
- Reviewing financial performance throughout the period;
- Periodically reviewing performance against strategic objectives;
- Approving requests for capital expenditure;
- Reducing the cost base of the organisation through productivity and procurement improvement;
- Discussing progress updates of key projects and growth opportunities;
- Reviewing the talent, capabilities and capacity within the Company;

Governance report (continued)

Wm Morrison Supermarkets Limited (continued)

Principle 3 - Director Responsibilities (continued)

- Monitoring the Company's risk management and internal control systems; and
- Reviewing compliance matters including but not limited to; health & safety, carbon reduction measures, corporate responsibility, cyber & technology security, ethical trading and GSCOP.

Throughout the period, the Directors of the Company held a weekly Approvals and Governance meeting to formally discuss, review and approve various matters and regulatory requirements from across the business. These included the following:

- Financial performance of the business;
- Key corporate statements, such as the Modern Slavery Statement;
- Annual approval of the Company's Health and safety policy;
- Risk and Internal audit updates;
- GSCOP compliance reviews;
- Risk reviews;
- Significant commercial contracts and licence renewals;
- Any changes to the Company's subsidiary structure;
- Sustainability initiatives; and
- Charity updates.

Market Topco Limited

The activities of Market Topco Limited board, include monitoring, considering, and reviewing the following:

- Audited Annual Report and Financial Statements for the Group and regulatory announcements, including assessing whether the report is fair, balanced and understandable, and that a going concern basis of accounting is appropriate;
- Operating and capital expenditure budgets;
- Current trading performance;
- Market updates;
- Overview and tracking of current commercial initiatives;
- Scope 1 and 2 emissions targets;
- McColl's acquisition and integration;
- Property strategy;
- Financing arrangements; and
- Tax strategy.

The Directors of the Group have access to the services and advice of the Company Secretary, who is responsible, in conjunction with the Chair, for ensuring that Board procedures are followed and applicable rules and regulations are complied with. The Directors of the Group also have access to independent professional advice, at the expense of the Company, if required.

Any conflicts or potential conflicts of interest are recorded and carefully managed, within the ordinary activities of the Board and committees, in the way that they consider would be most likely to promote the success of the Company.

The structure and activities as set out above enable the Directors of both the Group and the Company to sufficiently discharge their statutory directors' duties and responsibilities as appropriate.

Principle 4 - Opportunity and Risk

Opportunities for the Group to create and preserve value are considered in the ordinary course of business, within each of the committee meetings described above. The Directors also consider recommendations for future opportunities during the relevant committees and decide whether they align to the overall strategy and intentions of the Group.

Managing risk and uncertainty is an integral part of strategic thinking for the Directors of the Group.

There are 11 principal risks that have been identified within the Company and its subsidiaries:

- Business interruption
- Business strategy and change
- Competitiveness
- Customer
- Environment and sustainability
- Information security

Governance report (continued)

Principle 4 - Opportunity and Risk (continued)

- Financial and treasury
- Food safety, product integrity and ethical sourcing
- Health & safety
- People
- Regulation

More detailed information on the principal risks, approach to risk and the risk management process is found on pages 23 to 29.

The Risk Committee is responsible for risk management and internal control systems within the Group. The Committee meets every month and its remit includes, for example, the following matters:

- Principal risks of the Company and its subsidiaries;
- Risk appetite;
- Risk management systems;
- Whistleblowing and fraud;
- Property governance;
- Employee listening;
- Corporate compliance policies (such as GSCOP, Loss Prevention, Modern Slavery and Data & Information Security);
- Health and safety, food safety and technical compliance; and
- GDPR compliance.

Principle 5 - Remuneration

There are three main remuneration mechanisms across the Company: base pay, annual bonus, and the Morrisons Incentive Plan. Base pay is set taking into account the Company's pay frameworks, bands and the need to remain competitive in an aggressive labour market, and this is the same at all levels within the Group. The Annual Bonus Plan is available for all front line managers up to Director level. The performance conditions and targets are the same across all levels, creating alignment across the business to deliver the shareholder's long-term priorities. Finally, the Morrisons Incentive Plan is offered to all colleagues at store manager level and above. This creates alignment between all our leaders to the strategic direction and priorities of the Company.

Directors are not remunerated for directorships of subsidiaries.

Principle 6 - Stakeholder Relationships and Engagement

The principal stakeholders of the Group have been identified as the following:

- Customers
- Colleagues
- Suppliers
- Communities and the environment
- Debt holders

More information on how stakeholders are considered by the business, including the types of dialogue the Company has with these stakeholders, can be found in the Section 172(1) statement on pages 30 to 33.

Dialogue with stakeholders helps the Group to understand, and cater for their needs, and supports towards achieving its purpose. The following activities have been covered during the year:

- ensuring that the strategy is aligned to long-term success for all stakeholders;
- considering feedback received from customers, colleagues, suppliers, our shareholder and other stakeholders; and
- overseeing the Group's commitment to Corporate Social Responsibility, in particular the targets around carbon and plastic reduction, as well as its support for the Group's charity partner Together for Short Lives, and for the charitable Morrisons Foundation.

Directors' report

Statutory disclosures

The following disclosures have been included elsewhere within the Annual Report and Audited Consolidated Financial Statements and are incorporated into the Directors' report by reference.

Disclosure

Future developments	pages 4 to 33
Shareholder	pages 6 to 10
Customers	page 11
Colleagues	page 12 and 13
Suppliers	pages 14 to 16
Environment and supporting the community	pages 17 to 23
Greenhouse gas emissions	page 17 and 18
Statement of engagement with suppliers, customers and others	page 30 to 33
Governance report	pages 34 to 39
Directors of the Group	page 35
Dividends	page 66
Financial instruments	page 91
Financial risk management	page 91 and 92
Post-balance sheet events	page 102

Political donations

No political donations were made in the financial period, in line with the Group's policy (30 October 2022: £nil).

Going concern

The Directors' assessment of the Group and the Company's ability to continue as a going concern is based on cash flow forecasts and the committed borrowing and debt facilities of the wider Group. These forecasts include consideration of future trading performance, working capital requirements, changes to financing arrangements, retail market conditions and the wider economy.

The Group has negotiated and has available to it committed and uncommitted facilities that will meet the Group's needs in the short and medium term. In addition, Market Topco Limited (the ultimate parent of Market Bidco Limited) has provided a letter stating its intentions to support the Group for at least the period of the going concern assessment.

Having assessed the principal and emerging risks as set out on pages 23 to 29, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further information can be found on page 57.

Forward-looking statements

The Strategic report and Directors' report are prepared for the members of the Group and should not be relied upon by any other party or for any other purpose. Where the Strategic report and Directors' report include forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of the Annual Report and Financial Statements.

Consequently, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking statements and information.

The liabilities of the Directors in connection with the Strategic report and the Directors' report shall be subject to the limitations and restrictions provided by the Companies Act 2006.

Directors’ report (continued)

Directors’ indemnities and Directors’ and Officers’ liability insurance

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial period ended 29 October 2023, and up to the date of signing the financial statements, for the benefit of the Directors of the Company and Directors of the Company's subsidiaries in relation to certain losses and liabilities that they may incur or may have incurred in connection with their duties and powers of office.

The Group also maintains insurance cover for the protection of Directors and senior management from personal liabilities and costs which may arise in the course of fulfilling their duties.

Articles of Association

The Company’s Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

Share capital

The authorised and called-up share capital of the Company, together with details of shares allotted and cancelled during the financial period, are shown in note 6.7 of the financial statements.

During the period, there were no ordinary shares in the Company issued.

Equal opportunities for all

We have five people ambitions, which include being a business where everyone feels welcome and celebrated. This is promoted through a safe and supportive environment free from racism, discrimination, harassment, bullying and victimisation.

We strive towards an environment where full and fair consideration is given to all applicants and where all colleagues regardless of race, colour, nationality, ethnic origin, age, sex, marital or civil partnership status, disability, religion or belief, sexual orientation, gender re-assignment or trade union membership have access to training and the opportunity to develop and progress. We also encourage employment from anyone who wants to make a positive impact, with every application given full and fair consideration.

Dignity and respect underpins our behaviour towards all customers, colleagues and candidates. To ensure individual needs are considered, including colleagues becoming disabled, we will make reasonable adjustments, where required, to the selection process, work environment or practices to support those who need it.

We are more mindful than ever of mental health and wellbeing; and through our practices we should ensure the same respect and support is provided to every candidate and colleague, and to treat them equally in respect of recruitment, promotion, training, pay and other employment policies and conditions. Decisions are made based on relevant merits and abilities, and are made free from bias.

Like most businesses, we know we are on a journey around diversity, inclusion, belonging and wellbeing; however we are committed to improving and remaining responsive to customers, colleagues and the wider communities we serve, and truly being a business where everyone is welcome and celebrated.

Human rights policy

At Morrisons, as both a major retailer and manufacturer, we recognise the responsibility that we share with our suppliers to buy, produce and sell our products in an ethical manner. We are committed to ensuring that everyone who helps to make our products is treated with dignity and respect, in safe and fair workplaces.

We strongly believe that when ethical standards are consistently upheld, this can improve worker wellbeing, productivity and quality, which benefits our suppliers, their workers and our customers. Only suppliers that share our standards and values will be considered appropriate to trade with Morrisons, and we seek to develop long-term and beneficial trading relationships based on the principles of fairness and transparency at all times.

Our approach is informed by the United Nations Guiding Principles on Business and Human Rights (UNGPs) and underpinned by the principles of the Universal Declaration of Human Rights and core International Labour Organisation standards. We are members of the Ethical Trading Initiative (ETI) and use their internationally recognised Base Code to address risk in areas including, but not limited to, child labour, discrimination, safe working conditions, wages, freedom of association and forced labour.

We utilise the Supplier Ethical Data Exchange (Sedex) to map, understand and assess key areas of risk in our own-brand supply chain, and monitor compliance with our requirements through an extensive third-party audit programme.

Directors' report (continued)

Human rights policy (continued)

Collaboration is a key enabler of our approach, and we work with multi-stakeholder initiatives including the ETI, Food Network for Ethical Trade (FNET), Modern Slavery Intelligence Network (MSIN) and Seafood Ethics Action Alliance to understand where impacts could occur and identify opportunities for improvement. This approach enables us to join forces with other businesses, trade unions, and civil society organisations to support wider advocacy and drive positive change in our supply chains.

We are committed to increasing transparency in our supply chains and share full details of our tier-one, own brand manufacturing sites in the public domain. We also support several transparency initiatives including the Open Supply Hub and Ocean Disclosure Project to increase visibility of a wider range of products.

Whistleblowing policy

The Group is committed to ensuring that all individuals have the ability to raise genuine concerns in good faith without fear of victimisation, subsequent discrimination or disadvantage, even if they turn out to be mistaken. More information on our whistleblowing policy can be found on our website: *morrisons-corporate.com/about-us/whistleblowing-policy*. The Risk Committee reviews the whistleblowing policy on an annual basis and receives reports which include an analysis of whistleblowing trends.

Anti-bribery and anti-corruption policy

The Risk Committee has considered the Company's anti-bribery and anti-corruption framework, which is based on our zero-tolerance approach to bribery and corruption and the conduct expected of everyone who works for or with the Company. The Company's gifts and hospitality policy, which defines the process which must be followed before any gifts or hospitality are offered or accepted, has also been considered. Regular training is provided to all colleagues to maintain awareness of these policies and processes.

Health and safety policy

It is the Group's intention, so far as is reasonably practicable, to ensure the health, safety and welfare of all its employees, customers and visitors to its premises. To deliver our policy, each division and subsidiary company has a comprehensive health and safety management system, which contains the policy and procedures for complying with the Health and Safety at Work Act 1974, including the provision, based on risk assessment, of safe working practices for all activities across the Group. To drive continuous improvement in performance and practices, each division is monitored through health & safety KPIs, has a schedule of checks and audits completed by our Health & Safety and Compliance team as well as continuous improvement plans for each division, which are site and store-specific.

Auditors' reappointment

The auditors have expressed their willingness to continue in office, and a resolution that they be reappointed will be proposed and put forward to the board.

Non-financial information statement

In order to comply with the requirements of the Companies Act 2006, sections 414CA and 414CB, we have set out the following information in the places referenced below:

- information on social matters is shown in the Strategic report on pages 22 to 23;
- information on environmental matters is shown in the Strategic report on pages 17 to 22;
- information on our colleagues is shown in the Strategic report on page 12 and 13;
- our respect for human rights is set out in the Directors' report on page 41 to 42;
- our approach to anti-corruption and anti-bribery matters is set out in the Directors' report on page 42;
- our business model is described on pages 4 to 5;
- our principal and emerging risks, and how we manage them, are described on pages 23 to 29; and
- other non-financial key performance indicators are shown on page 10.

Auditors

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

By order of the Board

Jonathan Burke, Company Secretary
30 January 2024

Statement of Directors’ responsibilities in respect of the Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s and Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

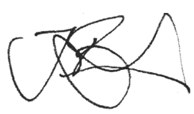
The Directors are responsible for the maintenance and integrity of the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors’ confirmations

Each of the Directors, whose names and functions are listed in the Governance Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Annual report and financial statements includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board



Jonathan Burke, Company Secretary
30 January 2024

Independent auditors’ report to the members of Wm Morrison Supermarkets Limited

Report on the audit of the financial statements

Opinion

In our opinion, Wm Morrison Supermarkets Limited’s Group financial statements and Company financial statements (the “financial statements”):

- give a true and fair view of the state of the Group’s and of the Company’s affairs as at 29 October 2023 and of the Group’s profit and the Group’s cash flows for the 52 week period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the “Annual Report”), which comprise: the consolidated statement of financial position and company statement of financial position as at 29 October 2023; the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity, and company statement of changes in equity for the period then ended; and the general information and notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided.

Other than those disclosed in Note 1.5, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We identified two reporting units, Wm Morrison Supermarkets Limited and Safeway Stores Limited, which in our view, required a full scope audit based on their size and risk.
- Certain McColl's Retail Group account balances, alongside consolidation adjustments were determined as being in the scope of our Group audit to address specific risk characteristics or to provide sufficient overall Group coverage of particular financial statement line items.

Key audit matters

- Impairment of property, plant & equipment and right-of-use assets (group and parent)
- Exceptional items (group)
- Valuation of retirement benefits (group and parent)

Independent auditors' report to the members of Wm Morrison Supermarkets Limited (continued)

Materiality

- Overall group materiality: £24,250,000 (prior period: £23,500,000) based on 2.5% of EBITDA before exceptionals.
- Overall company materiality: £21,825,000 (prior period: £21,000,000) based on the company allocation of Group materiality.
- Performance materiality: £18,187,500 (prior period: £17,500,000) (Group) and £16,368,750 (prior period: £15,500,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Commercial income, which was a key audit matter last year, is no longer included because of the continued management focus over controls in this area and a number of years where we have not noted significant judgements or misstatements. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment and right-of-use assets (Group and parent)	
Refer to page 58 and 59 (sources of estimation uncertainty), note 3.1 (accounting policies), notes 3.3 and 11.7 (property, plant and equipment) and notes 3.4 and 11.8 (Right-of-use assets). The Group has a large freehold store estate recognised within property, plant and equipment (Group: £5,132m, Company: £1,319m) and right of use assets representing leasehold land and buildings (Group: £1,178m, Company: £1,012m) at 29 October 2023. Our significant risk is focussed on the store estate within the Morrisons & Safeway trading entities, rather than the McColl's convenience business. The McColl's convenience business has a much smaller estate portfolio, with the carrying value of property, plant & equipment being £101m. Further, having only been acquired during FY22, we are satisfied impairment would be limited with a clear plan inspected as part of our work over goodwill to grow and expand the McColl's/Morrisons Daily business offering. Given the challenging trading conditions in the UK grocery retail market in recent years and the subsequent adverse impact on the market value of traditional supermarket stores, the possibility of impairment of these assets and the related trading assets is an area of focus for management, as is the possibility that previously charged impairments may need reversing where store trading conditions have improved. We focused on this area because of the judgement required in applying various estimations when testing for impairment and impairment write-backs and the significant carrying value of freehold and leasehold property. Management considers each store location to be a cash generating unit ('CGU') and has calculated the recoverable amount of each CGU as the higher of value-in-use and fair value less costs of disposal.	*Value-in-use* In relation to the value-in-use assessment we have: • Obtained the Group's and the Company's board approved financial plan covering the next financial period and reviewed the projections covering the subsequent two financial periods; • Challenged management's forecasts by seeking evidence over the key assumptions and compared future cash flow performance to historical levels to ensure that the planned performance is considered reasonable; • Assessed the accuracy of management's discounted cash flow model including testing the mathematical accuracy of the calculations included within the model and the application of the requirements of IAS 36 'Impairment of assets' and impact of IFRS 16 'Leases'; • Assessed the discount rate applied, with the support of our internal valuations specialists; and • Considered and assessed the sensitivity of the model to changes in these key assumptions. We found, based on our audit work, that the key assumptions and calculations used by management were supportable and appropriate.

Independent auditors' report to the members of Wm Morrison Supermarkets Limited (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment and right-of-use assets (Group and parent) (continued)	
Value-in-use Value-in-use is based on discounted, future cash flow forecasts, requiring management to make judgements relating to certain key inputs including, for example, discount rates and future growth rates. *Fair value less costs of disposal* Fair value less costs of disposal is estimated by the Directors based upon store level valuations prepared by independent valuers. This assessment takes into account the continued low demand from major grocery retailers for supermarket space, when assessing rent and yield assumptions on a store by store basis. The key judgements made relate to the estimated rental values and yields for these stores. The Group has recognised a net impairment charge of £167m on tangible assets (£181m impairment charge offset by £14m impairment write back). The £181m impairment charge includes £149m in relation to property, plant and equipment, £14m in relation to right-of-use assets and £18m in relation to lease investment property. The £14m impairment write back is solely in relation to property, plant and equipment. The Company has recognised a net impairment charge of £105m (£112m impairment charge offset by £7m impairment write back). The £112m impairment charge includes £59m in relation to property, plant and equipment, £53m in relation to right-of-use assets. The £7m impairment write back is solely in relation to property, plant and equipment.	*Fair value less costs of disposal* We evaluated and challenged the estimates of store rental values and yields used in the valuations prepared by independent valuers which were used by the Directors in their assessment of fair value less costs of disposal. This involved using our own internal valuation experts, with a particular focus on the assumptions and methodology used, obtaining third party evidence and market data to corroborate the assumptions. We determined that the valuations performed by management were reasonable. In addition, we evaluated the adequacy of the disclosures made in notes 3.3 and 3.4 (Group) and notes 11.7 and 11.8 (Company) of the financial statements, including disclosures regarding the key assumptions and sensitivities as required by IAS 36 'Impairment of assets' and found them to be appropriate.
Exceptional items (Group)	
Refer to page 58 and 59 (critical accounting judgements) and note 1.4 (profit before exceptionals). Two of the Group's Alternative Performance Measures are 'Profit before tax and exceptionals' and 'Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) before exceptionals'. Management uses these measures to improve the transparency and clarity of the Group's financial performance. The Group's profit before tax and exceptional items of £236m is stated before £28m of net retirement benefit credit and a net charge from exceptional items of £213m. EBITDA before exceptionals is £941m. The £213m net charge from exceptional items is comprised of the following: • £50m charge for restructuring and store closure costs; • £218m charge for net impairment and provision for onerous contracts; • £1m credit for profit arising on disposal and closure; and • £54m credit for other exceptional items. The determination of which items are to be excluded from EBITDA before exceptionals and profit before exceptional is subject to judgement and therefore users of the Group financial statements could be misled if amounts are not classified and disclosed in a transparent manner and consistently with the Group's accounting policy.	We considered whether the presentation of these Alternative Performance Measures was appropriate. We performed the following procedures: • Reviewed management's definition and classification of exceptional items, including the sub-categorisation of these items; • Obtained supporting evidence to corroborate the accuracy and completeness of exceptional items; • Where estimation uncertainty exists, we challenged the key assumptions in light of information available and historical assessments made for similar circumstances; • Challenged management on the classification of exceptional items through consideration of the application of the accounting policy including those items classified as 'other exceptional costs'; and • Challenged management over disclosures relating to exceptional items to ensure that these were appropriate and consistent with the individual exceptional items and the work performed. No significant issues were identified as a result of this work.

Independent auditors' report to the members of Wm Morrison Supermarkets Limited (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of Retirement benefits (Group and Company)	
Refer to page 58 and 59 (critical accounting judgements and sources of estimation uncertainty), notes 8 and 11.21 (pensions). The Group operates a number of defined benefit pension schemes, all of which are closed to future accrual. The schemes are in a net surplus position (Group: £453m, Company: £103m) with material gross assets (Group: £3,170m and Company: £981m) and liabilities (Group: £2,717m and Company £878m). We have focused on the valuation of the Group and Company's defined benefit pension schemes because of the level of estimation required in determining the year end valuation. In addition, given the size of the gross assets and liabilities, the schemes are significant and material. There have been buy-ins during the current year (insurance agreements signed December 2022 and February 2023) covering almost 10,000 pensioners across both the Morrisons and Safeway schemes. Where a defined benefit scheme is in a surplus position, management needs to consider whether the Group and Company has the right to recognise a surplus, or whether it is necessary to restrict the amount of surplus recognised. This requires judgement as to the rights of the Group, Company and Trustees in each of the Group's schemes.	We performed the following procedures: • Obtained the IAS 19 valuation reports produced by the Group's independent actuaries; • Used our internal pensions experts to assess the judgemental assumptions used in calculating the valuation of the pension schemes' liabilities, including discount rates, inflation and mortality rates; • Obtained the detailed reports relating to the valuation of the schemes' assets and agreed the valuations to third party confirmations; • Assessed the membership data used in valuing the schemes' liabilities and tested any significant changes since the last valuation; • Agreed a sample of contributions made by the Group to bank statements; and • Used our pension experts to assess the value of the insurance annuity policies relating to the in year buy-ins. Based on our work performed, the actuarial assumptions used in calculating the pension surplus were within an acceptable range. We considered management's assessment of the Group's right to recognise the net surplus in the CARE and RSP schemes by reference to the requirements of IFRIC 14 'Limit on defined benefit asset', including reviewing legal advice provided to management, and satisfied ourselves that it is appropriate to recognise the net surplus on the balance sheet.

Independent auditors’ report to the members of Wm Morrison Supermarkets Limited (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's accounting process is structured around a Group finance function at its head office in Bradford which is responsible for the Group's reporting units.

For each reporting unit we determined whether we required an audit of its reported financial information (‘full scope’), or whether certain account balances of reporting units were required to be in the scope of our Group audit to address specific risk characteristics or to provide sufficient overall Group coverage of particular financial statement line items.

A full scope audit was required for two components, being Wm Morrison Supermarkets Limited and Safeway Stores Limited, which were determined as financially significant because they individually contribute more than 15% of the Group's EBITDA before exceptionals. In addition, we determined that unusual journal postings and certain account balances (Revenue and Pensions), in one further reporting unit (McColl’s Retail Group) were in the scope of our Group audit to address specific risk characteristics or to provide sufficient overall Group coverage of particular financial statement line items.

All of the audit procedures have been performed by the Group audit engagement team.

In aggregate, our audit procedures accounted for 94% of Group Revenues and 91% of Group EBITDA before exceptionals.

In addition, we have performed analytical review procedures over a number of smaller reporting units. This included an analysis of year-on-year movements, at a level of disaggregation to enable a focus on higher risk balances and unusual movements. Those not subject to analytical review procedures were individually, and in aggregate, immaterial. This gave us the evidence we needed for our opinion on the financial statements as a whole.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process they have adopted to assess the extent of the potential impact of climate change risk on the Group's financial statements. Management consider that the impact of climate change does not give rise to a material financial statement impact. We used our knowledge of the Group to evaluate management’s assessment. We particularly considered how climate change risks would impact the assumptions made in the forecasts prepared by management used in their impairment analyses and going concern. We discussed with management the ways in which climate change disclosures should continue to evolve as the Group continues to develop its response to the impact of climate change. We also considered the consistency of the disclosures in relation to climate change made in the other information within the Annual Report with the financial statements and our knowledge from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Financial statements - Group	Financial statements - Company
Overall materiality	£24,250,000 (prior period: £23,500,000).	£21,825,000 (prior period: £21,000,000).
How we determined it	2.5% of EBITDA before exceptionals	The company allocation of Group materiality
Rationale for benchmark applied	We applied the benchmark of EBITDA before exceptionals as the most relevant metric against which the performance of the Group is most commonly measured.	In our view, users focus on the consolidated results of the Group rather than the individual results of the Company, therefore we determined our materiality in the overall context of the Group.

Independent auditors' report to the members of Wm Morrison Supermarkets Limited (continued)

Materiality (continued)

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £16,000,000 to £21,825,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (prior period: 75%) of overall materiality, amounting to £18,187,500 (prior period: £17,500,000) for the Group financial statements and £16,368,750 (prior period: £15,500,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Directors that we would report to them misstatements identified during our audit above £1,212,500 (Group audit) (prior period: £1,175,000) and £1,091,250 (Company audit) (prior period: £1,050,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- We obtained from management their latest assessments that support the Board's conclusions with respect to the going concern basis of preparation of the financial statements;
- We evaluated management's base case forecast and severe but plausible downside scenarios and challenged the adequacy and appropriateness of the underlying assumptions, including a decrease in like-for-like sales;
- We have evaluated the Group's access to debt facilities throughout the period, including the intercompany funding provided by the Group's parent company, Market Bidco Limited;
- In conjunction with the above we have also reviewed management's analysis of both liquidity and covenant compliance to satisfy ourselves that no breaches are anticipated over the period of assessment; and
- We have obtained and evaluated Market Topco Limited's letter of support to satisfy ourselves of its intention and ability to continue to support the Group for at least 12 months from the date of signing this audit opinion.

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

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

Independent auditors' report to the members of Wm Morrison Supermarkets Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information, which includes reporting based on the Climate-related Financial Disclosure (CFD) regulations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 29 October 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Report and Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Independent auditors’ report to the members of Wm Morrison Supermarkets Limited (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors’ responsibilities for the audit of the financial statements (continued)

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation including Income, Sales and Payroll taxes and the Companies Act 2006. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in key accounting estimates and posting of inappropriate journals entries to manipulate the Group's results for the period. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Holding discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing board minutes and inquiring with management over any non-compliance with laws and regulations, including discussions with the internal audit function and the in-house legal team;
- Making enquiries of management and reviewing internal audit reports in so far as they related to the financial statements;
- Challenging assumptions and judgements made by management in their significant accounting estimates, to address the risk of management bias in making such estimates;
- Identifying and testing journal entries on a sample basis, in particular journal entries posted with unusual account combinations or posted by unexpected users. Specifically we tested journal entries which we deemed unusual with credits to revenue, or which manipulate EBITDA.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility.

Independent auditors’ report to the members of Wm Morrison Supermarkets Limited (continued)

Appointment

Following the recommendation of the Directors, we were appointed by the directors on 5 June 2014 to audit the financial statements for the year ended 1 February 2015 and subsequent financial periods. The period of total uninterrupted engagement is nine years, covering the years ended 1 February 2015 to 29 October 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (‘ESEF RTS’). This auditors’ report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
30-01-2024

Consolidated income statement

52 weeks ended 29 October 2023

	Note	2022/23 Before exceptionals[1] £m	2022/23 Exceptionals (note 1.4) £m	2022/23 Total £m	2021/22 Before exceptionals[1] £m	2021/22 Exceptionals (note 1.4) £m	2021/22 Total £m
Revenue	1.2	**18,358**	**-**	**18,358**	18,479	-	18,479
Cost of sales		**(17,857)**	**(26)**	**(17,883)**	(18,075)	(13)	(18,088)
Cost of sales before supply chain disruption		**(17,857)**	**(26)**	**(17,883)**	(18,031)	(13)	(18,044)
Supply chain disruption[2]		**-**	**-**	**-**	(44)	-	(44)
Gross profit		**501**	**(26)**	**475**	404	(13)	391
Other operating income		**114**	**-**	**114**	123	-	123
Profit on disposal and closure		**-**	**1**	**1**	-	10	10
Administrative expenses		**(308)**	**(193)**	**(501)**	(281)	(225)	(506)
Operating profit	1.5	**307**	**(218)**	**89**	246	(228)	18
Operating profit before supply chain disruption[1]		**307**	**(218)**	**89**	290	(228)	62
Supply chain disruption[2]		**-**	**-**	**-**	(44)	-	(44)
Finance costs	6.2	**(77)**	**-**	**(77)**	(67)	(21)	(88)
Finance income	6.2	**7**	**33**	**40**	3	30	33
Share of loss of joint venture (net of taxation)	4.2	**(1)**	**-**	**(1)**	(1)	-	(1)
Profit/(loss) before taxation		**236**	**(185)**	**51**	181	(219)	(38)
Taxation	2.2	**(34)**	**35**	**1**	(33)	41	8
Profit/(loss) for the period		**202**	**(150)**	**52**	148	(178)	(30)

Consolidated statement of comprehensive income

52 weeks ended 29 October 2023

Other comprehensive (expense)/income	Note	**2022/23 £m**	2021/22 £m
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit schemes	8.2	(272)	(309)
Tax on defined benefit schemes	2.3	68	77
		(204)	(232)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging movement		(454)	335
Exchange differences on translation of foreign operations		2	(1)
Tax on items that may be reclassified subsequently to profit or loss	2.3	114	(84)
		(338)	250
Other comprehensive (expense)/income for the period, net of tax		(542)	18
Profit/(loss) for the period		52	(30)
Total comprehensive expense for the period		(490)	(12)

1 Alternative performance measures are defined in the glossary (see pages 127 to 128)

2 Supply chain disruption costs in the period amounted to £nil (2021/22: £44m) and are included in arriving at gross profit. These costs relate to the mitigating actions and impact on the Group's operations arising from the unprecedented nationwide disruption in the supply chain and lack of availability in the labour market, including warehouse, transport and manufacturing costs. These costs began to be incurred during August 2021 and returned to a stable level during March 2022. These costs have been disclosed separately to provide additional information to users of the financial statements.

All of the results shown above relate to continuing operations.

Consolidated statement of financial position

As at 29 October 2023

	Note	**2023 £m**	2022 £m
Assets			
Non-current assets			
Goodwill and intangible assets	3.2	**398**	416
Property, plant and equipment	3.3	**6,599**	7,337
Right-of-use assets	3.4	**1,207**	889
Investment property	3.6	**38**	58
Retirement benefit surplus	8.2	**453**	691
Investments in joint ventures	4.2	**14**	27
Trade and other receivables	3.7	**92**	86
Derivative financial assets	7.3	**-**	128
		8,801	9,632
Current assets			
Inventories	5.2	**918**	990
Trade and other receivables	5.3	**380**	374
Current tax asset		**-**	8
Derivative financial assets	7.3	**31**	359
Cash and cash equivalents	6.6	**279**	287
		1,608	2,018
Total assets		**10,409**	11,650
Liabilities			
Current liabilities			
Trade and other payables	5.4	**(3,441)**	(3,452)
Loan from parent undertaking	6.4	**(882)**	(1,843)
Lease liabilities	6.5	**(82)**	(73)
Derivative financial liabilities	7.3	**(13)**	(3)
Current tax liability		**(9)**	-
		(4,427)	(5,371)
Non-current liabilities			
Borrowings	6.3	**(84)**	(84)
Lease liabilities	6.5	**(1,593)**	(1,239)
Derivative financial liabilities	7.3	**(2)**	-
Deferred tax liabilities	2.3	**(557)**	(740)
Provisions	5.5	**(63)**	(43)
		(2,299)	(2,106)
Total liabilities		**(6,726)**	(7,477)
Net assets		**3,683**	4,173
Shareholders' equity			
Share capital	6.7	**245**	245
Share premium	6.7	**253**	253
Capital redemption reserve	6.8	**39**	39
Merger reserve	6.8	**2,578**	2,578
Hedging reserve	6.8	**33**	373
Retained earnings	6.8	**535**	685
Total equity attributable to the owners of the Company		**3,683**	4,173

The notes on pages 60 to 102 form part of these financial statements. The financial statements on pages 53 to 102 were approved by the Board of Directors on 30 January 2024 and were signed on its behalf by:

Joanna Goff, Chief Financial Officer

Company registration number: 00358949

Consolidated statement of cash flows

52 weeks ended 29 October 2023

	Note	**2023 £m**	2022 £m
Cash flows from operating activities			
Cash generated from operations	5.6	**966**	735
Interest paid		**(76)**	(78)
Taxation received		**18**	52
Net cash inflow from operating activities		**908**	709
Cash flows from investing activities			
Interest received		**4**	1
Dividends received from joint ventures	4.2	**8**	8
Proceeds from disposal of property, plant and equipment, investment property and assets held-for-sale		**480**	17
Purchase of property, plant and equipment and investment property		**(335)**	(430)
Purchase of intangible assets		**(73)**	(79)
Acquisition of business (net of cash received)	4.3	**-**	(187)
Investments in joint ventures		**-**	(2)
Net cash inflow/(outflow) from investing activities		**84**	(672)
Cash flows from financing activities			
Proceeds from trust shares	6.7	**-**	41
Proceeds from exercise of employee share options	6.7	**-**	1
Proceeds from settlement of derivative contracts		**58**	18
Costs incurred on repayment of borrowings		**-**	(12)
Repayment of borrowings		**-**	(1,859)
(Repayment)/loan from parent undertaking	6.4	**(961)**	1,843
Repayment of lease obligations		**(97)**	(78)
Net cash outflow from financing activities		**(1,000)**	(46)
Net decrease in cash and cash equivalents		**(8)**	(9)
Cash and cash equivalents at start of period		**287**	296
Cash and cash equivalents at end of period	6.6	**279**	287

Consolidated statement of changes in equity

52 weeks ended 29 October 2023

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Current period								
At 31 October 2022		**245**	**253**	**39**	**2,578**	**373**	**685**	**4,173**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**52**	**52**
Other comprehensive (expense)/income:								
Cash flow hedging movement		**-**	**-**	**-**	**-**	**(454)**	**-**	**(454)**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**2**	**2**
Remeasurement of defined benefit schemes	8.2	**-**	**-**	**-**	**-**	**-**	**(272)**	**(272)**
Tax in relation to components of other comprehensive income	2.3	**-**	**-**	**-**	**-**	**114**	**68**	**182**
Total comprehensive expense for the period		**-**	**-**	**-**	**-**	**(340)**	**(150)**	**(490)**
At 29 October 2023		**245**	**253**	**39**	**2,578**	**33**	**535**	**3,683**

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Prior period								
At 1 November 2021		245	252	39	2,578	122	948	4,184
Loss for the period		-	-	-	-	-	(30)	(30)
Other comprehensive income/(expense):								
Cash flow hedging movement		-	-	-	-	335	-	335
Exchange differences on translation of foreign operations		-	-	-	-	-	(1)	(1)
Remeasurement of defined benefit schemes	8.2	-	-	-	-	-	(309)	(309)
Tax in relation to components of other comprehensive income	2.3	-	-	-	-	(84)	77	(7)
Total comprehensive income/(expense) for the period		-	-	-	-	251	(263)	(12)
Employee share option schemes:								
Share options exercised	6.7	-	1	-	-	-	-	1
Total transactions with owners		-	1	-	-	-	-	1
At 30 October 2022		245	253	39	2,578	373	685	4,173

General information

Company information
Wm Morrison Supermarkets Limited is a private company incorporated in the United Kingdom and registered in England and Wales, limited by shares, under the Companies Act 2006 (Registration number 00358949). The Company is domiciled in the United Kingdom and its registered address is Hilmore House, Gain Lane, Bradford, BD3 7DL. See principal activity in the Strategic Report on page 4.

Basis of preparation
The consolidated financial statements have been prepared for the 52 week period ended 29 October 2023 and the 52 week period ended 30 October 2022 in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated financial statements are presented in pounds sterling, rounded to the nearest million. They are drawn up on the historical cost basis of accounting, except as disclosed in the accounting policies set out within these consolidated financial statements.

The Group's accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Accounting reference date
These consolidated financial statements of the Group represent the 52 week period to 29 October 2023. The accounting period of the Group ends on a Sunday not more than seven days before or after the accounting reference date of 31 October.

Going concern
The consolidated financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Group has adequate resources for a period of at least 12 months from the date of approval, having reassessed the principal risks facing the Group and determined that there are no material uncertainties to disclose. In making their assessment of the Group's ability to continue as a going concern, the Directors have considered the projected performance of the Group and its financial resources.

The Directors' assessment of the Group's ability to continue as a going concern includes consideration of cash flow forecasts and the committed borrowing facilities in place of the Group and its parent entities. These forecasts include consideration of future trading performance, working capital requirements, and the wider Group's current financing arrangements, along with wider economic conditions, and include the modelling of a number of downside scenarios. The scenarios considered take account of a number of severe, but plausible, downsides that the Group might experience by flexing the forecasts for a number of financial assumptions, such as reductions in like-for-like ('LFL') sales, fuel price and volumes, profit sensitivities, and a reduction in the level of available supply chain finance facilities. The Directors' have included in their assessment a scenario to take account of the sale of the petrol forecourts business announced in January 2024.

The Group continues to maintain a robust financial position providing it with sufficient access to liquidity, through a combination of cash, intercompany loans, committed facilities and supply chain finance facilities to meet its needs in the short and medium term. The Group has a centralised treasury function which manages funding, liquidity and other financial risk in accordance with the Board approved Treasury Policy, as detailed on page 91.

As at 29 October 2023, the Group (including its parent entities) had total committed revolving credit facilities of £1,000m and a supply chain finance facility of £763m. In respect of financial covenants in relation to the wider Group's financing structure at 29 October 2023, the base and downside scenarios modelled, which include mitigating actions available, demonstrate sufficient financial covenant headroom being available. In addition, Market Topco Limited (the ultimate parent of Wm Morrison Supermarkets Limited) has provided a letter stating its intentions to support the Group for at least the period of the going concern assessment.

As a result, the Directors are satisfied that the going concern basis remains appropriate for the preparation of the consolidated financial statements, with the wider Group remaining well-funded, profitable and cash generative for a period of at least 12 months from the date of approval of these consolidated financial statements.

New standards, interpretations and amendments adopted in the financial period ended 29 October 2023
There are no new standards, interpretations and amendments to standards which are mandatory for the Group for the first time for the 52 week period ended 29 October 2023 which have a material impact on the Group's consolidated financial statements.

New standards, interpretations and amendments to published standards that are not yet effective
There are a number of standards and interpretations which have not yet been endorsed and not yet effective, during or after this current reporting period. Of these new standards, amendments and interpretations, there are none that are expected to have a material impact on the Group's consolidated financial statements.

General information (continued)

Basis of consolidation
Subsidiaries (including partnerships) are all entities over which the Group has control. The Group has control when it has power over that entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases. The financial statements of subsidiaries used in the consolidation are prepared for the same reporting period as the Group and where necessary, adjustments are made to bring the accounting policies in line with those used by the Group. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated on consolidation, other than where they relate to balances associated with parent entities of Wm Morrison Supermarkets Limited.

Foreign currencies
Transactions in foreign currencies are recorded at the rates of exchange at the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currency are retranslated at the rates of exchange at the reporting date. Gains and losses arising on retranslation are included in the consolidated income statement for the period.

Fair value measurement
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

Alternative Performance Measures
The Directors measure the performance of the Group based on a range of financial measures, including measures not recognised by IFRS. These Alternative Performance Measures may not be directly comparable with other companies' Alternative Performance Measures and the Directors do not intend these to be a substitute for, or superior to IFRS measures. For definitions of the Alternative Performance Measures used, see the Glossary on pages 127 to 128.

Critical accounting judgements and key sources of estimation uncertainty
In the process of applying its accounting policies, the Group is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. These judgements, estimates and assumptions affect the carrying amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented. Changes to these could have a material effect on the financial statements.

The judgements, estimates and assumptions are evaluated on an ongoing basis and are based on historical experience, consultation with experts and other factors that the Directors believe to be reasonable. Actual results may differ significantly from the estimates and assumptions made, the effect of which is recognised in the period in which the facts become known.

Critical accounting judgements
The critical judgements made in the process of applying the Group's accounting policies are detailed below:

Profit before exceptionals
Profit before exceptionals is defined as 'Profit before exceptional items and net retirement benefit credit'. For further details, see the Glossary on page 127. The Directors consider that this adjusted profit measure provides useful information for stakeholders on ongoing trends and performance.

The profit before exceptionals measure is not a recognised measure under IFRS and may not be directly comparable with adjusted measures used by other companies. The Group's definition of items excluded, together with details of adjustments made during the period, is provided in note 1.4. The classification of items excluded from profit before exceptionals requires judgement including consideration of the nature, circumstances, scale and impact of a transaction. Reversals of previous exceptional items are assessed based on the same criteria.

Given the significance of the Group's property portfolio and the quantum of impairment and property-related provisions recognised in the consolidated statement of financial position, movements in impairment and other property-related provisions would typically be included as exceptional items, as would significant impairments or impairment write backs of other non-current assets.

General information (continued)

Critical accounting judgements (continued)

Profit before exceptionals (continued)
Despite being a recurring item, the Group has chosen to also exclude net retirement benefit credit from profit before exceptionals as it is not part of the operating activities of the Group, and its exclusion is consistent with how the Directors assess the performance of the business.

Leases
In determining the value of lease liabilities and associated right-of-use assets, the Group must make an assessment of the lease term. This assessment requires judgement with regard to the likelihood that any extension or break options included in a lease will be exercised. The duration of the lease term can have a significant impact on the amounts recognised in the financial statements for the lease. To assess whether the Group is reasonably certain to extend a lease, or to not exercise a break, all relevant facts and circumstances that create an incentive to continue that lease are considered.

Currently, only the Group's leases of stores and distribution centres contain major extension and break options. For these, the main factors considered are the lease specific terms and the business forecasts for these stores. Typically this has led to periods after breaks, which are exercisable in the short-to-medium term, being included in the lease term. The periods covered by extension options, which are normally exercisable in the longer-term, are generally excluded from the lease term.

These judgements are reassessed annually as required by the Group's accounting policies for lease liabilities. Further detail is provided in notes 6.1 and 6.5.

Lease liabilities are initially measured at the present value of the lease payments due during the lease term but that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. This is a key source of estimation uncertainty. Further details are provided in note 6.1.

Retirement benefit schemes
Accounting for defined benefit retirement schemes requires the application of a number of assumptions which have an impact on the valuation of the schemes' assets and obligations. The significant assumptions include discount rate, inflation, the rate of salary increases and longevity. The Group uses an independent actuary to calculate defined benefit obligations. Details of these assumptions are provided in note 8.4.1.

Where a defined benefit scheme is in a surplus position, consideration is made as to whether the Group has the right to recognise that surplus or whether it is necessary to restrict the amount of surplus recognised.

This requires judgement as to the rights of the Group and Trustees under the terms of the Group's Schemes. Following legal advice received, the Directors have concluded that the Group does have the right to recognise a surplus. Further details are provided in note 8.5.

Sources of estimation uncertainty
The areas of estimation uncertainty that the Group believes could have the most significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial period, in addition to the estimation uncertainty in the retirement benefit schemes set out above, are detailed below:

Impairment of property, plant and equipment, right-of-use assets, goodwill and intangible assets
Property, plant and equipment, right-of-use assets and intangible assets are reviewed at each period end for impairment or where changes in circumstances indicate a risk of impairment (or impairment write back). This requires the carrying value of assets to be compared to the recoverable amount, where the recoverable amount is based on the higher of value-in-use and fair value less costs of disposal. The assessment of value-in-use requires expected future cash flows discounted using an appropriate discount rate. Judgement is required in applying estimates to assess the level of provision needed, specifically in relation to discount rates and future growth rates. Further detail is provided in notes 3.1, 3.2, 3.3, 3.4 and 3.6.

Notes to the Group financial statements

1 Performance in the period

1.1 Accounting policies

Revenue recognition
Revenue is recognised when the Group has a contract with a customer and a performance obligation has been satisfied, at the transaction price allocated to that performance obligation.

The Group does not adjust any of the transaction prices for the time value of money due to the nature of the vast majority of the Group's transactions being completed shortly after the transaction is entered into with the customer.

Sale of goods in-store and online, and sale of fuel
For revenue from the sale of goods in-store, fuel and online, the transaction price is the value of the goods net of returns, colleague discounts, coupons, vouchers, 'More' points earned in-store and online, and the free element of multi-save transactions. It comprises sales proceeds from customers and excludes VAT. Sale of fuel is recognised net of VAT. Revenue is recognised when the customer obtains control of the goods, which is when the transaction is completed in-store or at the filling station, or in the case of online, when goods are accepted by the customer on delivery.

Other sales
Other sales include wholesale sales made direct to third party customers, and income from concessions and commissions, and is net of returns and net of promotional funding to customers. Wholesale revenue is recognised when the goods are delivered to the customer. Revenue collected on behalf of others is not recognised as revenue, other than the related commission which is based on the terms of the contract. Sales are recorded net of VAT and intra-group transactions.

Cost of sales
Cost of sales consists of all costs of the goods being sold to the point of sale, net of promotional funding and commercial income, and includes property, manufacturing, warehouse and transportation costs. Store depreciation, store overheads and store-based employee costs are also allocated to cost of sales.

Promotional funding
Promotional funding refers to investment in the customer offer by suppliers by way of promotion. Funding is recognised as units are sold and invoiced in accordance with the specific supplier agreement. Funding is recorded effectively as a direct adjustment to the cost price of the product in the period. Funding is invoiced and collected through the period, shortly after the promotions have ended.

Commercial income
Commercial income is recognised as a deduction from cost of sales, based on the expected entitlement that has been earned up to the reporting date, for each relevant supplier contract. The Group only recognises commercial income where there is documented evidence of an agreement with an individual supplier and when associated performance conditions are met. The types of commercial income recognised by the Group and the recognition policies are:

Type of commercial income	Description	Recognition
Marketing and advertising funding	Examples include income in respect of in-store and online marketing and point of sale, as well as funding for advertising.	Income is recognised dependent on the terms of the specific supplier agreement in line with when performance obligations in the agreement are met. Income is invoiced once the performance conditions in the supplier agreement have been achieved.
Volume-based rebates	Income earned by achieving volume or spend targets set by the supplier for specific products over specific periods.	Income is recognised through the financial period based on forecasts for expected sales or purchase volumes, informed by current performance, trends and the terms of the supplier agreement. Income is invoiced throughout the financial period in accordance with the specific supplier terms.

Uncollected commercial income at the reporting date is classified within the financial statements as follows:

- Trade and other payables: A large proportion of the Group's trading terms state that income due from suppliers is netted against amounts owing to that supplier. Any outstanding invoiced commercial income relating to these suppliers at the reporting date is included within trade payables. Any amounts received in advance of income being recognised are included in accruals and deferred income.
- Trade and other receivables: Where the trading terms described above do not exist, the Group classifies outstanding commercial income within trade receivables. Where commercial income is earned and not invoiced to the supplier at the reporting date, this is classified within accrued commercial income.

Notes to the Group financial statements (continued)

1 Performance in the period (continued)

1.1 Accounting policies (continued)

Commercial income (continued)

- Inventories: The carrying value of inventories is adjusted to reflect unearned elements of commercial income when it relates to inventory which has not yet been sold. This income is subsequently recognised in cost of sales when the product is sold.

In order to provide users of the financial statements with greater understanding in this area, additional income statement and statement of financial position disclosure is provided in notes 1.5, 5.3 and 5.4 to the financial statements.

Other operating income

Other operating income primarily consists of income not directly related to in-store, online grocery retailing and wholesale supply. It mainly comprises rental income from investment properties, income generated from the recycling of packaging and certain commissions.

(Loss)/profit on disposal and closure

(Loss)/profit from disposal and closure includes gains and losses on the disposal of assets and other costs incurred by the Group following a decision to dispose, close or no longer purchase properties or businesses. Where the Group disposes of a property, this disposal transaction is accounted for upon unconditional exchange of contracts. Gains and losses are determined by comparing sale proceeds with the asset's carrying amount and are presented net of costs associated with disposal.

1.2 Revenue

	2022/23 £m	2021/22 £m
Sale of goods in-store and online[1]	**14,361**	13,752
Other sales[1]	**524**	737
Total sales excluding fuel	**14,885**	14,489
Fuel	**3,473**	3,990
Total revenue	**18,358**	18,479

[1] Prior to the acquisition of the McColl's convenience business on 9 May 2022, wholesale revenues to the McColl's convenience business were presented in 'other sales'. After the acquisition, wholesale revenues to the McColl's convenience business are eliminated on consolidation and the retail sales made by the McColl's convenience business fare included in 'sale of goods in-store and online'.

All revenue is derived from contracts with customers and is generated in the UK.

1.3 Segmental reporting

The Group's principal activity is that of retailing, derived from the UK, both in-store and online. The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-maker ('CODM'). The CODM has been identified as the Board of Directors, as this makes the key operating decisions of the Group and is responsible for allocating resources and assessing performance.

Key internal reports received by the CODM, primarily the management accounts, focus on the performance of the Group as a whole. The operations of all elements of the business are driven by the retail sales environment and hence have fundamentally the same economic characteristics. All operational decisions made are focused on the performance and growth of the retail outlets and the ability of the business to meet the supply demands of the stores in servicing their customer base, both in-store and through the various online channels.

The Group has considered the overriding core principles of IFRS 8 'Operating segments' as well as its internal reporting framework, management and operating structure. In particular, the Group considered its retail outlets, the fuel sale operation, the manufacturing entities, online operations, wholesale supply and convenience business. The Directors' conclusion is that the Group has one operating segment, that of retailing.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

Performance is measured by the CODM based on EBITDA as reported in the management accounts. Management believes that this adjusted profit measure is the most relevant in evaluating the results of the Group. This information and the reconciliation to the statutory position can be found in the financial results section of the strategic report on pages 6-7 and in the glossary on page 127. In addition, the management accounts present a Group statement of financial position containing assets and liabilities.

Notes to the Group financial statements (continued)

1 Performance in the period (continued)

1.4 Profit before exceptionals

Profit before exceptionals exclude the items listed in the table below, which are deemed significant in size and/or nature including any tax on those items.

	2022/23 £m	2021/22 £m
Profit/(loss) after tax	**52**	(30)
Add back: tax credit for the period	**(1)**	(8)
Profit/(loss) before tax	**51**	(38)
Adjustments for:		
Net impairment and provision for onerous contracts	**218**	105
Profit on disposal and closure	**(1)**	(10)
Restructuring and store closure costs	**50**	18
Net finance costs relating to repayment of borrowings (note 6.2)	**-**	9
Net retirement benefit credit (note 8.2) [1]	**(28)**	(10)
Other exceptional (credit)/charge	**(54)**	15
Transaction costs	**-**	92
Profit before tax and exceptionals [2]	**236**	181
Tax charge before exceptionals [2]	**(34)**	(33)
Profit before exceptionals after tax	**202**	148

1 Net retirement benefit credit in the period is made up of net retirement benefit interest income of £33m net of retirement benefit administrative costs of £5m
2 This is defined in the Glossary, see page 127-128

Net impairment and provision for onerous contracts

A net charge of £218m (2021/22: net charge of £105m) has been recognised in respect of impairment and provision for onerous contracts.

The net charge of £218m includes:

- A net £176m impairment charge, including a £149m impairment charge, £18m impairment charge on an investment property, £5m impairment charge on intangible assets and a £4m charge on the Group's joint venture which has been fully impaired;
- A net charge of £41m in respect of onerous contract provisions; and

The £148m impairment charge on tangible assets (comprising a £163m impairment charge offset by a £14m impairment write back) includes £121m in relation to trading stores and £27m in relation to other fixture and fittings.

In the prior period, the net charge of £105m included:

- A net £95m impairment charge, comprising a £7m impairment charge on intangible assets and an £88m impairment charge on tangible assets (comprising a £330m impairment charge offset by a £242m impairment write back); and
- A net charge of £10m in respect of onerous contract provisions.

The £88m impairment charge on tangible assets included £68m in relation to property, plant and equipment (comprising a £276m charge offset by a £208m write back), £17m in respect of right-of-use assets (comprising a £51m charge offset by a £34m write back) and £3m charge for investment property.

Profit arising on disposal and closure

A net profit arising on disposal and closure of £1m has been recognised in relation to property disposals and closure of certain operations.

The net profit of £1m includes £24m net profit in respect of property disposals, offset by £18m charge for adjustment to non-cash deferred consideration in relation to the disposal of two sites in previous periods and £5m other charges.

A net profit arising on disposal and closure of £10m was recognised in the prior period in relation to property disposals (net profit of £13m) and closure of certain operations (costs incurred of £3m).

Notes to the Group financial statements (continued)

1 Performance in the period (continued)

1.4 Profit before exceptionals (continued)

Restructuring and store closure costs
Restructuring and store closure costs totalled £50m and includes:

- £23m of restructuring costs related to McColl’s;
- £15m of costs related to closure and reorganisation of stores; and
- £12m of costs related to smaller restructuring projects and business closure programmes.

Restructuring and stores closure costs of £18m for the prior period included £6m, £7m and £5m for reorganisations within logistics, retail and central functions, respectively.

Net finance costs relating to repayment of borrowing
Net finance costs amounted to £nil. Net finance costs of £9m for the prior period related to costs associated with the early repayment of borrowings of £21m, offset by an interest rate swap credit of £12m, linked to the repaid borrowings.

Transaction costs
In the prior period, transaction costs of £92m were recognised, comprising of £7m of professional fees in connection with the McColl's transaction, £3m of post-acquisition property and other one-off costs and an £81m write-off of trade and other receivable balances, mainly as a direct result of the McColl's business entering into administration pre-acquisition, with a further £1m relating to the Market Bidco Limited acquisition.

Other exceptional items
Other exceptional credit totals £54m (2021/22: a charge of £15m), and this principally relates to legal cases in respect of historical events, and comprise settlements net of costs incurred.

Taxation
The total tax credit of £1m (2021/22: £8m) includes an exceptional tax credit of £35m largely relating to tax deductible exceptional costs (2021/22: £41m credit). Tax charge before exceptionals is £34m (2021/22: £33m) which implies a normalised tax rate of 14.5% (2021/22: 17.5%).

Notes to the Group financial statements (continued)

1 Performance in the period (continued)

1.5 Operating profit

	2022/23 £m	2021/22 £m
The following items have been included in arriving at operating profit:		
Employee costs (note 1.6)	**2,005**	2,018
Depreciation and impairment:		
Property, plant and equipment (note 3.3)	**463**	452
Right-of-use assets (note 3.4)	**73**	66
Investment property (note 3.6)	**3**	2
Net impairment charge (notes 3.3, 3.4, 3.6 and 4.2)	**171**	88
Amortisation and impairment:		
Intangible assets (note 3.2)	**96**	89
Net impairment charge (note 3.2)	**5**	7
Other lease expenses:		
Short-term leases longer than one month	**31**	19
Leases of low-value assets, excluding short-term	**2**	2
Value of inventories expensed	**13,949**	14,214

Commercial income

The amounts recognised as a deduction from cost of sales for the two types of commercial income are detailed as follows:

	2022/23 £m	2021/22 £m
Marketing and advertising funding	**204**	169
Volume-based rebates	**136**	116
Total commercial income	**340**	285

Auditors remuneration

During the period, PricewaterhouseCoopers LLP, the Group's auditors, provided the following services:

	2022/2023 £m	2021/2022 £m
Audit services		
Fees payable to the Group's auditors for the audit of the Group and the Company financial statements[1]	**1.2**	1.3
Fees payable to the Group's auditors for the audit of the Group's subsidiaries pursuant to legislation	**0.9**	0.8
Non-audit services		
Other services	**0.5**	0.1
	2.6	2.2

[1]In addition to the fees noted above for the prior year, a further £0.3m was charged in relation to costs incurred within the group after the date of the accounts

The Board has a policy on the engagement of the external auditors to supply non-audit services and that policy has not been breached during the period.

Notes to the Group financial statements (continued)

1 Performance in the period (continued)

1.6 Employees and Directors

	2022/23 £m	2021/22 £m
Employee benefit expense for the Group during the period		
Wages and salaries	**1,766**	1,781
Social security costs	**132**	136
Share-based payments	**6**	-
Retirement benefit costs	**101**	101
	2,005	2,018

In addition to the amounts disclosed in the table above, there was a £20m exceptional charge relating to restructuring costs (2021/22: £14m exceptional charge for restructuring costs).

	2022/23	2021/22
Average monthly number of people, including Directors		
Stores	**88,258**	95,200
Manufacturing	**7,865**	8,599
Distribution	**5,783**	6,570
Centre	**2,907**	3,292
	104,813	113,661

Directors' remuneration

	2022/23 £m	2021/22 £m
Aggregate emoluments, excluding pension contributions	**2.3**	3.2
Contributions in lieu of pension schemes' supplements	**0.3**	0.4
Share-based payments	**1.3**	-
	3.9	3.6

In addition to the amounts disclosed in the table above, there was no charge included in exceptional costs for the period relating to compensation for loss of office (2021/22: £2m charge included in exceptional costs for the period relating to compensation for loss of office).

No Directors are accruing retirement benefits under defined benefit contribution personal pension schemes (2021/22: none). Contributions in lieu of pension schemes' supplements have been received by two directors over the period (2021/22: four).

Highest paid Director

The highest paid Director emoluments attributable to the same Director in both periods presented below were as follows:

	2022/23 £m	2021/22 £m
Total amount of emoluments and amounts receivable under long-term incentive schemes	**1.5**	1.5
Company contributions in lieu of pension schemes' supplements	**0.2**	0.2
Share-based payments	**1.1**	-
	2.8	1.7

In addition to the amounts disclosed in the table above, there was no charge included in exceptional costs for the period relating to compensation for loss of office (2021/22: no charge included in exceptional costs).

Notes to the Group financial statements (continued)

1 Performance in the period (continued)

1.6 Employees and Directors (continued)

Senior management remuneration

The table below shows the remuneration of senior managers. It excludes employees already included in the Directors' remuneration set out above. Senior managers are considered to be key management personnel in accordance with the requirements of IAS 24 'Related party disclosures'.

	2022/23 £m	2021/22 £m
Senior managers		
Wages and salaries	**17**	16
Social security costs	**2**	2
Share-based payments	**3**	-
Retirement benefit costs	**2**	2
	24	20

In addition to the amounts disclosed in the table above, there was a £2m charge included in exceptional restructuring costs for the period (2021/22: £1m exceptional restructuring costs for the period).

1.7 Dividends

There have been no dividends paid or declared in this financial period (2021/22: nil).

2 Taxation

The Group takes a compliance-focused approach to its tax affairs, has a transparent relationship with the UK and overseas tax authorities and interacts with HMRC on a regular basis. The Group's tax policy provides a governance framework with all related risks and stakeholder interests taken into consideration. The tax policy is approved by the Board of Directors, who also review updates on tax compliance and governance matters.

The Group's approach to tax is to ensure compliance with the relevant laws of the territories in which the Group operates. The vast majority of the Group's business is in the UK so the vast majority of the Group's taxes are paid in the UK. The Group operates a very small number of branches and subsidiary companies outside of the UK in overseas territories.

2.1 Accounting policies

Current tax

The current income tax charge is calculated on the basis of the tax laws in effect during the period and any adjustments to tax payable in respect of previous periods. Taxable profit differs from the reported profit for the period as it is adjusted both for items that will never be taxable or deductible, and temporary differences. Current tax is charged to profit or loss for the period, except when it relates to items charged or credited directly in other comprehensive income or equity, in which case the current tax is reflected in other comprehensive income or equity as appropriate.

Deferred tax

Deferred tax is recognised using the balance sheet method. Provision is made for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognised for temporary differences that arise on the initial recognition of goodwill or the initial recognition of assets and liabilities that are not a business combination and that affect neither accounting nor taxable profits.

Deferred tax is calculated based on tax law that is enacted or substantively enacted at the reporting date and provided at rates expected to apply when the temporary differences reverse. Deferred tax is charged or credited to profit for the period except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is reflected in other comprehensive income or equity as appropriate.

Deferred tax assets are recognised to the extent that it is probable that the asset can be utilised. Deferred tax assets are reviewed at each reporting date as judgement is required to estimate the probability of recovery. Deferred tax assets and liabilities are offset where amounts will be settled on a net basis as there is a legally enforceable right to offset.

Uncertain Tax Positions

Uncertain tax positions are assessed in line with IFRIC 23 Accounting for Uncertainties in Income Taxes which provides guidance on the determination of taxable profit and tax bases.

The Group uses in-house tax specialists, professional advisors and relevant previous experience to assess tax risks. The Group recognises a tax provision when it is considered probable that there will be a future outflow of funds to a tax authority. Provisions are measured based on the single most likely outcome for each item unless there is a range of possible outcomes for a particular item where a weighted average measurement is more appropriate. Provisions are included in current liabilities.

2.2 Taxation

2.2.1 Analysis of credit in the period

	2022/23 £m	2021/22 £m
Current tax		
UK corporation tax	**-**	-
Foreign tax	**1**	1
Adjustments in respect of prior periods	**(1)**	(9)
	-	(8)
Deferred tax		
Origination and reversal of timing differences	**(1)**	(6)
Adjustments in respect of prior periods	**(1)**	11
Impact of change in tax rate	**1**	(5)
	(1)	-
Tax credit for the period	**(1)**	(8)

Notes to the Group financial statements (continued)

2 Taxation (continued)

2.2.2 Tax on items (credited)/charged in other comprehensive income and equity

	2022/23 £m	2021/22 £m
Remeasurements of defined benefit retirement schemes and impact of rate change	**(68)**	(77)
Cash flow hedges	**(114)**	84
Total tax (credit)/charge on items included in other comprehensive income and equity (note 2.3)	**(182)**	7

2.2.3 Tax reconciliation

The reconciliation below shows how the tax credit of £1m (2021/22: credit of £8m) has arisen on the profit before tax of £51m (2021/22: loss before tax of £38m).

The tax for the period is different to the standard rate of corporation tax in the UK of 22.5% (2021/22: 19%). The differences are explained below:

	2022/23 £m	2021/22 £m
Profit/(loss) before taxation	**51**	(38)
Profit/(loss) before taxation at 22.5% (30 October 2022: 19%)	**11**	(7)
Effects of:		
Recurring items:		
Expenses not deductible for tax purposes	**3**	4
Disallowed depreciation on UK properties	**28**	21
Group relief claimed	**(38)**	(5)
Deferred tax related to assets on acquisition	**(10)**	(25)
Non-recurring items:		
(Profit)/loss on property transactions	**(13)**	1
Exceptional costs	**19**	6
Adjustments in respect of prior periods	**(2)**	2
Effect of change in tax rate	**1**	(5)
Tax credit for the period	**(1)**	(8)

Factors affecting current and future tax charges

The effective tax rate for the period was (1.9)% (30 October 2022: 24.2%). The normalised (pre-exceptionals) tax rate for the period was 14.5% (30 October 2022: 17.5%).

The normalised tax rate was 8% below (30 October 2022: 1.5% below) the UK statutory tax rate. This rate reduced period on period primarily due to an increase in profit before exceptionals and release of deferred tax related to assets on acquisition.

An increase in the standard rate of corporation tax from 19% to 25% from 1 April 2023 was announced at the Budget in 2021 and was substantively enacted on 24 May 2021. As a result, deferred tax balances for the period have been calculated at 25% in line with the Budget announced.

2.3 Deferred tax liabilities

	2023 £m	2022 £m
Deferred tax liability	**(653)**	(832)
Deferred tax asset	**96**	92
Net deferred tax liability	**(557)**	(740)

IAS 12 ‘Income taxes’ requires the offsetting of balances within the same tax jurisdiction. All of the deferred tax assets are available for offset against deferred tax liabilities.

Notes to the Group financial statements (continued)

2 Taxation (continued)

2.3 Deferred tax liabilities (continued)

The movements in deferred tax assets/(liabilities) during the period are shown below:

	Property, plant and equipment £m	Retirement benefit obligation £m	Other short-term temporary differences £m	Total £m
Current period				
At 31 October 2022	(518)	(172)	(50)	**(740)**
Credited/(charged) to profit/loss for the period	7	(9)	4	**2**
(Charged)/credited to profit/loss for the period – impact of rate change	(2)	-	1	**(1)**
Credited to other comprehensive income and equity	-	68	114	**182**
At 29 October 2023	(513)	(113)	69	**(557)**
Prior period				
At 1 November 2021	(532)	(241)	43	(730)
On acquisition of business	-	(3)	-	(3)
Credited/(charged) to profit/loss for the period	14	(5)	(14)	(5)
Credited to profit/loss for the period – impact of rate change	-	-	5	5
Credited/(charged) to other comprehensive income and equity	-	77	(84)	(7)
At 30 October 2022	(518)	(172)	(50)	(740)

The analysis of deferred tax liabilities are as follows:

	2022/23 £m	2021/22 £m
Deferred tax liability to be settled within 12 months	**(17)**	(10)
Deferred tax liability to be settled after more than 12 months	**(540)**	(730)
	(557)	(740)

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group has applied the exception allowed by an amendment to IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

3 Operating assets

3.1 Accounting policies

Intangible assets

Goodwill
Goodwill arising on a business combination is not amortised, but is reviewed for impairment at each period end or more frequently if there are indicators that it may be impaired. Goodwill is allocated to cash generating units ('CGUs') that will benefit from the synergies of the business combination for the purpose of impairment testing.

Other intangible assets (software development costs, licences and reacquired right)
Costs that are directly attributable to the creation of identifiable software, which meet the development asset recognition criteria, as stated in IAS 38 'Intangible assets', are recognised as intangible assets.

Direct costs include consultancy costs, the employment costs of internal software developers, and borrowing costs. All other software development and maintenance costs are recognised as an expense as incurred. Software development assets are held at historical cost less accumulated amortisation and accumulated impairment, and are amortised over their estimated useful lives (three to ten years) on a straight line basis. Amortisation is charged in cost of sales.

Acquired pharmaceutical licences and software licences are recognised at historical cost less accumulated amortisation and accumulated impairment losses. Those acquired in a business combination are recognised at fair value at the acquisition date. Pharmaceutical licences and software licences are amortised over their useful lives (three to ten years) on a straight-line basis or over the life of the licence if different. Amortisation is charged in cost of sales.

The reacquired right was established as part of the McColl's business combination and measured at fair value at the acquisition date. This is amortised over the remaining contractual period of the contract in which the right was granted. Amortisation is charged in cost of sales.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Costs include directly attributable costs such as borrowing costs and employment costs of those people directly working on the construction and installation of property, plant and equipment.

Depreciation is charged from when the asset is available to use. Depreciation rates are used to write off cost less residual value on a straight line basis:

Freehold land	0%
Freehold buildings	2.5%
Leasehold property improvements	2.5% or the lease term if shorter
Plant, equipment, fixtures and vehicles	10% to 33%
Assets under construction	0%

Depreciation expense is primarily charged in cost of sales.

Right-of-use assets
Right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include the initial amount of the lease liability, any initial direct costs incurred, and an estimate of any applicable dilapidation costs. Also included are the costs of lease payments made, less any lease incentives received, at or before the commencement date.

Depreciation is charged from the commencement date which is when the underlying asset is made available for use. Depreciation rates are used to write off cost on a straight line basis:

Leasehold land	The lease term
Leasehold buildings	2.5% or the lease term if shorter
Leased plant, equipment, fixtures and vehicles	10% to 33% or the lease term if shorter

Depreciation expense is primarily charged in cost of sales.

Subsequent to initial measurement, the right-of-use asset is also adjusted for certain remeasurements of the associated lease liability and provision for dilapidations.

Investment property
Property held to earn rental income is classified as investment property and is held at cost less accumulated depreciation and accumulated impairment losses. This includes leasehold properties which are held as right-of-use assets. The depreciation policy is consistent with that described for property above.

3 Operating assets (continued)

3.1 Accounting policies (continued)

Non-current assets classified as held-for-sale
Non-current assets are classified as held-for-sale under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', if their carrying amount is to be recovered principally through a sale transaction, rather than continuing use within the Group, and the sale is considered highly probable. The sale is expected to complete within one year from the date of classification and the assets are available for sale in their current condition. The classification of assets as non-current assets held-for-sale is reassessed at the end of each reporting period. Non-current assets held-for-sale are stated at the lower of carrying amount and fair value less costs of disposal and are not depreciated.

Impairment of non-financial assets
Intangible assets with indefinite lives, such as goodwill, and those in construction that are not yet being amortised, are tested for impairment annually. Group policy is to test other non-financial assets at each period end for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Testing is performed at the level of a CGU in order to compare the CGU's recoverable amount against its carrying value. An impaired CGU is written down to its recoverable amount, which is the higher of value-in-use or its fair value less costs to dispose. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment expense is charged primarily to administration expenses and regarded as an exceptional item.

The Group considers that each of its store locations is a CGU, which together form a grocery group of CGUs supported by corporate assets. Corporate assets include assets which typically service the store estate such as intangible assets, and those used by head office, centralised online operations and vertically integrated suppliers. The cash flows for online store pick are considered as part of the store location CGU where a reliable store pick trading history has been established.

Impairment losses are reversed if there is evidence of an increase in the recoverable amount of a previously impaired asset, but only to the extent that the recoverable amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Impairment losses relating to goodwill are not reversed. Any write back of impairment losses is excluded from profit before exceptionals.

Trade and other receivables

Leases – Group is the lessor
Where the Group is a lessor, the Group classifies each lease at inception either as a finance lease or an operating lease. Leases in which substantially all the risks and rewards of ownership are retained by the Group are classified as operating leases; all other leases are classified as finance leases. Property leases are analysed into separate components for land and buildings and tested to establish whether the components are operating leases or finance leases. The risks and rewards of ownership considered for sub-leases are those granted by the underlying lessee agreement rather than the underlying assets.

Operating lease income is recognised within other operating income on a straight-line basis over the term of the lease.

At the commencement date of finance leases, the Group recognises a receivable equal to the discounted contractual lease payments receivable and any residual value of the asset. The discount rate uses the interest rate implicit in the lease or, if that rate cannot be readily determined for a sub-lease, a rate based on the head-lease discount rate. Each lease payment is allocated between the capital repayment of the receivable and the finance income element. Finance lease income is recognised within other operating income and the finance income is recognised over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period.

Other receivables
Other receivables that are financial assets are initially recognised at fair value and subsequently held at amortised cost. Provision for impairment of other receivables is based on expected credit losses at each reporting date. Other receivables that are non-financial assets, such as deferred non-cash sale consideration, are recognised at fair value.

3 Operating assets (continued)

3.2 Goodwill and intangible assets

Current period	Goodwill £m	Other intangibles £m	**Total £m**
Cost			
At 31 October 2022	105	601	**706**
Additions	-	81	**81**
Interest capitalised	-	2	**2**
Disposals	-	(4)	**(4)**
Fully written down assets	-	(88)	**(88)**
At 29 October 2023	105	592	**697**
Accumulated amortisation and accumulated impairment losses			
At 31 October 2022	-	290	**290**
Amortisation charge for the period	-	96	**96**
Impairment	-	5	**5**
Disposals	-	(4)	**(4)**
Fully written down assets	-	(88)	**(88)**
At 29 October 2023	-	299	**299**
Net book amount at 29 October 2023	105	293	**398**
Assets under construction included above	-	*31*	*31*

Goodwill
The goodwill brought forward of £105m arose on the acquisition of Flower World Limited (£3m), Farmers Boy (Deeside) Limited (£7m) and McColl's (£95m) (see note 4.3).

Impairment testing of goodwill
Goodwill has been tested for impairment via the value-in-use calculation described in note 3.3, and no impairment is considered necessary at 29 October 2023 (2022: none).

Other intangibles

Other intangibles include software development costs, licences and reacquired rights. The net book amount of licences at 29 October 2023 was £15m (2022: £11m). Included within the software development cost during the period is £18m of the cost of internal labour capitalised (2022: £16m).

The Group has performed an assessment of its amortisation policies and asset lives and deemed them to be appropriate. As in previous financial periods, fully amortised assets are retained in the Group's fixed asset register. In order to provide greater understanding of the Group's amortisation charge, assets which have become fully amortised in the financial period have been removed from both cost and accumulated amortisation.

Having applied the same impairment methodology and key assumptions as for property, plant and equipment disclosed in note 3.3, a net impairment charge of £5m (2022: £7m) has been recognised in relation to intangible assets. This has been excluded from profit before exceptionals (see note 1.4).

3 Operating assets (continued)

3.2 Goodwill and intangible assets (continued)

Prior period	Note	Goodwill £m	Other intangibles £m	Total £m
Cost				
At 1 November 2021		10	589	599
On acquisition of business	4.3	95	17	112
Additions		-	79	79
Interest capitalised		-	1	1
Disposals		-	(15)	(15)
Fully written down assets		-	(70)	(70)
At 30 October 2022		105	601	706
Accumulated amortisation and accumulated impairment losses				
At 1 November 2021		-	279	279
Amortisation charge for the period		-	89	89
Impairment		-	7	7
Disposals		-	(15)	(15)
Fully written down assets		-	(70)	(70)
At 30 October 2022		-	290	290
Net book amount at 30 October 2022		105	311	416
Assets under construction included above		*-*	*35*	*35*

3.3 Property, plant and equipment

Current period	Freehold land £m	Freehold buildings £m	Leasehold property improvements £m	Plant, equipment, fixtures and vehicles £m	**Total £m**
Cost					
At 31 October 2022	3,849	4,219	592	2,734	**11,394**
Additions	12	12	-	249	**273**
Disposals	(283)	(350)	-	(34)	**(667)**
Fully written down assets	-	(2)	(10)	(834)	**(846)**
At 29 October 2023	3,578	3,879	582	2,115	**10,154**
Accumulated depreciation and accumulated impairment losses					
At 31 October 2022	363	2,021	374	1,299	**4,057**
Depreciation charge for the period	-	104	14	345	**463**
Impairment	49	26	6	68	**149**
Impairment write back	(9)	(3)	-	(2)	**(14)**
Disposals	(24)	(200)	-	(30)	**(254)**
Fully written down assets	-	(2)	(10)	(834)	**(846)**
At 29 October 2023	379	1,946	384	846	**3,555**
Net book amount at 29 October 2023	3,199	1,933	198	1,269	**6,599**
Assets under construction included above	*19*	*-*	*-*	*5*	*24*

The Group has performed its assessment of its depreciation policies and asset lives and deemed them to be appropriate.

As in previous periods, fully depreciated assets are retained in the Group's fixed asset register. In order to provide greater understanding of the Group's depreciation charge, assets which have been fully depreciated in the period have been removed from both cost and accumulated depreciation.

The cost of financing property developments prior to their opening date has been included in the cost of the asset.

Notes to the Group financial statements (continued)

3 Operating assets (continued)

3.3 Property, plant and equipment (continued)

Impairment

At each reporting date, in line with IAS 36 'Impairment of assets,' the Group reviews the carrying amount of its property, plant and equipment, right-of-use assets, investment property, goodwill and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss or write back. In addition, it is Group policy to consider specific indicators of impairment for certain assets on an ongoing basis.

The Group considers each store location as a separate CGU. The Group calculates each location's recoverable amount and compares this amount to its book value. The recoverable amount is determined as the higher of 'value-in-use' and 'market value'. If the recoverable amount is less than the net book value, an impairment charge is recognised based on the following methodology:

'Value-in-use' is calculated by projecting an individual location's pre-tax cash flows over the life of the store, based on forecasting assumptions. The methodology used for calculating future cash flows is to:

- use the actual cash flows for each location;
- allocate a proportion of the Group's central costs to each location on an appropriate basis;
- allocate online store pick cash flows to locations where a reliable store pick trading history has been established;
- allocate an element of future capital cost, including energy efficiency spend required as part of environmental strategy;
- project cash flows over the preceding years by applying forecast sales and cost growth assumptions in line with the Group budget;
- project cash flows beyond the board approved financial plan by applying a long-term growth rate;
- discount the cash flows using a pre-tax rate of 11.5% (2022: 11.5%). The Group takes into account a number of factors when assessing the discount rate, including the Group's WACC and other wider market factors; and
- consideration is given to any significant one-off factors impacting the locations and any strategic, climate-related or market factors which may impact future performance.

'Market value' is estimated by the Directors based on store level valuations prepared by independent valuers, aided by their knowledge of individual stores, the markets they serve and likely demand from grocers or other retailers. This assessment takes into account the continued low demand from major grocery retailers for supermarket space, when assessing rent and yield assumptions on a store by store basis.

The Group also considers its corporate assets for impairment at each reporting date. The Group calculates the recoverable amount of its corporate assets and compares this amount to its book value. The recoverable amount is based on the 'value-in-use' calculation undertaken for the store location CGU assessment, less the carrying value of the location CGUs. As at 29 October 2023, there was no indication of impairment of the corporate assets as part of this assessment. In addition to this assessment, the Group undertakes an obsolescence review to identify any specific corporate assets which require impairment on an ongoing basis.

Having applied the above methodology and assumptions, the Group has recognised a net impairment charge of £135m (£149m impairment charge offset by a £14m impairment write back) during the period in respect of property, plant and equipment (2021/22: net £68m impairment charge, being a £276m impairment charge offset by £208m impairment write back). This movement reflects fluctuations from store level trading performance and the valuation assessment of the properties.

At 29 October 2023, the assumptions to which the value-in-use calculation is most sensitive are the discount and cash flow growth rates. The Group has estimated that a reasonably possible change of +1% discount rate or -1% growth rate would result in a c.£17m net increase in impairment and -1% discount rate or +1% growth rate would result in a c.£12m net reduction in impairment.

3 Operating assets (continued)

3.3 Property, plant and equipment (continued)

Prior period	Note	Freehold land £m	Freehold buildings £m	Leasehold property improvements £m	Plant, equipment, fixtures and vehicles £m	Total £m
Cost						
At 1 November 2021		3,848	4,215	634	2,461	11,158
On acquisition of business	4.3	-	2	-	70	72
Additions		11	14	1	437	463
Interest capitalised		-	-	-	1	1
Disposals		(10)	(6)	(1)	(4)	(21)
Fully written down assets		-	(6)	(42)	(231)	(279)
At 30 October 2022		3,849	4,219	592	2,734	11,394
Accumulated depreciation and accumulated impairment losses						
At 1 November 2021		331	1,968	400	1,132	3,831
Depreciation charge for the period		-	110	16	326	452
Impairment		138	44	12	82	276
Impairment write back		(100)	(90)	(12)	(6)	(208)
Disposals		(6)	(5)	-	(4)	(15)
Fully written down assets		-	(6)	(42)	(231)	(279)
At 30 October 2022		363	2,021	374	1,299	4,057
Net book amount at 30 October 2022		3,486	2,198	218	1,435	7,337
Assets under construction included above		*10*	*-*	*-*	*37*	*47*

3.4 Right-of-use assets

Current period	Leasehold land and buildings £m	Leased plant, equipment, fixtures and vehicles £m	**Total £m**
Cost			
At 31 October 2022	1,853	97	**1,950**
Additions	401	4	**405**
Fully written down assets	(59)	(26)	**(85)**
At 29 October 2023	2,195	75	**2,270**
Accumulated depreciation and accumulated impairment losses			
At 31 October 2022	1,006	55	**1,061**
Depreciation charge for the period	56	17	**73**
Impairment	14	-	**14**
Fully written down assets	(59)	(26)	**(85)**
At 29 October 2023	1,017	46	**1,063**
Net book amount at 29 October 2023	1,178	29	**1,207**

The Group has performed its assessment of its depreciation policies and asset lives and deemed them to be appropriate.

Fully depreciated assets are retained in the Group's fixed asset register. In order to provide greater understanding of the Group's depreciation charge, assets which have been fully depreciated in the period have been removed from both cost and accumulated depreciation.

3 Operating assets (continued)

3.4 Right-of-use assets (continued)

Impairment

Having applied the same methodology and key assumptions as for property, plant and equipment as set out in note 3.3, the Group has recognised a net impairment charge of £14m (£14m impairment charge offset by £nil impairment write back) during the period in respect of right-of-use assets (2022: net £17m impairment charge; £51m impairment charge offset by £34m impairment write back). This movement reflects fluctuations from store level trading performance and the valuation assessment of the properties.

At 29 October 2023, the assumptions to which the value-in-use calculation is most sensitive are the discount and cash flow growth rates. The Group has estimated that a possible change of +1% discount rate or -1% growth rate would result in a c.£1m loss and -1% discount rate or +1% growth rate would result in a c.£4m gain.

Prior period	Leasehold land and buildings £m	Leased plant, equipment, fixtures and vehicles £m	Total £m
Cost			
At 1 November 2021	1,841	102	1,943
Additions	29	4	33
Disposals	-	(1)	(1)
Fully written down assets	(17)	(8)	(25)
At 30 October 2022	1,853	97	1,950
Accumulated depreciation and accumulated impairment losses			
At 1 November 2021	956	47	1,003
Depreciation charge for the period	50	16	66
Impairment	51	-	51
Impairment write back	(34)	-	(34)
Fully written down assets	(17)	(8)	(25)
At 30 October 2022	1,006	55	1,061
Net book amount at 30 October 2022	847	42	889

3.5 Assets classified as held-for-sale

	2022/23 £m	2021/22 £m
At start of period	**-**	1
Disposals	**-**	(1)
At the end of the period	**-**	-

During the 52 weeks ended 29 October 2023 no assets were transferred from property, plant and equipment to assets classified as held-for-sale (2022: £nil).

Notes to the Group financial statements (continued)

3 Operating assets (continued)

3.6 Investment property

Current period	Freehold £m	Leasehold £m	**Total £m**
Cost			
At 31 October 2022	42	119	**161**
Additions	-	2	**2**
Disposals	(1)	-	**(1)**
Fully written down assets	-	(1)	**(1)**
At 29 October 2023	41	120	**161**
Accumulated depreciation and accumulated impairment losses			
At 31 October 2022	24	79	**103**
Depreciation charge for the period	1	2	**3**
Impairment charge	-	18	**18**
Disposals	-	-	**-**
Fully written down assets	-	(1)	**(1)**
At 29 October 2023	25	98	**123**
Net book amount at 29 October 2023	16	22	**38**

Included in other operating income is £12m (2021/22: £9m) of rental income generated from investment properties. At the end of the period the fair value of freehold investment properties was £35m (2022: £25m), with leasehold investment properties supported by their value-in-use. Freehold investment properties are valued by independent surveyors on a vacant possession basis using observable inputs (fair value hierarchy level 2).

Prior period	Freehold £m	Leasehold £m	Total £m
Cost			
At 1 November 2021	43	124	167
Additions	-	2	2
Disposals	(1)	-	(1)
Fully written down assets	-	(7)	(7)
At 30 October 2022	42	119	161
Accumulated depreciation and accumulated impairment losses			
At 1 November 2021	21	85	106
Depreciation charge for the period	1	1	2
Impairment charge	3	-	3
Disposals	(1)	-	(1)
Fully written down assets	-	(7)	(7)
At 30 October 2022	24	79	103
Net book amount at 30 October 2022	18	40	58

3.7 Trade and other receivables – non-current

	2023 £m	2022 £m
Finance leases – Group is lessor	**8**	7
Other receivables	**84**	79
	92	86

The Group is the lessor on a number of property leases, many of which contain rent review terms that require rents to be reassessed on a periodic basis. The rent reassessments are normally based on changes in market rents or capped increases in measures of inflation.

Notes to the Group financial statements (continued)

3 Operating assets (continued)

3.7 Trade and other receivables – non-current (continued)

Finance leases
The table below summarises the maturity profile of undiscounted finance lease payments due to the Group.

	2022/23 £m	2021/22 £m
Less than one year	**1**	1
After one year but not more than five years	**4**	4
More than five years	**5**	5
Total undiscounted lease payments	**10**	10
Unearned finance income	**(2)**	(3)
Net investment in the lease	**8**	7

Finance lease income of £nil has been recognised in the period (2021/22: £1m).

Operating leases
The table below summarises the maturity profile of undiscounted minimum operating lease payments due to the Group.

	2022/23 £m	2021/22 £m
Less than one year	**11**	7
One to two years	**8**	5
Two to three years	**5**	5
Three to four years	**5**	4
Four to five years	**3**	3
More than five years	**21**	16
Total undiscounted lease payments receivable	**53**	40

Operating lease income of £13m has been recognised in the 52 weeks ended 29 October 2023 (2021/2022: £13m).

Other receivables
Other receivables of £80m (2022: £79m) comprise deferred consideration due after more than one year in relation to the disposal of two sites in previous periods. The amount includes £54m (2022: £37m) of deferred cash consideration on a discounted basis and £26m (2022: £42m) representing the fair value of future leases of newly constructed supermarkets and convenience stores.

At 29 October 2023, none of these receivables were past due and they have not been impaired. The carrying value of the deferred cash consideration approximates to its fair value. The fair value of the future lease is based on the net present value of observable market rentals for similar developments in the surrounding locality (fair value hierarchy level 2).

3.8 Capital commitments

	2023 £m	2022 £m
Contracts placed for future capital expenditure not provided in the financial statements (property, plant and equipment, right-of-use assets and intangible assets)	**108**	47
Contracts placed for future leases not provided in the financial statements	**12**	19

Notes to the Group financial statements (continued)

4 Interests in other entities

4.1 Accounting policies

Joint ventures
The Group applies IFRS 11 'Joint Arrangements' to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for under the equity method and are initially recognised at cost.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investees, from the date that joint control commences until the date that joint control ceases.

Business combinations
The acquisition method is used to account for business combinations under IFRS 3 'Business Combinations'. Consideration is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, including the fair value of any contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed, are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Goodwill is the excess of consideration transferred, plus any non-controlling interest and the fair value of any previous equity interest in the acquiree, over the fair value of the identifiable net assets acquired. In the event that this excess is negative the difference is recognised directly in profit for the period.

Disposal of subsidiaries
When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.2 Investments in joint ventures

	2023 £m	2022 £m
At start of period	**27**	31
Additions	**-**	4
Impairment	**(4)**	-
Share of movement in retained earnings	**(9)**	(8)
At end of period	**14**	27

The Group and Ocado Group plc are sole investors in a company (MHE JVCo Limited), which owns the plant and equipment at the Dordon customer fulfilment centre. The Group has a c.51% interest in MHE JVCo Limited. Decisions regarding MHE JVCo Limited require the unanimous consent of both parties. The Directors have considered the requirements of IFRS 11 and determined that the Group continues to jointly control MHE JVCo Limited. The share of movement in retained earnings relates to a dividend received and the Group's share of loss after tax in the period.

The Group had a 50% interest in Yes Recycling (Fife) Ltd. During the period, Yes Recycling (Fife) Ltd entered administration and as a result the investment of £4m has been fully impaired.

The Group's share of loss for Yes Recycling (Fife) Ltd and MHE JVCo Limited amounted to £0.5m for the period (2021/22: £0.7m).

Notes to the Group financial statements (continued)

4 Interests in other entities (continued)

4.2 Investments in joint ventures (continued)

	Yes Recycling Ltd	MHE JVCo Limited	Yes Recycling Ltd	MHE JVCo Limited
	2023	**2023**	2022	2022
	£m	**£m**	£m	£m
Non-current assets	**-**	**11**	5	15
Current assets	**-**	**21**	-	33
Non-current liabilities	**-**	**-**	(5)	-
Current liabilities	**-**	**(5)**	(2)	(2)
Net assets/(liabilities)	**-**	**27**	(2)	46
Group's share of net assets/(liabilities)	**-**	**14**	(1)	23
Loss after tax	**-**	**(2)**	(2)	-
Group's share of loss after tax	**-**	**(1)**	(1)	-

4.3 Business combinations

During the prior period, the Group entered into an agreement to purchase the trade and the majority of the assets of McColl's Retail Group plc and certain operating subsidiaries, via a pre-pack administration sale for consideration of £201m. This completed on 9 May 2022, shortly after the appointment of administrators over the seller entities earlier on the same day. Some properties are currently recognised as right of use assets under IFRS 16, and the remaining are still operated by the Group under a licence to occupy under the terms agreed with the companies in administration as leaseholders (pending the transfer of legal title to those stores). It was also agreed that the two McColl's defined benefit pension schemes would be taken on by the Group, and Wm Morrison Supermarkets Limited provided a guarantee.

The acquisition has been accounted for using the acquisition method of accounting under IFRS 3 'Business Combinations', whereby the total purchase price is allocated to the acquired identifiable net assets of McColl's based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets is allocated to goodwill. A summary of the purchase price and the opening balances of the acquired trade and assets at the acquisition date is presented in the following table:

Purchase consideration	2022 £m
Cash paid	191
Deferred consideration	1
Additional cost of acquiring the business	9
Total purchase consideration[1]	201

[1] Total purchase price excluded direct acquisition costs of £7m incurred during the 52 week period ended 30 October 2022, which were included within exceptional items.

The additional cost of acquiring the business of £9m represented the estimated amount of recoverable debt foregone by Wm Morrison Supermarkets Limited had the Company made a claim against McColl's as an unsecured creditor. The assets and liabilities recognised as a result of the acquisition based on the purchase price allocation were as follows:

	2022 £m
Cash	4
Inventory	9
Other debtors	4
Property, plant and equipment	72
Software intangible assets	11
Defined benefit pension assets	11
Vehicle finance leases	(1)
Provisions	(7)
Franchise asset / reacquired rights	6
Deferred tax liability	(3)
Net identifiable assets acquired	106
Goodwill	95
Net assets acquired	201

Notes to the Group financial statements (continued)

4 Interests in other entities (continued)

4.3 Business combinations (continued)

There were 132 McColl's stores where management has assessed that there was no realistic prospect of achieving a breakeven position in the medium term. All of these stores have been closed since the prior period. No value has been placed on the fixtures and fittings held in these stores on acquisition.

The Group also made a commitment to dispose of 28 stores to resolve competition concerns raised by the CMA during their investigation. As of the date of signing these financial statements, 27 of these stores have been disposed of.

Notes to the Group financial statements (continued)

5 Working capital and provisions

5.1 Accounting policies

Inventories
Inventories represent raw materials and goods for resale and are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Cost is calculated on a weighted average basis and comprises purchase price, and other directly attributable costs, including import duties and other non-recoverable taxes, reduced by promotional funding and commercial income and a provision for estimated inventory losses relating to shrinkage and obsolescence. Losses relating to shrinkage in stores are based on historical losses, verified by physical inventory counts conducted by an independent third party. Provision is made for obsolete and slow moving items.

Trade and other receivables
Trade and other receivables are initially recognised at fair value, which is generally equal to face value, and subsequently held at amortised cost. Provision for impairment of trade receivables is recognised based on lifetime expected credit losses at each reporting date, with the charge being included in administrative expenses.

Cash and cash equivalents
Cash and cash equivalents for cash flow purposes includes cash-in-hand, cash-at-bank, bank overdrafts and deposits readily convertible to known amounts of cash and that have an original maturity of three months or less. In the statement of financial position, bank overdrafts that do not have the right of offset are presented within current liabilities.

Cash and cash equivalents includes debit and credit card payments made by customers, which clear the bank shortly after the sale takes place. It also includes BACS receipts in flight at the reporting date for transactions where control is considered to have passed to the Group. BACS payments in flight at the reporting date are excluded from cash and cash equivalents as control is deemed to have passed from the Group.

Trade and other payables
Trade and other payables are initially recognised at fair value, which is generally equal to face value of the invoices received, and subsequently held at amortised cost. Trade payables are presented net of commercial income due when the Group's trading terms state that income from suppliers will be netted against amounts owing to that supplier.

Supply chain financing
The Group offers suppliers the option to access supply chain financing through certain third party providers. These facilities allow suppliers to receive payments earlier than the contractual payment terms. The Group did not receive any fees or rebates from the providers where the suppliers choose to utilise these facilities. Payment terms continue to be agreed directly between the Group and suppliers, and are independent of supply chain financing being available.

The Group makes an assessment of its supply chain finance arrangements to determine if the associated balance is appropriately presented as trade payables or as borrowings. This assessment considers factors such as the commercial purpose of the facility, the nature and specific terms of the arrangements and the credit terms in place with the banks and suppliers. Based on this assessment, the Group has determined that it is appropriate to present amounts outstanding through the supply chain financing arrangement as trade payables. Consistent with this classification, the reported cash flows are reported within cash generated from operations within the consolidated statement of cash flows.

Provisions
Provisions are created where the Group has a present obligation as a result of a past event, where it is probable that it will result in an outflow of economic benefits to settle the obligation, and where it can be reliably measured. The Group assesses the appropriateness of its provisions at each reporting date. The amounts provided are based on the Group's best estimate of the least net cost of exit. Where material, these estimated outflows are discounted to net present value using a pre-tax rate that reflects current market assumptions. The unwinding of this discount is recognised as a financing cost in the income statement.

Contingent liabilities
Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or present obligations that are not recognised because it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount cannot be measured reliably. The Group does not recognise contingent liabilities. The disclosure includes an estimate of their potential financial effect and any uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote or the Group cannot measure it reliably (see note 10.2).

Notes to the Group financial statements (continued)

5 Working capital and provisions (continued)

5.2 Inventories

	2023 £m	2022 £m
Raw materials	**50**	57
Finished goods	**868**	933
	918	990

Inventory provision and write-down recognised as an expense amounted to £410m for the 52 weeks ended 29 October 2023 (52 weeks ended 30 October 2022: £403m).

5.3 Trade and other receivables

	2023 £m	2022 £m
Commercial income trade receivables	**33**	4
Accrued commercial income	**38**	46
Other trade receivables	**108**	116
Less: provision for impairment of trade receivables	**(3)**	(8)
Trade receivables	**176**	158
Prepayments and accrued income	**187**	191
Other receivables	**17**	25
	380	374

The carrying amounts of trade and other receivables approximate to their fair value at 29 October 2023 and 30 October 2022.

Current period	Current %/£m	1 to 30 days past due %/£m	31 to 60 days past due %/£m	61 to 90 days past due %/£m	91 days plus past due %/£m	**Total £m**
Expected credit loss rate	0%	1%	2%	81%	100%	
Gross carrying amount – trade receivables	172	3	1	1	2	**179**
Provision for impairment of trade receivables	-	-	-	(1)	(2)	**(3)**

Prior period	Current %/£m	1 to 30 days past due %/£m	31 to 60 days past due %/£m	61 to 90 days past due %/£m	91 days plus past due %/£m	Total £m
Expected credit loss rate	0.20%	4%	13%	50%	100%	
Gross carrying amount – trade receivables	152	11	1	1	1	**166**
Provision for impairment of trade receivables	(6)	(1)	-	-	(1)	**(8)**

As at 18 January 2024, £20m of the £33m commercial income trade receivables balance had been settled and of the £38m accrued commercial income £4m has still to be invoiced.

5.4 Trade and other payables

	2023 £m	2022 £m
Trade payables	**(2,919)**	(3,018)
Less: commercial income due, offset against amounts owed	**55**	26
	(2,864)	(2,992)
Other taxes and social security payable	**(87)**	(45)
Other payables	**(111)**	(169)
Accruals and deferred income	**(379)**	(246)
	(3,441)	(3,452)

As at 18 January 2024, £53m of the £55m commercial income due above had been offset against payments made.

Trade payables include £704m (2022: £734m) where suppliers have chosen to receive early payment under the Group's supply chain finance facilities (see note 7.2).

Notes to the Group financial statements (continued)

5 Working capital and provisions (continued)

5.5 Provisions

	Onerous contracts £m	Other provisions £m	**Total £m**
At 31 October 2022	(38)	(5)	**(43)**
Charged for the period	(41)	(5)	**(46)**
Utilised during the period	22	3	**25**
Released during the period	-	1	**1**
At 29 October 2023	(57)	(6)	**(63)**

Included within the above balance at 29 October 2023 is £11m (2022: £7m) relating to a balance due within one year. Provisions are revised regularly in response to market conditions.

5.6 Cash generated from operations

	2023 £m	2022 £m
Operating profit	**89**	18
Adjustments for:		
Depreciation and amortisation	**635**	609
Impairment	**190**	337
Impairment write back	**(14)**	(242)
Management Incentive Plan (MIP)	**6**	-
Profit arising on disposal and exit of properties	**(13)**	(13)
Defined benefit scheme contributions paid less operating expenses	**(6)**	(6)
Derivatives settlement unwind	**(45)**	(105)
Settlement of share awards	**-**	(48)
Decrease/(increase) in inventories	**72**	(88)
(Increase)/decrease in trade and other receivables	**(12)**	1
Increase in trade and other payables	**44**	284
Increase/(decrease) in provisions	**20**	(12)
Cash generated from operations	**966**	735

Cash generated from operations of £966m (2022: £735m) is stated after paying £58m in relation to exceptional items (2022: £97m).

Notes to the Group financial statements (continued)

6 Capital and borrowings

6.1 Accounting policies

Borrowings
Interest-bearing loans and overdrafts are initially recorded at fair value, net of attributable transaction costs and fees. Subsequent to initial recognition they are measured at amortised cost, with any difference between the redemption value and the initial carrying amount being recognised in profit and loss for the period over the term of the borrowings on an effective interest rate basis.

Borrowing costs
All borrowing costs are recognised in the Group's income statement for the period on an effective interest rate basis except for interest costs that are directly attributable to the construction of buildings and other qualifying assets, which are capitalised and included within the initial cost of the asset. Capitalisation commences when both expenditure on the asset and borrowing costs are being incurred, and necessary activities to prepare the asset for use are in progress. In the case of new stores, this is generally once planning permission has been obtained. Capitalisation ceases when the asset is ready for use. Interest is capitalised at the effective rate incurred on borrowings before taxation of 5.7% (2022: 4%). Capitalised interest is included within interest paid in cash flow from operating activities.

Lease liabilities
For leases where the Group is a lessee, the Group recognises a right-of-use asset and a lease liability at the commencement date of the lease. Lease liabilities are initially measured at the present value of the lease payments due during the lease term but that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed payments and applicable variable lease payments (which depend on an index or a rate). The exercise price of purchase options are also included if reasonably certain to exercise the option.

The lease term includes periods covered by extension and break options if the Group is reasonably certain to extend the lease or to not exercise the break.

The discount rates applied in the measurement of the lease liabilities represent the Group's incremental borrowing rates. The incremental borrowing rates are determined through a build-up approach, starting with a risk-free rate specific to the term and economic environment of the lease, adjusted for both the credit risk of the lessee and other characteristics of the lease (for example the quality of the underlying assets). The inputs used to determine the rates are regularly reassessed, based on historical experience and other factors which the Directors consider to be reasonable.

Each lease payment is allocated between the capital repayment of the liability and the finance cost element. The finance cost is charged to the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. In the consolidated statement of cash flows the finance cost element is reported within interest paid and the capital repayment of the liability is reported within repayment of lease obligations.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index, rate or a lease modification. When purchase, extension or break options are exercised (or not exercised) in a way inconsistent with the prior assessments of those options, or if those assessments are changed, then lease liabilities will also be remeasured. The likelihood of options being exercised will only be reassessed on the occurrence of a significant event or change in circumstance within the control of the Group (for example when a final decision to close or vacate a site is made).

The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Lease payments on short-term leases and leases of low-value assets are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

For new lease agreements entered into with landlords following the period of License to Occupy in the McColl's convenience business, right of use assets will be formed in the Group's balance sheet.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company has purchased the Company's equity share capital, the consideration paid, including directly attributable incremental costs, is deducted from retained earnings until the shares are cancelled. On cancellation, the nominal value of the shares is deducted from share capital and the amount is transferred to the capital redemption reserve.

Net debt
Net debt is cash and cash equivalents, long-term cash on deposit, bank and other loans, bonds, intercompany loans, lease liabilities and derivative financial instruments (stated at current fair value).

Notes to the Group financial statements (continued)

6 Capital and borrowings (continued)

6.2 Finance costs and income

Finance costs	2022/23 £m	2021/22 £m
Interest payable on short-term loans and bank overdrafts	**(1)**	(2)
Interest payable on bonds	**(4)**	(10)
Interest on lease liabilities	**(74)**	(57)
Interest capitalised	**2**	2
Total interest payable	**(77)**	(67)
Finance costs before exceptionals[1]	**(77)**	(67)
Costs associated with the repayment of borrowings	**-**	(21)
Finance costs	**(77)**	(88)
Finance income		
Bank interest and other finance income	**4**	1
Other receivables: unwinding of discount	**3**	2
Finance income before exceptionals[1]	**7**	3
Credit associated with the repayment of borrowings	**-**	12
Net retirement benefit interest (note 8.2)	**33**	18
Finance income	**40**	33
Net finance costs	**(37)**	(55)

1 Net finance costs before exceptionals marked 1 amount to £70m (2021/22: £64m) and is defined in the glossary

6.3 External borrowings

Current
The Group has no external current borrowings and other financial liabilities measured at amortised cost (2022: £nil).

The Group has the following non-current borrowings and other financial liabilities measured at amortised cost:

Non-current	2023 £m	2022 £m
£400m sterling bonds 3.50% July 2026	**(39)**	(39)
£300m sterling bonds 4.75% July 2029	**(45)**	(45)
	(84)	(84)

The aggregate principal amount of the existing notes outstanding is £82m at 29 October 2023 (2022: £82m).

Borrowing facilities
Information in relation to the Group's borrowing facilities are detailed in the liquidity risk section of note 7.2.

Notes to the Group financial statements (continued)

6 Capital and borrowings (continued)

6.3 External borrowings (continued)

Maturity of borrowings

The table below summarises the maturity profile of the Group's external borrowings based on contractual, undiscounted payments, which include future interest payments. As a result, amounts shown below do not agree to the amounts disclosed in the statement of financial position for borrowings, which exclude future interest payments. Trade and other payables (note 5.4) are also excluded from this analysis.

	2023 £m	2022 £m
Less than one year	**(3)**	(3)
One to two years	**(3)**	(3)
Two to three years	**(40)**	(3)
Three to four years	**(2)**	(40)
Four to five years	**(2)**	(2)
More than five years	**(47)**	(49)

Fair values

The fair value of bonds is measured using closing market prices (level 1). The fair values of borrowings included in level 2 are based on the net present value of the anticipated future cash flows associated with these instruments using rates currently available for debts on similar terms, credit risk and equivalent maturity dates.

These compare to carrying values as follows:

	2023		2022	
	Amortised cost £m	**Fair value £m**	Amortised cost £m	Fair value £m
Total external borrowings: non-current and current	**(84)**	**(54)**	(84)	(64)

The fair value of other items within current and non-current borrowing equals their carrying amount, as the impact of discounting is not material.

6.4 Loan from parent undertaking

	2023 £m	2022 £m
Loan from parent undertaking	**(882)**	(1,843)

On 8 November 2021, intercompany funding was provided by Market Bidco Limited (the immediate parent) to the Group. The loan is unsecured, bears no interest and is repayable on demand.

6.5 Lease liabilities

	2023 £m	2022 £m
Current lease liabilities	**(82)**	(73)
Non-current lease liabilities	**(1,593)**	(1,239)
	(1,675)	(1,312)

Maturity of lease liabilities

The table below summarises the maturity profile of the Group's lease liabilities based on contractual, undiscounted payments.

	2023 £m	2022 £m
Less than one year	**(168)**	(129)
One to two years	**(164)**	(121)
Two to three years	**(160)**	(118)
Three to four years	**(153)**	(115)
Four to five years	**(150)**	(108)
More than five years	**(1,940)**	(1,420)

6 Capital and borrowings (continued)

6.5 Lease liabilities (continued)

Maturity of lease liabilities (continued)

Lease liabilities include periods beyond extension and break option dates if the Group is reasonably certain to extend or continue the lease. As at 29 October 2023, the undiscounted future rentals payments relating to periods beyond what is considered reasonably certain total £60m for breaks and £928m for lease extensions (2022: £61m and £922m respectively). The lease extensions relate to leases where the initial term expires between 11 and 61 years after the period end, with some extensions available of up to 25 years.

The interest expense on lease liabilities is shown in note 6.2. The value of contracts placed for future leases not provided in the financial statements is disclosed in note 3.8.

Other information

The Group is the lessee on a diverse portfolio of leases for property and equipment, with the vast majority of lease liabilities relating to property (see note 3.4 and note 3.6). Property leases typically include rent review terms that require rents to be adjusted on a periodic basis, following market rent or capped increases in inflation measurements. A number of these property leases also contain clauses to extend, or exit leases early. These clauses are negotiated with the lessors to ensure appropriate options are available for the Group's operations in future years, for example to minimise the risk that a store, still profitable at the end of the initial lease term, will be forced to close.

The depreciation expense for right-of-use is shown in note 1.5. This note also includes the expense of variable lease payments incurred during the periods and expenses incurred on both low-value leases and short-term leases longer than one month. Total cash outflow for leases amounted to £203m during the period (2022: £155m). The variable lease payments not included in the measurement of the lease liability is £nil (2022: £nil).

6.6 Analysis of net debt[1]

	Note	**2023 £m**	2022 £m
Fuel and energy price contracts	7.3	**-**	128
Non-current financial assets		**-**	128
Foreign exchange forward contracts	7.3	**5**	17
Fuel and energy price contracts	7.3	**26**	342
Current financial assets		**31**	359
Lease liabilities[1]	6.5	**(82)**	(73)
Foreign exchange forward contracts	7.3	**(2)**	(3)
Fuel and energy price contracts	7.3	**(11)**	-
Current financial liabilities		**(95)**	(76)
Bonds[1]	6.3	**(84)**	(84)
Loans from group undertakings[1]	6.4	**(882)**	(1,843)
Lease liabilities[1]	6.5	**(1,593)**	(1,239)
Fuel and energy price contracts	7.3	**(2)**	-
Non-current financial liabilities		**(2,561)**	(3,166)
Cash and cash equivalents		**279**	287
Net debt[1]		**(2,346)**	(2,468)

1 Net debt is defined in the Glossary on page 127.

Notes to the Group financial statements (continued)

6 Capital and borrowings (continued)

6.6 Analysis of net debt[1] (continued)

Reconciliation of net cash flow to movement in net debt[1] in the period

	2023 £m	2022 £m
Financing activities:		
Cash outflow from repayment of borrowings	**-**	1,859
Cash outflow/(inflow) on loan from parent undertaking	**961**	(1,843)
Cash outflow from repayment of lease liabilities	**97**	78
Non-cash movements on lease liabilities[2]	**(460)**	(33)
Other financing non-cash movements	**(10)**	4
Net decrease from financing activities	**588**	65
Other non-cash movements[3]	**(458)**	430
Net decrease in cash and cash equivalents	**(8)**	(9)
Opening net debt[1]	**(2,468)**	(2,954)
Closing net debt[1]	**(2,346)**	(2,468)

[1] Net debt is defined in the Glossary on page 127.
[2] Non-cash movement on lease liabilities comprises £389m (2022: £nil) in relation to new leases and £71m (2022: £33m) from the remeasurement of existing leases.
[3] Other non-cash movements is comprised of movements on derivatives.

6.7 Called-up share capital

	Number of shares millions	Share capital £m	Share premium £m	**Total £m**
At 30 October 2022 and 29 October 2023	2,451	245	253	**498**

All issued shares are fully paid and have a par value of 10p per share (2022: 10p per share). The Group did not acquire any of its own shares for cancellation in the 52 weeks ended 29 October 2023 or the 52 weeks ended 30 October 2022. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at the meetings of the Company.

Trust shares

Following the de-listing of the Company from the London Stock Exchange on 28 October 2021, the Company no longer holds a deduction in retained earnings in respect of own shares at the reporting date. These shares were not treasury shares as defined by the London Stock Exchange.

As a result of the takeover of the Company, remaining trust shares were transferred to CD&R for proceeds of £41m on 28 October 2021. The cash was received shortly after the period ended 30 October 2022.

Proceeds from exercise of share awards

During the period the Group issued no new shares (2022: 690,739) to satisfy options exercised by employees during the period in respect of the Group’s Sharesave schemes. Proceeds received on exercise of these shares amounted to £nil (2022: £1m).

Notes to the Group financial statements (continued)

6 Capital and borrowings (continued)

6.8 Reserves

	2023 **£m**	2022 £m
Capital redemption reserve	**39**	39
Merger reserve	**2,578**	2,578
Hedging reserve	**33**	373
Retained earnings[1]	**535**	685
Total	**3,185**	3,675

[1] Included in retained earnings is £nil relating to a gain on trust shares (2022: £28m gain)

Capital redemption reserve
The capital redemption reserve relates to 389,631,561 of the Company's own shares which it purchased on the open market for cancellation between 31 March 2008 and 8 March 2013 at a total cost of £1,081m.

Merger reserve
The merger reserve represents the reserve arising on the acquisition in 2004 of Safeway Limited.

Hedging reserve
This represents the gains and losses arising on derivatives used for cash flow hedging.

6.9 Capital management

The Group defines the capital that it manages as the Group's total equity and net debt balances.

The Group's capital management objective is to safeguard its viability taking into consideration the risks that it faces. During the financial period, the Group did this by maintaining adequate liquidity headroom, along with managing the capital structure and debt outstanding. The Group has secured and unsecured debt, maintaining significant assets that do not hold a fixed charge over them. Managing the Group's credit rating, maintaining liquidity headroom and monitoring cash generation continue to be key elements of the Group's capital management activity.

Notes to the Group financial statements (continued)

7 Financial risk and hedging

7.1 Accounting policies

Derivative financial instruments and hedge accounting
Derivatives are transacted to mitigate financial risks that arise as a result of the Group's operating activities and funding arrangements. At the inception of a hedge, the Group documents the economic relationship between the hedging instrument and the hedged item, the risk management objective and strategy for undertaking the hedge. This includes an assessment of whether changes in fair values or the cash flows of the hedging instruments are expected to offset changes in the fair values or cash flows of hedged items.

All derivatives are initially recognised at fair value and are remeasured at fair value at each reporting date. Derivatives with positive fair values are recognised as assets and those with negative fair values as liabilities. They are also categorised as current or non-current according to the maturity of each derivative. All gains or losses arising due to changes in the fair value of derivatives are recognised in profit or loss except when the derivative qualifies for cash flow hedge accounting.

Cash flow hedges
The Group designates derivatives into a cash flow hedge where they have been transacted to hedge a highly probable forecast transaction or a particular risk associated with an asset or liability. The effective portion of the change in the fair value of the derivatives that are designated into cash flow hedge relationships, are recognised in other comprehensive income. Cumulative gains or losses on derivatives are reclassified from other comprehensive income into profit or loss in the period when the transaction occurs. Any ineffective portion of the gain or loss on the derivative is immediately recognised in profit or loss.

When option contracts are used to hedge forecast transactions, both the intrinsic and time value of the options are designated as hedging instruments. Gains or losses relating to the effective portion of the change in fair value of the options are recognised in the cash flow hedge reserve within equity. Any changes in the fair value of the option premium are recognised in other comprehensive income.

When forward contracts are used to hedge forecast transactions, the Group designates the change in fair value of the forward contract as the hedging instrument. Gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs, at which point the net cumulative gain or loss recognised in equity is transferred to profit or loss in the period.

7.2 Financial risk management
The Group has a centralised treasury function which manages funding, liquidity, credit and market risk in accordance with the Board approved Treasury Policy. The objective of the policy and controls that are established is to mitigate the risk of an adverse impact on the performance of the Group as a result of its exposure to financial risks arising from the Group's operations and its sources of finance. It is the Group's policy not to engage in speculative trading of financial instruments.

The Board retains ultimate responsibility for treasury activity and is involved in key decision making, providing governance and oversight to treasury activity.

Liquidity risk
The Group policy is to maintain an appropriate maturity profile across its borrowings and a sufficient level of committed headroom to meet obligations. The Group finances its operations using an intercompany loan provided by its parent company.

A central cash forecast is maintained by the treasury function who monitor the availability of liquidity to meet business requirements and any unexpected variances. The treasury function seek to centralise surplus cash balances to minimise the level of gross debt. Short-term cash balances, together with undrawn facilities, enable the Group to manage its day-to-day liquidity risk. Any short-term surplus is invested in accordance with the Treasury Policy. Some suppliers have access to supply chain finance facilities, which allow those suppliers to benefit from the Group's credit profile.

The Board compares the committed liquidity available to the Group against the forecast requirements including policy headroom. This policy includes a planning assumption that supply chain finance facilities are not available.

As at 29 October 2023, the Group (including its parent entities) had total committed revolving credit facilities of £1,000m and a supply chain finance facility of £763m across a number of banks and platforms. The level of utilisation is dependent on the individual supplier requirements and varies significantly over time (see note 5.4).

Notes to the Group financial statements (continued)

7 Financial risk and hedging (continued)

7.2 Financial risk management (continued)

Cash and committed facilities (continued)
At 29 October 2023, the Group has £279m (2022: £287m) of cash and cash equivalents and £82m (2022: £82m) of total committed facilities, comprising bond debt of £82m (2022: £82m). As at 29 October 2023, the Group had £nil (2022: £nil) of undrawn committed bank facilities available.

The Group has an intercompany loan with Market Bidco Limited at £882m at the period end (2022: £1,843m) which is unsecured and bears no interest (see note 6.4).

As at 29 October 2023, the Group had no external borrowings on uncommitted facilities (2022: £nil).

The Group finances its operations using a diversified range of funding providers including banks and bondholders. The Treasury Committee compares the committed liquidity available to the Group against the forecast requirements including policy headroom. This policy includes a planning assumption that supply chain finance facilities are not available.

Credit risk
The majority of the Group's revenue is received in cash at the point of sale. Some credit risk does arise from cash and cash equivalents, deposits with banking groups and exposures from other sources of income such as commercial income, third party wholesale customers and tenants of investment properties.

The principal areas of credit risk relate to financial institution and trading counterparties such as wholesale customers. The Group has well established credit verification procedures in place for key exposures. Limits on the total exposure to a counterparty or Group of connected counterparties are established within the Treasury Policy. Compliance with limits is regularly monitored. With respect to wholesale customers, the Group establishes a credit limit for each individual entity, which takes into account a number of factors including the level of credit insurance in place, the customer's payment history, third party credit reports and other relevant factors including the Group's rights within the specific terms of the contract.

Interest rate risk
The wider Group seeks to protect itself against adverse movements in interest rates by aiming to maintain at least 60% of its total borrowings at fixed interest rates. As at the reporting date, 100% (30 October 2022: 100%) of the Group's borrowings are at a fixed interest rate. Whilst still applying the policy described above, from time-to-time the Group enters into fixed-to-floating interest rate swaps to achieve the appropriate proportion of fixed versus floating rate borrowings.

Foreign currency risk
The majority of purchases made by the Group are denominated in sterling, however some trade purchases are made in other currencies, primarily the euro and US dollar. The Group's objective is to reduce short-term profit volatility from exchange rate fluctuations. The Group policy specifies the minimum percentage of committed and highly probable exposures that must be hedged.

Cross-currency interest rate swaps are used to mitigate the Group's currency exposure arising from payments of interest and principal in relation to foreign currency funding.

At the reporting date, the sensitivity to a reasonably possible change (+/-10%) in the US dollar and euro exchange rates would equate to a £5m post-tax profit or loss exposure in relation to the euro (2021/22: £7m) and £2m in relation to the US dollar (2021/22: £5m), for the unhedged forecast foreign currency exposures over the next 12 months. A movement of the pound sterling by +/-10% against the euro and US dollar exchange rates would impact other comprehensive income by £31m for the hedged amount (2021/22: £28m).

Commodity price risk
The Group manages the risks associated with the purchase of electricity, gas and diesel consumed by its activities (excluding fuel purchased for resale to customers) by entering into hedging contracts to fix prices for expected consumption.

The Group has adopted a capital at risk model for hedging its fuel and power consumption. The Board reviews the Group's exposure to commodity prices and ensures it remains within policy limits.

A change of +/-10% in the market value of the commodity price at the reporting date would affect other comprehensive income by £16m (2021/22: £53m) for the hedged amount.

Notes to the Group financial statements (continued)

7 Financial risk and hedging (continued)

7.3 Derivative financial assets and liabilities

Derivative financial assets	2023 Fair Value £m	2023 Notional Value £m	2022 Fair Value £m	2022 Notional Value £m
Current				
Foreign exchange forward contracts	**5**	**377**	17	304
Fuel and energy price contracts	**26**	**58**	342	107
	31	**435**	359	411
Non-current				
Foreign exchange forward contracts	**-**	**2**	-	-
Fuel and energy price contracts	**-**	**14**	128	38
	-	**16**	128	38

All derivatives are categorised as level 2 instruments. Level 2 fair values for simple, over-the-counter derivatives are calculated by using benchmarked, observable market interest rates to discount future cash flows.

Derivative financial liabilities	2023 Fair Value £m	2023 Notional Value £m	2022 Fair Value £m	2022 Notional Value £m
Current				
Foreign exchange forward contracts	**(2)**	**(172)**	(3)	(105)
Fuel and energy price contracts	**(11)**	**(63)**	-	(3)
	(13)	**(235)**	(3)	(108)
Non-current				
Foreign exchange forward contracts	**-**	**(8)**	**-**	**-**
Fuel and energy price contracts	**(2)**	**(26)**	-	-
	(2)	**(34)**	-	-

The amounts disclosed in the table below are the contractual undiscounted derivative cash flows and therefore differ to those in the statement of financial position.

Maturity analysis of derivatives	2023 £m		2022 £m	
	< 1 year	**1-5 years**	< 1 year	1-5 years
Derivatives settled on a gross basis				
Forward contracts – cash flow hedges:				
Outflow	**(383)**	**(4)**	(397)	-
Inflow	**385**	**4**	411	-
Derivatives settled on a net basis				
Fuel and energy price contracts – cash flow hedges:				
Inflow	**17**	**(2)**	368	102

The fuel and energy price contracts and foreign currency derivatives are designated as cash flow hedges.

Notes to the Group financial statements (continued)

8 Retirement benefits

8.1 Accounting policies

A defined contribution scheme is a retirement scheme under which the Group pays fixed contributions into a separate entity and provides no guarantee as to the quantum of retirement benefits that those contributions will ultimately purchase. A defined benefit scheme is one that is not a defined contribution scheme.

8.1.1 Defined benefit schemes

Retirement scheme assets are valued at fair market value as required by IAS19. Retirement benefit obligations are an estimate of the amount required to pay the benefits that employees have earned in exchange for current and past service, assessed and discounted to present value using the assumptions shown in note 8.4.1. The net retirement benefit deficit or surplus recognised in the consolidated statement of financial position is the net of the schemes' assets and obligations, which are calculated separately for each scheme.

Net interest income/expense is calculated by applying the discount rate used to value the liabilities to the net retirement benefit deficit or surplus (adjusted for cash flows over the accounting period) and is recognised in finance costs or income and excluded from profit before exceptionals.

Expenses incurred in respect of the management of scheme assets are included in the consolidated statement of comprehensive income as a reduction in the return on scheme assets. Other scheme expenses are recognised in the consolidated income statement as an operating expense.

Remeasurements comprise of actuarial gains and losses on the obligations and the return on scheme assets (excluding interest). They are recognised immediately in the consolidated statement of comprehensive income. Amounts shown within note 8 are before any adjustments for deferred taxation.

8.1.2 Defined contribution schemes

The cost of defined contribution schemes is recognised in the consolidated income statement as incurred. The Group has no further payment obligations once the contributions have been paid.

8.2 Defined benefit schemes: summary and description

The Group operates a number of defined benefit retirement schemes (together 'the Schemes') providing benefits based on a benefit formula that depends on factors including the employee's age and number of years of service.

The Morrisons and Safeway Schemes (the 'CARE Schemes') provide retirement benefits based on either the employee's compensation package and/or career average revalued earnings (CARE). The CARE Schemes are not open to new members and were closed to future accrual in July 2015.

The Retirement Saver Plan (RSP) is a cash balance scheme, which provides a lump sum benefit based upon a defined proportion of an employee's annual earnings in each year, which is revalued each year in line with inflation subject to a cap. The RSP was closed to future accrual in September 2018.

The TM Group Pension Scheme and TM Pension Plan (the 'McColl's Schemes') were acquired by the Group as part of the Group's acquisition of the McColl's trade and assets during the prior period. The Schemes provide benefits based on a benefit formula that depends on factors including the employee's age and number of years of service. The McColl's Schemes are not open to new members and were closed to future accrual in July 2008.

The net funding position of each scheme at 29 October 2023 is as follows:

	2023 £m	2022 £m
CARE Schemes	**421**	639
RSP	**31**	50
McColl's Schemes	**1**	2
Net retirement benefit surplus	**453**	691

The statements below show further details for the schemes combined:

Statement of financial position	**2023 CARE £m**	**2023 RSP £m**	**2023 McColl's £m**	2022 CARE £m	2022 RSP £m	2022 McColl's £m
Fair value of scheme assets	**2,815**	**270**	**85**	3,344	323	95
Present value of obligations	**(2,394)**	**(239)**	**(84)**	(2,705)	(273)	(93)
Net retirement benefit surplus	**421**	**31**	**1**	639	50	2

Notes to the Group financial statements (continued)

8 Retirement benefits (continued)

8.2 Defined benefit schemes: summary and description (continued)

Consolidated income statement:	2022/23 CARE £m	2022/23 RSP £m	2022/23 McColl's £m	2021/22 CARE £m	2021/22 RSP £m	2021/22 McColl's £m
Administrative costs paid by the Schemes [1]	**3**	**1**	**1**	5	2	1
Net interest on net retirement benefit surplus [1]	**(31)**	**(2)**	**-**	(18)	-	-
Total expense (credited)/charged to income statement	**(28)**	**(1)**	**1**	(13)	2	1
Consolidated statement of other comprehensive income:						
Remeasurements in other comprehensive income – charged/(credited)	**246**	**24**	**2**	372	(72)	9

1 Included within exceptional items, see note 1.4.

The Schemes are registered schemes under the provisions of Schedule 36 of the Finance Act 2004 and the assets are held in legally separate, trustee-administered funds. The Trustees of each scheme are required by law to act in the best interests of the scheme participants within the context of administering the scheme in accordance with the purpose for which the trust was created, and are responsible for setting the investment, funding and governance policies of the fund.

A representative of the Group attends Trustee or Investment Committee meetings in order to provide the Group's view on investment strategy, but the ultimate power lies with the Trustees. For the Group's most significant schemes, the Deed and Rules of the Morrison Scheme gives the Trustees the power to set contributions, while in the Safeway Scheme and the RSP this power is given to the Group, subject to regulatory override.

8.3 Scheme assets

Assets of the Schemes generate returns and ultimately cash that is used to satisfy the Schemes' obligations. They are not necessarily intended to be realised in the short term. The Trustees of each Scheme invest in different categories of asset and with different allocations amongst those categories, according to the investment principles of that Scheme.

Currently, the investment strategy of the Schemes is to maintain a balance of, income assets (including credit investments and corporate bonds) and protection assets (comprising liability driven investment (LDI) portfolios and buy-in annuity policies), with a weighting towards protection assets. There are no direct investments in the parent Company's own shares or property occupied by any member of the Group.

Fair value of Scheme assets:

	2023 CARE £m	2023 RSP £m	2023 McColl's £m	2022 CARE £m	2022 RSP £m	2022 McColl's £m
Equities (quoted)	**2**	**-**	**-**	3	-	-
Corporate bonds (quoted)	**2**	**126**	**38**	995	149	32
Infrastructure (unquoted)	**-**	**-**	**4**	-	-	8
Credit funds (unquoted)	**356**	**-**	**8**	361	-	13
Liability driven investments (unquoted) [1]	**48**	**139**	**32**	1,268	107	40
Annuity policies (unquoted)	**2,391**	**-**	**-**	685	-	-
Cash (quoted)	**152**	**5**	**3**	32	67	2
Premium due to insurers (unquoted)	**(136)**	**-**	**-**	-	-	-
	2,815	**270**	**85**	3,344	323	95

[1] Liability Driven Investments includes investments that are debt securities, cash, derivatives and pooled investment vehicles. There are classed as unquoted because the investments include derivatives and pooled investment vehicles which are unquoted.

Liability driven investments ('LDI')

Part of the investment objective of the Schemes is to minimise fluctuations in the Schemes' funding levels due to changes in the value of the liabilities. This is achieved through the use of LDI for the RSP and the McColl's schemes (which do not have buy-in insurance policies), and the LDI's main goal is to align movements in the value of the Schemes' assets with movements in the Schemes' liabilities arising from changes in market conditions. The Schemes have hedging that broadly covers interest rate movements and inflation movements, as measured on the Trustees' funding assumptions which use a discount rate derived from gilt yields.

8 Retirement benefits (continued)

8.3 Scheme assets (continued)

Liability driven investments ('LDI') (continued)
LDI primarily involves the use of government bonds (including re-purchase agreements). Derivatives such as interest rate and inflation swaps are also used. There are no annuities or longevity swaps in the LDI portfolios.

The value of the LDI assets is determined based on the latest market bid price for the underlying investments, which are traded daily on liquid markets.

Annuity policies
At 30 October 2022, the Safeway Scheme had four buy-in annuity policies and the Morrisons Scheme had one buy-in annuity policy that provided insurance for a proportion of the pensioner population. During the 52 weeks ended 29 October 2023, the Safeway Scheme and the Morrisons Scheme both entered into new buy-in investment policies that provide insurance for all the remaining members of the schemes. The Trustees agreed to defer part of the insurance premiums owed to the insurance company and the outstanding amount is expected to be paid over the next two years. The deferred premium payments have been deducted from the total asset value for the current period.

The policies pay income to the Schemes that is exactly equal to the benefits paid to the insured populations. This has removed all investment, interest rate, inflation and longevity risks in respect of these members.

The value of the annuity policies is determined using the disclosed assumptions used for valuing the benefits of the Schemes and is equal to the accounting liabilities of the insured populations.

Credit funds
The Schemes invest in credit funds in order to improve returns available from their bond assets. These funds typically lend directly to corporations on a senior secured basis, rather than purchasing debt issued in the public markets.

The credit funds invest in a portfolio of different debt instruments and their value is equal to the value of the component assets. For high yield debt, the value is based on the latest available market price. For senior debt and private credit, where no such market price exists, the value is taken either at par value or by determining a fair enterprise value using a variety of techniques. For real-estate related investments, the value is derived from market comparables or third party valuations.

The movement in the fair value of the Schemes' assets over the period was as follows:

	2023 CARE £m	**2023 RSP £m**	**2023 McColl's £m**	2022 CARE £m	2022 RSP £m	2022 McColl's £m
Fair value of scheme assets at start of period	**3,344**	**323**	**95**	5,259	417	-
Transfer of McColl's pension schemes	**-**	**-**	**-**	-	-	121
Interest income	**155**	**15**	**4**	96	8	2
Return on scheme assets excluding interest	**(568)**	**(58)**	**(9)**	(1,878)	(97)	(25)
Employer contributions	**1**	**4**	**2**	3	8	1
Benefits paid	**(114)**	**(13)**	**(6)**	(131)	(11)	(3)
Administrative expenses	**(3)**	**(1)**	**(1)**	(5)	(2)	(1)
Fair value of scheme assets at end of period	**2,815**	**270**	**85**	3,344	323	95

Scottish Limited Partnership
The Group has previously entered into a pension funding limited partnership structure with the CARE Schemes whereby the partnership structure holds properties which are leased back to the Group in return for rental income payments. The Group retains control over these properties, including the flexibility to substitute alternative properties. The CARE schemes were entitled to receive fixed distributions until 2033 subject to certain conditions.

In 2020, the Group and the Schemes' Trustees agreed to reorganise the limited partnership structure, so that future distributions will be made to the RSP. The pension funding partnership structure was amended to permanently cease fixed distributions to the CARE Schemes, with the Group entering into a new pension funding limited partnership with the RSP. As a partner, the RSP is entitled to receive an annual fixed distribution of £7m pa from the profits of the partnership for 13 years from 2020, subject to certain conditions. The fixed distribution is comparable to the distributions that would have been made under the previous partnership structure.

The distributions made to the RSP are reflected in the Group financial statements as employer retirement benefit contributions.

8 Retirement benefits (continued)

8.3 Scheme assets (continued)

Scottish Limited Partnership (continued)

The RSP's interest in the partnership reduces any deficit on a funding basis, although the agreement does not affect the position directly on an IAS19 accounting basis because the investment held by the RSP does not qualify as a scheme asset for Group IAS 19 purposes. Given recent improvements in the RSP's funding position, the contributions from the partnership to the RSP have now been paused.

As part of the takeover by CD&R in 2021, a Memorandum of Understanding committed the Group to providing additional property security to the CARE Schemes and the RSP, taking the total value of property security supporting these Schemes to at least £660m. No additional annual cash flows are payable as a result of the agreement, and the new security is only triggered in the event of an insolvency of the sponsoring employers. This was completed during February 2022.

8.4 Present value of obligations

The movement in the defined benefit obligation over the period was as follows:

	2023 CARE £m	2023 RSP £m	2023 McColl's £m	2022 CARE £m	2022 RSP £m	2022 McColl's £m
Defined benefit obligation at start of period	**(2,705)**	**(273)**	**(93)**	(4,264)	(445)	-
Transfer of McColl's pension schemes	**-**	**-**	**-**	-	-	(110)
Interest expense	**(125)**	**(13)**	**(4)**	(78)	(8)	(2)
Actuarial gain/(loss)– demographic assumptions	**53**	**-**	**2**	(5)	-	-
Actuarial gain – financial assumptions	**346**	**34**	**7**	1,591	162	18
Actuarial (loss)/gain – experience	**(77)**	**-**	**(2)**	(80)	7	(2)
Benefits paid	**114**	**13**	**6**	131	11	3
Defined benefit obligation at end of period	**(2,394)**	**(239)**	**(84)**	(2,705)	(273)	(93)

The durations of the defined benefit obligations at the end of the 2023 reporting period are: RSP 13 years; Morrisons CARE 15 years; Safeway CARE 12 years; TM Group Pension Scheme 9 years; TM Pension Plan 10 years. The weighted average duration of all the Schemes is 12 years.

The Company is aware of a case involving Virgin Media and NTL Pension Trustee, which could potentially lead to additional liabilities for some pension schemes and sponsors, including (if applicable) the Company. This case is subject to appeal and the impact (if any) is not known and will be assessed as relevant in future.

8.4.1 Significant actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

Financial assumptions	**2023**	2022
Discount rate applied to scheme liabilities (% p.a.)		
Safeway CARE Scheme	**5.7%**	4.7%
Morrisons CARE Scheme	**5.7%**	4.7%
RSP	**5.7%**	4.7%
McColl's	**5.7%**	4.8%
Inflation assumption (RPI) (% p.a.)		
Safeway CARE Scheme	**3.4%**	3.5%
Morrisons CARE Scheme	**3.4%**	3.5%
RSP	**3.4%**	3.4%
McColl's	**3.5%**	3.5%

Life expectancies (CARE)	**2023**		2022	
Longevity in years from age 65 for current pensioners	**CARE**		CARE	
	Safeway	**Morrisons**	Safeway	Morrisons
Male	**20.1**	**19.7**	20.6	20.3
Female	**22.4**	**23.1**	22.9	23.6
Longevity in years from age 65 for current members aged 45				
Male	**21.8**	**21.4**	22.4	22.0
Female	**24.2**	**24.9**	24.8	25.4

Notes to the Group financial statements (continued)

8 Retirement benefits (continued)

8.4 Present value of obligations (continued)

8.4.1 Significant actuarial assumptions (continued)

Life expectancies (McColl's)	2023	2022
Longevity in years from age 65 for current pensioners		
Male	**20.8**	21.3
Female	**23.1**	23.6
Longevity in years from age 65 for current members aged 45		
Male	**22.4**	22.9
Female	**24.8**	25.3

The Group estimates discount rates with reference to high quality corporate bonds. At very long durations, where there are no high quality corporate bonds, the yield curve is extrapolated based on available corporate bond yields of mid to long duration. The Group believes that this approach appropriately reflects expected yields on high quality corporate bonds over the duration of the Group's retirement schemes, as required by IAS 19.

Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with published statistics. The mortality tables used for the 52 weeks ended 29 October 2023 for the Group's most material schemes are the S3PMA-Heavy/S3PFA-Heavy tables (males/females) based on year of birth with a scaling factor of 95% applied to the mortality rates in the Morrison Scheme and 91% / 104% applied to the mortality rates in the Safeway Scheme, with CMI 2022 core projections and a long-term rate of improvement of 1.5% pa.

The mortality tables used for the 52 weeks ended 30 October 2022 were consistent with 2023, other than the use of the CMI 2021 core projections.

Different scheme-specific mortality rates are used for the McColl's schemes.

Related actuarial assumptions (expressed as weighted averages)

	2023	2022
Rate of increase of retirement benefits in payment: RPI inflation capped at either 2.5% p.a. or 5% p.a. (% p.a.)		
Safeway CARE Scheme	**2.2%/3.2%**	2.2%/3.3%
Morrisons CARE Scheme	**2.2%/3.2%**	2.2%/3.3%
RSP	**-**	-
McColl's	**2.2%/3.3%**	2.2%/3.3%
Rate of increase of retirement benefits in deferment: CPI inflation capped at either 2.5% p.a. or 5% p.a. (% p.a.)		
Safeway CARE Scheme	**-/2.8%**	-/2.9%
Morrisons CARE Scheme	**-/2.8%**	-/2.9%
RSP	**2.5%/-**	2.5%/-
McColl's	**-/2.9%**	-/2.9%
CPI inflation (% p.a.)		
Safeway CARE Scheme	**2.8%**	2.9%
Morrisons CARE Scheme	**2.8%**	2.9%
RSP	**2.8%**	2.8%
McColl's	**2.9%**	2.9%

Notes to the Group financial statements (continued)

8 Retirement benefits (continued)

8.4 Present value of obligations (continued)

8.4.2 Sensitivity analysis on significant actuarial assumptions

The following table summarises the impact on the defined benefit obligation at the end of the reporting period if each of the significant actuarial assumptions listed above were changed, in isolation, assuming no other changes in market conditions at the accounting date. In practice any movement in assumptions could be accompanied by a partially offsetting change in asset values, and the corresponding overall impact on the net asset/(liability) is therefore likely to be lower than the amounts below in a number of scenarios. Extrapolation of the sensitivities shown may not be appropriate.

		2023 CARE	**2023 RSP**	**2023 McColl's'**	2022 CARE	2022 RSP	2022 McColl's'
Discount rate applied to Scheme obligations	+/- 0.1% p.a.	**-/+30**	**-/+5**	**-/+1**	-/+35	-/+5	-/+2
Inflation assumption (RPI and associated assumptions)	+/- 0.1% p.a.	**+/-20**	**+/-0**	**+/-0**	+/-20	+/-0	+/-0
Longevity	+ one year	**+55**	**n/a**	**+2**	+60	n/a	+3

8.5 Funding

The Morrisons Scheme is entirely funded by Wm Morrison Supermarkets Limited and the Safeway Scheme is funded by Safeway Limited and its subsidiaries. Wm Morrison Supermarkets Limited and its subsidiaries participated in the RSP until its closure. The McColl's Schemes are funded by the Group. There is no contractual agreement or stated policy for charging the net defined benefit cost between Wm Morrison Supermarkets Limited and its subsidiaries. The contribution of each participating subsidiary to the RSP was calculated in proportion to the number of employees that are members of the RSP.

The latest agreed full actuarial valuations were carried out as at 1 April 2022 for the Safeway Scheme, at 5 April 2022 for the Morrisons Scheme and the RSP, and at 31 March 2022 for the McColl's Schemes. The valuations indicated that, on the agreed funding basis, the Safeway, Morrisons and RSP Schemes had surpluses of £528m, £214m and £38m respectively. As a result of these funding positions there are currently no deficit contributions payable to these schemes. The valuations of the McColl's Schemes indicated that, on the agreed funding basis, there was a surplus of £5m for the TM Group Pension Scheme and a deficit of £6m for the TM Pension Plan.

These results have been used and updated for IAS19 'Employee benefits' purposes for the period to 29 October 2023 by a qualified independent actuary. The Schemes expose the Group to inflation risk, interest rate risk and market investment risk where benefits aren't insured. In addition, the McColl's Schemes expose the Group to longevity risk.

At 29 October 2023, schemes in surplus have been disclosed within the assets in the consolidated statement of financial position. For the Group's most material pension schemes, we continue to follow legal advice with regard to the recognition of a retirement benefit surplus and also recognition of a minimum funding requirement under IFRIC 14 'IAS19 – The limit on a defined benefit asset, minimum funding requirement and their interaction'. This advice concluded that recognition of a surplus is appropriate on the basis that the Group has an unconditional right to a refund of a surplus. In respect of the RSP this is on the basis that IFRIC 14 applies enabling a refund of surplus of the RSP. In respect of the Morrisons Scheme, it is on the basis that paragraph 11(b) or 11(c) 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 or the full settlement of the Scheme's liabilities in a single event (i.e. as a scheme wind up). In respect of the Safeway Scheme, a refund is available on the basis that paragraph 11(b) of IFRIC14 applies.

The current best estimate of Group contributions to be paid to the defined benefit schemes for the accounting period commencing 29 October 2023 is £3m (period commencing 30 October 2022: £9m).

8.6 Defined contribution schemes

The Group operates two defined contribution retirement benefit schemes, which means that the Group is not subject to the same investment, interest rate, inflation or longevity risks as it is for the defined benefit schemes. The benefits that the employees receive are dependent on the contributions paid, investment returns, and the form of benefit chosen at retirement. The Group paid contributions of £53m to the Morrisons scheme and £2m to the McColl's scheme during the period, and expects to contribute £58m in total to the schemes for the following period.

Notes to the Group financial statements (continued)

9 Share-based payments

Management Incentive Plan ('MIP')

Following the completion of CD&R acquisition of the Group in 2022, certain employees of the Group, including Directors and members of key management, were invited to invest in Preference and Ordinary shares of the ultimate parent company, Market Topco Limited. The share purchases were transacted in September 2022, funded through a combination of an ex-gratia bonus payment and a proportionate level of personal funds, plus additional voluntary personal investment.

Under the terms of the MIP, a total £17m of shares were purchased, of which £7m were funded via the ex-gratia bonus payment. The acquired shares comprised £15m of Preference Shares and £2m of Ordinary shares across different classes. £5m of the ex-gratia bonus payments were made to Directors and senior management, who purchased £11m of shares in total.

The B Preference and B Ordinary shares have the same rights as the equivalent A shares held by the principal investor shareholders of Market Topco Limited. The B Preference shares accrue dividends at 10% which compound annually and are redeemable at the discretion of the Company or on completion of an exit.

In all cases the shares are assessed as equity settled and will vest in full on completion of an exit, such as a listing or sale, with management's estimate of the vesting period being five years.

The cost of the Preference shares has been assessed as a reasonable proxy for fair value and, to the extent those shares were funded by the ex-gratia bonus, this amount will be charged to the income statement over the estimated vesting period. This gave rise to an immaterial in-year charge for the current period, given the short period of time elapsing between the effective grant/acquisition date and the period end.

The attributable in-year share-based payment charge on the Ordinary shares was £6m, of which £2m is attributable to Directors and Senior Management.

Notes to the Group financial statements (continued)

10 Other

10.1 Related party transactions

The Group's related party transactions in the current and previous financial periods include the remuneration of the senior managers, the Directors' emoluments and retirement benefit entitlements, share awards and share options (see note 1.6).

10.2 Guarantees, contingent liabilities and contingent assets

Guarantees

Senior Facilities Agreement

A condition of the Market Bidco Limited Senior Facilities Agreement was that 'material entities' needed to become guarantors to the facilities. 'Material entities' are ones which hold 5% or more of the consolidated Group's gross assets or generate 5% or more of the consolidated Group's EBITDA, or those which hold real property of greater than £75m. As such, on 23 March 2022 Wm Morrison Supermarkets Limited (along with its subsidiaries Safeway Limited, Safeway Stores Limited and Optimisation Investments Limited) acceded as guarantors to each of the new Facilities Agreements. The Company granted a guarantee and indemnity in respect of the obligations of the Obligors under each of the Facilities Agreements and provided security over its assets, pursuant to the Common Transaction Security Agreement.

The terms and conditions of Wm Morrison Supermarkets Limited's listed bonds are such that, if Group entities act as guarantors to finance facilities, they must also act as guarantors to the bonds. Wm Morrison Supermarkets Limited and Safeway Limited already guaranteed these bonds, so Safeway Stores Limited and Optimisation Investments Limited were required to accede as guarantors in addition.

Dordon

Following the sub-lease of the land and building of its customer fulfilment centre at Dordon to a third party in June 2017, the Group continues to guarantee the lease in respect of this site until 2038. If the lessee were to default during the period of guarantee, their lease obligations could revert back to the Group under the terms and become a liability of the Group. Should the lessee default, the additional future commitment is estimated at up to £30m (2022: £29m).

Equal pay claim

The Group has received claims from both current and former store colleagues alleging that their work is of equal value to certain colleagues working within logistics and that differences relating to pay are not justifiable. The claims are looking for equivalent pay terms and settlement for any historical differential in such pay terms. The Group does not accept these claims and is fully defending them within the court process. In the event that the Group is unsuccessful in any part of its defence (which is not accepted) it is not possible to quantify the impact of any potential damages at this early stage given the wide range of possible outcomes.

Other

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings, including certain tax matters, and claims which arise in the ordinary course of business. The Directors do not anticipate that the outcome of these proceedings, actions and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

Notes to the Group financial statements (continued)

10 Other (continued)

10.3 Post-balance sheet events

Directors resignation and appointment
David Potts resigned as Director and Chief Executive Officer of the Company on 1 November 2023 and Rami Baitiéh joined the Group as Chief Executive Officer ('CEO') in October 2023, appointed as Director on 30 October 2023.

Sale of petrol forecourt business
On 30 January 2024, the Group agreed the sale of its petrol forecourt business to Motor Fuel Group ("MFG") for £2.5bn. This consideration includes a 20% equity stake in MFG. The transaction also forms a new strategic partnership between MFG and the Group which will see Ultra-Rapid EV charging infrastructure rolled out across the Morrisons estate. The forecourts will continue to be branded Morrisons and food and groceries will be supplied by the Group. This represents a non-adjusting post-balance sheet event under IAS 8.

As part of the takeover by CD&R in 2021, a Memorandum of Understanding committed the Group to providing additional property security to the CARE Schemes and the RSP in a new arrangement, taking the total value of property security supporting these Schemes to at least £660m. In January 2024, an additional Memorandum of Understanding has been agreed releasing all the additional property assets agreed in 2021, except for four properties. Properties not returned have been substituted into an existing arrangement.

10.4 Ultimate parent undertaking controlling party

The ultimate parent undertaking and controlling party of the Wm Morrison Supermarkets Limited Group is Market Topco Limited. The immediate parent undertaking is Market Bidco Limited. Market Topco Limited and Market Bidco Limited were incorporated by Clayton, Dubilier and Rice's Fund XI for the purposes of acquiring Wm Morrison Supermarkets Limited. The investment into Market Topco Limited was made by a vehicle owned by Clayton, Dubilier & Rice Fund XI, L.P. and certain commonly-managed parallel and related investment vehicles thereof.

In addition to Market Bidco Limited and Market Topco Limited, the following five entities are controlled by Market Topco Limited and form part of the corporate structure above Wm Morrison Supermarkets Limited: Market Holdco 1 Limited; Market Holdco 2 Limited; Market Holdco 3 Limited; Market Bidco Finco Plc; Market Parent Finco Plc.

The smallest group at which consolidated financial statements are prepared is Market Bidco Limited, a company incorporated in England and Wales. The largest group at which consolidated financial statements are prepared is Market Topco Limited, a company incorporated in England and Wales. The registered office address of these companies is the same as that of Wm Morrison Supermarkets Limited. The consolidated Financial Statements of these groups are available to the public and may be obtained from the Company Secretary, Wm Morrison Supermarkets Limited, Hilmore House, Gain Lane, Bradford, West Yorkshire, United Kingdom, BD3 7DL.

Wm Morrison Supermarkets Limited
Company statement of financial position

As at 29 October 2023

	Note	2023 £m	2022 (restated)[2] £m
Fixed assets			
Intangible assets	11.6	**276**	290
Property, plant and equipment	11.7	**2,047**	2,385
Right-of-use assets	11.8	**1,040**	1,003
Investment property	11.9	**24**	26
Investment in subsidiaries	11.10	**718**	718
Investments – loans from group undertakings falling due after more than one year	11.10	**201**	201
Investments in joint ventures	11.11	**14**	27
		4,320	4,650
Current assets			
Inventories		**495**	581
Debtors – amounts falling due within one year	11.12	**6,801**	8,361
Debtors – amounts falling due after more than one year	11.13	**12**	7
Pension asset due after more than one year	11.21	**103**	298
Derivative financial assets due within one year	11.17	**34**	359
Derivative financial assets due after more than one year	11.17	**-**	128
Current tax asset		**2**	16
Cash and cash equivalents		**214**	224
		7,661	9,974
Creditors – amounts falling due within one year	11.14	**(6,210)**	(7,441)
Lease liabilities due within one year	11.16	**(79)**	(74)
Derivative financial liabilities due within one year	11.17	**(16)**	(3)
Loan from parent undertaking	11.18	**(882)**	(1,843)
		(7,187)	(9,361)
Net current assets		**474**	613
Total assets less current liabilities		**4,794**	5,263
Creditors – amounts falling due after more than one year	11.15	**(84)**	(84)
Lease liabilities due after more than one year	11.16	**(1,579)**	(1,424)
Derivative financial liabilities due after more than one year	11.17	**(2)**	-
Deferred tax liabilities	11.19	**(151)**	(313)
Provisions for liabilities	11.20	**(63)**	(43)
		(1,879)	(1,864)
Net assets		**2,915**	3,399
Shareholders' equity			
Share capital	11.22	**245**	245
Share premium	11.22	**253**	253
Capital redemption reserve	11.23	**39**	39
Merger reserve	11.23	**940**	940
Hedging reserve	11.23	**33**	373
Retained earnings[1]	11.23	**1,405**	1,549
Total shareholders' funds		**2,915**	3,399

1 Included within retained earnings is profit after tax of £24m (2022: £123m loss). After adjusting for exceptionals, profit before exceptionals after tax is £136m (2022: £14m). 2 See note 11.10 for details of the restatement.

The accounting policies on pages 105 to 107 and the notes on pages 107 to 123 form part of these financial statements. The financial statements on pages 103 to 123 were approved by the Board of Directors and authorised for issue on 30 January 2024. They were signed on its behalf by:

Joanna Goff, Chief Financial Officer
Company registration number: 00358949

Wm Morrison Supermarkets Limited
Company statement of changes in equity

52 weeks ended 29 October 2023

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total shareholders' funds £m
Current period								
At 31 October 2022		**245**	**253**	**39**	**940**	**373**	**1,549**	**3,399**
Loss for the period		**-**	**-**	**-**	**-**	**-**	**24**	**24**
Other comprehensive (expense)/ income:								
Cash flow hedging movement		**-**	**-**	**-**	**-**	**(454)**	**-**	**(454)**
Remeasurement of defined benefit schemes	11.21	**-**	**-**	**-**	**-**	**-**	**(207)**	**(207)**
Tax in relation to components of other comprehensive income	11.19	**-**	**-**	**-**	**-**	**114**	**39**	**153**
Total comprehensive (expense)/ income for the period		**-**	**-**	**-**	**-**	**(340)**	**(144)**	**(484)**
Employee share option schemes:								
Share options exercised	6.7	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 29 October 2023		**245**	**253**	**39**	**940**	**33**	**1,405**	**2,915**

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total shareholders' funds £m
Prior period								
At 1 November 2021		245	252	39	940	122	1,729	3,327
Loss for the period		-	-	-	-	-	(123)	(123)
Other comprehensive income/(expense):								
Cash flow hedging movement		-	-	-	-	335	-	335
Remeasurement of defined benefit schemes	11.21	-	-	-	-	-	(73)	(73)
Tax in relation to components of other comprehensive income	11.19	-	-	-	-	(84)	16	(68)
Total comprehensive income/(expense) for the period		-	-	-	-	251	(180)	71
Employee share option schemes:								
Share options exercised	6.7	-	1	-	-	-	-	1
Total transactions with owners		-	1	-	-	-	-	1
At 30 October 2022		245	253	39	940	373	1,549	3,399

The accounting policies on pages 105 to 107 and the notes on pages 107 to 123 form part of these financial statements.

Wm Morrison Supermarkets Limited
General Information

11 Company financial statements

11.1 Company information

The principal activity of Wm Morrison Supermarkets Limited (the 'Company') is the operation of retail supermarket stores and associated activities under the Morrisons brand. The Company is a private company limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is Hilmore House, Gain Lane, Bradford, BD3 7DL, United Kingdom.

11.2 Basis of preparation

The financial statements have been prepared for the 52 weeks ended 29 October 2023 (52 weeks ended 30 October 2022). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ('IFRS') as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions. The disclosure exemptions adopted by are as follows:

a) IFRS 2 'Share-based payment' (paragraphs 45(b) and 46 to 52) – details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined;

b) IFRS 7 'Financial Instruments: Disclosures';

c) IFRS 13 'Fair value measurement' (paragraphs 91 to 99) – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities;

d) IFRS 16 'Leases':

(i) paragraph 52 (single lease disclosure note);

(ii) paragraph 58 (maturity analysis); and

(iii) the second sentence of paragraph 89, paragraphs 90-91, 93 (lessor disclosures);

e) IAS 1 'Presentation of financial statements' (paragraph 38) – comparative information requirements in respect of:

(i) paragraph 79(a)(iv) of IAS 1;

(ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';

(iii) paragraph 118(e) of IAS 38 'Intangible assets' – reconciliations between the carrying amount at the beginning and end of the period; and

(iv) paragraphs 76 and 79(d) of IAS 40 'Investment property';

f) The following paragraphs of IAS 1 'Presentation of financial statements':

(i) 10(d) (statement of cash flows);

(ii) 111 (cash flow statement information); and

(iii) 134-136 (capital management disclosures);

g) IAS 7 'Statement of cash flows';

h) IAS 8 'Accounting policies, changes in accounting estimates and errors' (paragraphs 30 and 31) – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective;

i) The following requirements of IAS 24 'Related party disclosures':

(i) paragraph 17 – key management compensation; and

(ii) the requirements to disclose related party transactions entered into with two or more wholly owned members of a group.

In addition to the FRS 101 exemptions above, the Company has taken advantage of the exemption available under section 408 of the Act and not presented a profit and loss account for the Company.

The financial statements have been prepared on a going concern basis under the historical cost convention except as disclosed in the Summary of accounting policies in note 11.3. The Company's accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Wm Morrison Supermarkets Limited
Company accounting policies (continued)

11 Company financial statements (continued)

11.2 Basis of preparation (continued)

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are the same for the Company as they are for the Group. For further details, see page 57 to 59.

New accounting standards, amendments and interpretations adopted by the Company

There have been no new standards, interpretations and amendments to standards which are mandatory for the Company for the first time for the 52 weeks ended 29 October 2023, which have a material impact on the Company's financial statements.

New accounting standards, amendments and interpretations in issue but not yet effective

There are a number of standards and interpretations issued by the IASB that are effective for financial statements after this reporting period. None of these new standards, amendments and interpretations, are expected to have a material impact on the Company's financial statements.

Accounting reference date

These financial statements cover the 52 week period to 29 October 2023. The accounting period of the Company ends on a Sunday not more than seven days before or after the accounting reference date of 31 October.

11.3 Summary of accounting policies

The accounting policies listed below are the same for the Company as for the Group, and are detailed in the following notes:

a) Revenue recognition (1.1);
b) Cost of sales (1.1);
c) Promotional funding and commercial income (1.1);
d) Other operating income (1.1);
e) Taxation (2.1);
f) Intangible assets (3.1);
g) Property, plant and equipment (3.1);
h) Right-of-use assets (3.1);
i) Investment property (3.1);
j) Impairment of non-financial assets (3.1);
k) Lease – Group is the lessor (3.1);
l) Investments in joint ventures (4.1)
m) Inventories (5.1);
n) Trade and other receivables (5.1);
o) Cash and cash equivalents (5.1);
p) Trade and other payables (5.1);
q) Provisions (5.1);
r) Borrowings and borrowing costs (6.1);
s) Lease liabilities (6.1);
t) Share capital (6.1);
u) Derivative financial instruments and hedge accounting (7.1);
v) Pensions (8.1); and
w) Share-based payments (9.1).

The following accounting policies are those policies which are specific, and which deal with items considered material in relation to the Company's financial statements.

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

All other equity instruments are held for long-term investment and are measured at fair value. Gains or losses arising from changes in the fair value are presented in the profit and loss account within finance income or expenses in the period in which they arise.

Impairment losses or write backs of previous impairment losses are presented in the profit and loss account in the period in which they arise.

Wm Morrison Supermarkets Limited
Company accounting policies (continued)

11 Company financial statements (continued)

11.3 Summary of accounting policies (continued)

Amounts owed to/by Group undertakings
Amounts owed to/by Group undertakings are initially recorded at fair value, which is generally the proceeds received. They are subsequently carried at amortised cost. The amounts are non-interest bearing and repayable on demand unless otherwise stated.

Contingent liabilities
Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or present obligations that are not recognised because it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount cannot be measured reliably. The Company does not recognise contingent liabilities but does disclose any such balances (see note 11.25). The disclosure includes an estimate of their potential financial effect and any uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote.

Financial guarantees
Where the Company enters into financial contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the Company financial statements

11.4 Profit and loss account
The profit after tax for the Company for the period was £24m (2021/22: loss after tax of £123m). After adjusting for exceptional items, profit before exceptionals after tax is £136m (2021/22: £14m).

	2022/23 £m	2021/22 £m
Employee benefit expense for the Company during the period		
Wages and salaries	**835**	902
Social security costs	**69**	76
Retirement benefit costs	**55**	57
Share-based payments	**3**	2
	962	1,037

In addition to the amounts disclosed in the table above, there was an £5m exceptional charge relating to restructuring costs. (2021/22: £11m exceptional charge relating to restructuring costs).

The average monthly number of people, including Directors, employed by the Company was 48,411 (2022: 52,965).

The Company's auditors, PricewaterhouseCoopers LLP charged £0.9m (2021/22: £1m) for audit services in the period and £0.5m (2021/22: £0.1m) for other services. In addition to the fees noted above for the prior year, a further £0.3m was charged in relation to costs incurred within the group after the date of the accounts.

11.5 Share-based payments
During the period, certain employees of the Company, including Directors and members of key management, were invited to invest in the Morrisons Incentive Plan. Further details are disclosed in note 9.

Wm Morrison Supermarkets Limited
Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.6 Intangible assets

Current period	**£m**
Cost	
At 31 October 2022	**567**
Additions	**77**
Interest capitalised	**1**
Disposals	**(4)**
Fully written down assets	**(82)**
At 29 October 2023	**559**
Accumulated amortisation and impairment	
At 31 October 2022	**277**
Amortisation charge	**88**
Impairment charge	**4**
Disposals	**(4)**
Fully written down assets	**(82)**
At 29 October 2023	**283**
Net book amount at 29 October 2023	**276**
Assets under construction included above	***29***

Intangibles include software development costs and licences. The net book amount of licences at 29 October 2023 is £10m (2022: £9m).

The Company has assessed amortisation policies and asset lives and deemed them to be appropriate. As in previous years, fully amortised assets have been retained in the Company's fixed asset register. In order to provide greater understanding of the Company's annual amortisation charge, assets which have become fully amortised in the period have been removed from both cost and accumulated amortisation.

The cost of financing asset developments prior to them being ready for use is included in the cost of the project. Interest is capitalised at the effective interest rate of 5.7% (2022: 4%).

Prior period	£m
Cost	
At 1 November 2021	576
Additions	74
Interest capitalised	1
Disposals	(15)
Fully written down assets	(69)
At 30 October 2022	567
Accumulated amortisation and impairment	
At 1 November 2021	272
Amortisation charge	83
Impairment charge	6
Disposals	(15)
Fully written down assets	(69)
At 30 October 2022	277
Net book amount at 30 October 2022	290
Assets under construction included above	*34*

Wm Morrison Supermarkets Limited
Notes to the Company financial statements (continued)
11 Company financial statements (continued)
11.7 Property, plant and equipment

Current period	Freehold land £m	Freehold buildings £m	Leasehold property improvements £m	Plant, equipment, fixtures and vehicles £m	**Total £m**
Cost					
At 31 October 2022	836	1,486	522	1,343	**4,187**
Additions	39	39	-	42	**120**
Interest capitalised	-	-	-	1	**1**
Disposals	(100)	(164)	(5)	(18)	**(287)**
Fully written down assets	-	(5)	(3)	(187)	**(195)**
At 29 October 2023	775	1,356	514	1,181	**3,826**
Accumulated depreciation and impairment					
At 31 October 2022	84	742	322	654	**1,802**
Depreciation charge	-	36	12	159	**207**
Impairment charge	13	12	3	31	**59**
Impairment write back	(3)	(2)	-	(2)	**(7)**
Disposals	-	(65)	(5)	(17)	**(87)**
Fully written down assets	-	(5)	(3)	(187)	**(195)**
At 29 October 2023	94	718	329	638	**1,779**
Net book amount at 29 October 2023	681	638	185	543	**2,047**
Assets under construction included above	*19*	*-*	*-*	*2*	***21***

The Company has assessed depreciation policies and asset lives and deemed them to be appropriate. As in previous periods, fully depreciated assets are retained in the Company's fixed asset register. In order to provide greater understanding of the Company's depreciation charge, assets which have been fully depreciated in the period have been removed from both cost and accumulated depreciation. The cost of financing property developments prior to their opening date has been included in the cost of the asset.

During the period, a number of properties were sold to another Group entity, and were subsequently leased back by the Company.

Impairment

At each reporting date, in line with IAS 36 'Impairment of assets,' the Company reviews the carrying amount of its property, plant and equipment, right-of-use assets, investment property and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss or write back. In addition, it is Company policy to consider specific indicators of impairment for certain assets on an ongoing basis.

The Company considers each store location as a separate CGU. The Company calculates each location's recoverable amount and compares this amount to its book value. The recoverable amount is determined as the higher of 'value-in-use' and 'market value'. If the recoverable amount is less than the net book value, an impairment charge is recognised based on the following methodology:

'Value-in-use' is calculated by projecting an individual location's pre-tax cash flows over the life of the store, based on forecasting assumptions. The methodology used for calculating future cash flows is to:

- use the actual cash flows for each location;
- allocate a proportion of the Company's central costs to each location on an appropriate basis;
- allocate online store pick cash flows to locations where a reliable store pick trading history has been established;
- allocate an element of future capital cost, including energy efficiency spend required as part of environmental strategy; project cash flows over the preceding years by applying forecast sales and cost growth assumptions in line with the Company budget;
- project cash flows beyond the five year plan by applying a long-term growth rate;
- discount the cash flows using a pre-tax rate of 11.5% (2022: 11.5%). The Company takes into account a number of factors when assessing the discount rate, including the Company's WACC and other wider market factors. A small increase in the Group's WACC has been noted since 30 October 2022, but this is considered insufficient to require a change in the discount rate; and

Wm Morrison Supermarkets Limited
Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.7 Property, plant and equipment (continued)

Impairment (continued)

- consideration is given to any significant one-off factors impacting the locations and any strategic, climate-related or market factors which may impact future performance.

'Fair value less costs of disposal' is estimated by the Directors based on store level valuations prepared by independent valuers, aided by their knowledge of individual stores, the markets they serve and likely demand from grocers or other retailers. This assessment takes into account the continued low demand from major grocery retailers for supermarket space, when assessing rent and yield assumptions on a store by store basis.

The Company also considers its corporate assets for impairment at each reporting date. The Company calculates the recoverable amount of its corporate assets and compares this amount to its book value. The recoverable amount is based on the 'value-in-use' calculation undertaken for the store location CGU assessment, less the carrying value of the location CGUs. As at 29 October 2023, there was no indication of impairment of the corporate assets as part of this assessment. In addition to this assessment, the Company undertakes an obsolescence review to identify any specific corporate assets which require impairment on an ongoing basis.

Having applied the methodology and assumptions, the Company has recognised a net impairment charge of £52m (£59m impairment charge offset by £7m impairment write-back) during the period in respect of property, plant and equipment (2021/22: £nil impairment charge; (£85m impairment charge offset by £85m impairment write-back). This movement reflects fluctuations from store level trading performance and the valuation assessment of the properties.

At 29 October 2023, the assumptions to which the value in use calculation is most sensitive are the discount and cash flow growth rates. The Company has estimated a possible change of +1% discount rate or -1% growth rate would result in a c.£4m increase in impairment and a -1% discount rate or +1% growth rate would result in a c.£4m decrease in impairment.

Prior period	Freehold land £m	Freehold buildings £m	Leasehold property improvements £m	Plant, equipment, fixtures and vehicles £m	Total £m
Cost					
At 1 November 2021	879	1,578	522	1,192	4,171
Additions	9	-	-	255	264
Interest capitalised	-	-	-	1	1
Transfers from right-of-use assets	-	-	-	11	11
Transfers to other group companies	(49)	(82)	-	-	(131)
Disposals	(3)	(5)	-	(4)	(12)
Fully written down assets	-	(5)	-	(112)	(117)
At 30 October 2022	836	1,486	522	1,343	4,187
Accumulated depreciation and impairment					
At 1 November 2021	105	783	296	573	1,757
Depreciation charge	-	37	15	157	209
Impairment charge	21	15	13	36	85
Impairment write back	(41)	(39)	(2)	(3)	(85)
Transfers from right-of-use assets	-	-	-	7	7
Transfers to other group companies	-	(44)	-	-	(44)
Disposals	(1)	(5)	-	(4)	(10)
Fully written down assets	-	(5)	-	(112)	(117)
At 30 October 2022	84	742	322	654	1,802
Net book amount at 30 October 2022	752	744	200	689	2,385
Assets under construction included above	*10*	-	-	*19*	*29*

Wm Morrison Supermarkets Limited
Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.8 Right-of-use assets

	Leasehold land and buildings £m	Leased plant, equipment, fixtures and vehicles £m	**Total £m**
Cost			
At 31 October 2022	2,193	95	**2,288**
Additions	181	4	**185**
Disposals	(24)	-	**(24)**
Fully written down assets	(9)	(26)	**(35)**
At 29 October 2023	2,341	73	**2,414**
Accumulated depreciation and impairment			
At 31 October 2022	1,231	54	**1,285**
Depreciation charge	75	17	**92**
Impairment charge	53	-	**53**
Disposals	(21)	-	**(21)**
Fully written down assets	(9)	(26)	**(35)**
At 29 October 2023	1,329	45	**1,374**
Net book amount at 29 October 2023	1,012	28	**1,040**

The Company has assessed depreciation policies and asset lives and deemed them to be appropriate. Fully depreciated assets are retained in the Company's fixed asset register. In order to provide greater understanding of the Company's annual depreciation charge, assets which have been fully depreciated in the period have been removed from both cost and accumulated depreciation.

Impairment
Having applied the methodology and assumptions set out in note 11.7, the Company has recognised a net impairment charge of £53m (£53m impairment charge offset by £nil impairment write back) during the period in respect of right-of-use assets (2021/22: net £48m impairment charge; £62m impairment charge offset by £14m impairment write back). This movement reflects fluctuations from store level trading performance and the valuation assessment of the properties.

At 29 October 2023, the assumptions to which the value in use calculation is most sensitive to are the discount and cash flow growth rates. The Company has estimated a change of +1% discount rate or -1% growth rate would result in a c.£4m increase in impairment and a -1% discount rate or +1% growth rate would result in a c.£5m decrease in impairment.

11 Company financial statements (continued)

11.8 Right-of-use assets (continued)

Prior period	Leasehold land and buildings £m	Leased plant, equipment, fixtures and vehicles £m	Total £m
Cost			
At 1 November 2021	2,103	119	2,222
Additions	170	2	172
Transfer to property, plant and equipment	-	(11)	(11)
Disposals	(69)	-	(69)
Fully written down assets	(11)	(15)	(26)
At 30 October 2022	2,193	95	2,288
Accumulated depreciation and impairment			
At 1 November 2021	1,144	59	1,203
Depreciation charge	74	17	91
Impairment charge	62	-	62
Impairment write back	(14)	-	(14)
Transfer to property, plant and equipment	-	(7)	(7)
Disposals	(24)	-	(24)
Fully written down assets	(11)	(15)	(26)
At 30 October 2022	1,231	54	1,285
Net book amount at 30 October 2022	962	41	1,003

11.9 Investment property

	Freehold £m	Leasehold £m	**Total £m**
Cost			
At 31 October 2022	21	76	**97**
Disposals	(1)	-	**(1)**
At 29 October 2023	20	76	**96**
Accumulated depreciation and impairment			
At 31 October 2022	11	60	**71**
Depreciation charge	-	1	**1**
At 29 October 2023	11	61	**72**
Net book amount at end of period	9	15	**24**

Included in other operating income is £8m (2021/22: £5m) of rental income generated from investment properties. At the end of the period the fair value of freehold investment properties was £13m (2022: £13m), with leasehold investment properties supported by their value in use. Freehold investment properties are valued by independent surveyors on a vacant possession basis using observable inputs (fair value hierarchy level 2).

11 Company financial statements (continued)

11.9 Investment property (continued)

Prior period	Freehold £m	Leasehold £m	Total £m
Cost			
At 1 November 2021	23	74	97
Additions	-	2	2
Disposals	(2)	-	(2)
At 30 October 2022	21	76	97
Accumulated depreciation and impairment			
At 1 November 2021	13	59	72
Depreciation charge	-	1	1
Disposals	(2)	-	(2)
At 30 October 2022	11	60	71
Net book amount at end of period	10	16	26

11.10 Investment in subsidiaries

	2023 £m	2022 (restated) £m
Net book amount		
At start of period	**718**	307
Additions	**-**	411
At end of period[1]	**718**	718

[1] All the subsidiaries have the same period end as the Group, with the exception of Wm Morrison At Source Limited, Wm Morrison Property Partnership 4 LP and Wm Morrison Property Partnership LP that have the period end of 52 weeks ended 28 January 2024.

The Company holds an investment of £708m in Wm Morrison Property Partnership 4 LP as its Capital partner as part of the Scottish Limited Partnership arrangement, as detailed on page 126. During the period ended 29 October 2023, it was identified that an investment made in the prior year had been misclassified within the 30 October 2022 balance sheet. This resulted in an understatement of investments in subsidiaries of £411m and an understatement of Amounts owed to Group undertakings of £411m. This has been corrected by restating each of the affected line items retrospectively. This restatement does not impact the results or the net assets of the prior period.

In addition to the above, the Company continues to hold a £6m investment in Chippindale Foods Limited, a £4m investment in Lowlands Nursery Limited, and investments in other related undertakings, which in aggregate are less than £1m as at 29 October 2023. The Company additionally holds an investment of £201m (2021/22: £201m) in one of its indirect subsidiaries, for an amount invested to facilitate the acquisition of the trade and majority of assets of McColl's Retail Group plc in 2022, see note 11.12.

The Directors believe that the carrying value of these investments is supported by their underlying net assets. A list of all of the Company's related undertakings at the reporting date is shown on page 124 to 126.

11.11 Investments in joint ventures

The Company has two investments in joint ventures.

The Company has an interest in MHE JVCo Limited, which is jointly owned and controlled with a third party, Ocado Operating Limited. During the period, the Company received £5m (2022: £8m) of dividend income from its investment.

During the period, Yes Recycling (Fife) Ltd entered administration and as a result the investment of £4m has been fully impaired.

The carrying value of the Company's investment in MHE JVCo Limited at 29 October 2023 is £14m (2022: £27m).

Wm Morrison Supermarkets Limited
Notes to the Company financial statements (continued)
11 Company financial statements (continued)
11.12 Debtors – amounts falling due within one year

	2023 £m	2022 £m
Trade debtors	**96**	133
Amounts owed by Group undertakings	**6,540**	8,013
Prepayments and accrued income	**139**	126
Other receivables	**26**	89
	6,801	8,361

Amounts owed by Group undertakings are unsecured, bear no interest and repayable on demand.

11.13 Debtors – amounts falling due after more than one year

	2023 £m	2022 £m
Finance leases – Company is lessor	**12**	7

The Company is the lessor on a diverse portfolio of leases for property, such as retail units adjacent to trading stores. Most property leases contain rent review terms that require rents to be adjusted upwards on a periodic basis. The rent reassessments are normally based on changes in market rate or capped increase in measures of inflation.

Finance leases
The table below summarises the maturity profile of undiscounted finance lease payments that are due to the Company.

	2023 £m	2022 £m
Less than one year	**1**	1
After one year but not more than five years	**4**	4
More than five years	**5**	5
Total undiscounted lease payments receivable	**10**	10
Unearned finance income	**2**	3
Net investment in the lease	**12**	13

Finance lease income of £nil has been recognised in the period (2021/22: £1m).

Operating leases
The table below summarises the maturity profile of undiscounted operating lease payments due to the Company.

	2023 £m	2022 £m
Less than one year	**3**	7
One to two years	**3**	5
Two to three years	**2**	5
Three to four years	**2**	4
Four to five years	**2**	3
More than five years	**11**	16
Total undiscounted lease payments receivable	**23**	40

Operating lease income of £6m has been recognised in the period (2021/22: £13m).

11.14 Creditors – amounts falling due within one year

	2023 £m	2022 (restated)[1] £m
Trade creditors	**(2,798)**	(3,067)
Amounts owed to Group undertakings	**(2,436)**	(3,651)
Other taxation and social security	**(98)**	(16)
Other creditors	**(384)**	(399)
Accruals and deferred income	**(494)**	(308)
	(6,210)	(7,441)

[1]See note 11.10 for further details

Amounts owed to Group undertakings within one year are unsecured, bear no interest and repayable on demand.

11 Company financial statements (continued)

11.15 Creditors – amounts falling due after more than one year

	2023 £m	2022 £m
£250m sterling bonds 3.50% July 2026	**(39)**	(39)
£250m sterling bonds 4.75% July 2029	**(45)**	(45)
	(84)	(84)

The aggregate principal amount of the existing notes outstanding is £82m at 29 October 2023. (2022: £82m)

11.16 Lease liabilities

	2023 £m	2022 £m
Current lease liabilities	**(79)**	(74)
Non-current lease liabilities	**(1,579)**	(1,424)
	(1,658)	(1,498)

The Company is the lessee on a diverse portfolio of leases for property and equipment, with the vast majority of lease liabilities relating to property (see notes 11.7 and 11.8). Certain property leases contain rent review terms that require rents to be adjusted on a periodic basis which may be subject to market rent or capped increases in inflation measurements. In addition, certain property leases contain break clauses that would allow the Company to exit leases early.

	2022/2023 £m	2021/2022 £m
Total cash outflow for lessee leases	**(176)**	(167)
Interest expense on lease liabilities	**(79)**	(64)
Expense for short-term leases longer than one month	**(6)**	(5)
Expense for leases of low-value assets, excluding short-term	**(2)**	(2)

11.17 Derivative financial assets and liabilities

Derivative financial assets	2023 Fair Value £m	2023 Notional Value £m	2022 Fair Value £m	2022 Notional Value £m
Current				
Foreign exchange forward contracts	**5**	**377**	17	304
Fuel and energy price contracts	**26**	**58**	342	107
	31	**435**	359	411
Non-current				
Foreign exchange forward contracts	**-**	**2**	-	-
Fuel and energy price contracts	**-**	**14**	128	38
	-	**16**	128	38
Derivative financial liabilities				
Current				
Foreign exchange forward contracts	**(2)**	**(172)**	(3)	(105)
Fuel and energy price contracts	**(11)**	**(63)**	-	(3)
	(13)	**(235)**	(3)	(108)
Non-current				
Foreign exchange forward contracts	**-**	**(8)**	-	-
Fuel and energy price contracts	**(2)**	**(26)**	-	-
	(2)	**(34)**	-	-

Further details of the derivative financial instruments are provided in note 7, including significant assumptions underlying the valuation and the amounts recognised in profit and loss.

Wm Morrison Supermarkets Limited
Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.18 Loan from parent undertaking

	2023	2022
	£m	£m
Loan from parent undertaking	**(882)**	(1,843)

On 8 November 2021, intercompany funding was provided by Market Bidco Limited (the immediate parent) to the Company. The loan is unsecured, bear no interest and is repayable on demand.

11.19 Deferred tax liabilities

	2023 £m	2022 £m
Deferred tax liability	**(232)**	(397)
Deferred tax asset	**81**	84
Net deferred tax liability	**(151)**	(313)

IAS 12 'Income taxes' requires the offsetting of balances within the same tax jurisdiction where there is a legally enforceable right to offset. All of the deferred tax assets are available for offset against deferred tax liabilities.

The movements in deferred tax (liabilities)/assets during the period are shown below:

	Property, plant and equipment £m	Pensions £m	Other short-term temporary differences £m	**Total £m**
Current period				
At 31 October 2022	(195)	(76)	(42)	**(313)**
Credited/(charged) to profit for the period	14	(3)	(2)	**9**
Credited to other comprehensive income and equity	-	39	114	**153**
At 29 October 2023	(181)	(40)	70	**(151)**
Prior period				
At 1 November 2022	(183)	(90)	68	(205)
Charged to profit for the period	(12)	(2)	(26)	(40)
Credited/(charged) to other comprehensive income and equity	-	16	(84)	(68)
At 30 October 2022	(195)	(76)	(42)	(313)

11.20 Provisions for liabilities

	Onerous contracts £m	Other property provisions £m	**Total £m**
At 31 October 2022	(38)	(5)	**(43)**
Charged to profit for the period	(41)	(5)	**(46)**
Utilised during the period	22	3	**25**
Released during the period	-	1	**1**
At 29 October 2023	(57)	(6)	**(63)**

Included within the above balance at 29 October 2023 is £11m (2022: £7m) relating to a balance due within one year. The provision is reviewed regularly in response to market conditions.

Wm Morrison Supermarkets Limited
Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.21 Pensions

11.21.1 Defined benefit schemes: summary and description

The Company operates two defined benefit retirement schemes (together 'the Schemes') providing benefits based on a benefit formula that depends on factors including the employee's age and number of years of service.

The Morrison Scheme (the 'CARE Scheme') provides retirement benefits based on either the employee's compensation package or career average revalued earnings (CARE). The CARE Scheme is not open to new members and was closed to future accrual in July 2015.

The Retirement Saver Plan (RSP) is a cash balance scheme, which provides a lump sum benefit based upon a defined proportion of an employee's annual earnings, which is revalued each year in line with inflation subject to a cap. The RSP is not open to new members and was closed to future accrual in September 2018.

The position of each scheme at the reporting date is as follows:

	2023 £m	2022 £m
CARE Scheme	**72**	195
RSP	**31**	103
Net pension asset	**103**	298

Statement of financial position:	**2023 CARE £m**	**2023 RSP £m**	2022 CARE £m	2022 RSP £m
Fair value of scheme assets	**711**	**270**	933	376
Present value of obligations	**(639)**	**(239)**	(738)	(273)
Net pension asset	**72**	**31**	195	103

Income statement	**2022/23 CARE £m**	**2022/23 RSP £m**	2021/22 CARE £m	2021/22 RSP £m
Administrative costs	**2**	**1**	1	3
Net interest income on net pension asset	**(9)**	**(5)**	(6)	(1)
Total expense (credited)/charged to income statement	**(7)**	**(4)**	(5)	2
Statement of other comprehensive income:				
Remeasurements in other comprehensive income – charged/(credited)	**130**	**77**	138	(65)

The Schemes are registered schemes under the provisions of Schedule 36 of the Finance Act 2004 and the assets are held in legally separate, trustee-administered funds. The Trustees of each Scheme are required by law to act in the best interests of the Scheme participants within the context of administering the Scheme in accordance with the purpose for which the trust was created, and they are responsible for setting the investment, funding and governance policies of the fund. A representative of the Company attends Trustee Investment Committee meetings in order to provide the Company's view on investment strategy, but the ultimate power lies with the Trustees. The Deed and Rules of the Morrison Scheme gives the Trustees the power to set contributions, while in the RSP this power is given to the Company, subject to regulatory override.

11.21.2 Scheme assets

Assets of the Schemes generate returns and ultimately cash that is used to satisfy the Schemes' obligations. They are not necessarily intended to be realised in the short term. The Trustees of each Scheme invest in different categories of asset and with different allocations amongst those categories, according to the investment principles of that Scheme.

Currently, the investment strategy of the Schemes is to maintain a balance of income assets (including credit investments and corporate bonds) and protection assets (comprising liability driven investment (LDI) portfolios and buy-in annuity policies), with a weighting towards protection assets. There are no direct investments in the Company's own shares or property occupied by any member of the Company.

11 Company financial statements (continued)

11.21 Pensions (continued)

11.21.2 Scheme assets (continued)

Fair value of Scheme assets:

	2023 CARE £m	**2023 RSP £m**	2022 CARE £m	2022 RSP £m
Corporate bonds (quoted)	**-**	**126**	205	149
Credit funds (unquoted)	**134**	**-**	140	-
Liability driven investments (unquoted)	**-**	**139**	472	107
Scottish Limited Partnership (unquoted)	**-**	**-**	-	53
Annuity policies (unquoted)	**639**	**-**	106	-
Cash (quoted)	**19**	**5**	10	67
Premium due to insurers (unquoted)	**(81)**	**-**	-	-
	711	**270**	933	376

For definitions of the liability driven investments, annuity policies, and credit funds, see note 8.3.

The movement in the fair value of the Schemes' assets over the period was as follows:

	2023 CARE £m	**2023 RSP £m**	2022 CARE £m	2022 RSP £m
Fair value of scheme assets at start of period	**933**	**376**	1,525	484
Interest income	**43**	**18**	28	9
Return on scheme assets excluding interest	**(235)**	**(111)**	(591)	(104)
Employer contributions	**-**	**1**	-	1
Benefits paid	**(28)**	**(13)**	(28)	(11)
Administrative expenses	**(2)**	**(1)**	(1)	(3)
Fair value of scheme assets at end of period	**711**	**270**	933	376

Scottish Limited Partnership

The Company has previously entered into a pension funding partnership structure with the CARE Scheme whereby the partnership structure holds properties which are leased back to the Company in return for rental income payments. The Company retains control over these properties, including the flexibility to substitute alternative properties. The CARE Scheme was entitled to receive fixed distributions of £2.2m p.a. until 2033 subject to certain conditions.

During the 52 weeks ended 31 January 2021, the Company and the Schemes' Trustees agreed to reorganise the limited partnership structure, so that future distributions are made to the RSP. The pension funding partnership structure was amended to permanently cease fixed distributions to both the Company and Safeway Stores Limited's CARE Schemes. On the same day, the Company and the RSP entered into a new pension funding partnership. As a partner, the RSP is entitled to receive a fixed distribution of £6.9m p.a. from the profits of the SLP for 13 years from 2020, subject to certain conditions. The fixed distribution is comparable to the distributions that would have been made to the Group's CARE Schemes under the previous partnership structure.

The RSP Scheme's interests in the Scottish Limited Partnership can increase the net pension asset on the FRS 101 accounting basis because the investments held by the Scheme qualify as an asset for Company FRS 101 purposes. Given recent improvements in the RSP's funding position, the contributions from the partnership to the RSP have now been paused. No further contributions are expected to be paid from the partnership and its value as at 29 October 2023 is assumed to be £nil.

11 Company financial statements (continued)

11.21 Pensions (continued)

11.21.3 Present value of obligations

The movement in the defined benefit obligation over the period was as follows:

	2023 CARE £m	2023 RSP £m	2022 CARE £m	2022 RSP £m
Defined benefit obligation at start of period	**(738)**	**(273)**	(1,197)	(445)
Interest expense	**(34)**	**(13)**	(22)	(8)
Actuarial gain/(loss) – demographic assumptions	**13**	**-**	(6)	-
Actuarial gain – financial assumptions	**115**	**34**	478	162
Actuarial (loss)/gain – experience	**(23)**	**-**	(19)	7
Benefits paid	**28**	**13**	28	11
Defined benefit obligation at end of period	**(639)**	**(239)**	(738)	(273)

The durations of the defined benefit obligations at 29 October 2023 are: RSP 13 years; CARE 15 years (2022: RSP: 15 years CARE: 17 years). The weighted average duration of the Schemes is 14 years (2022: 16 years).

11.21.4 Significant actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

Financial assumptions	2023 CARE	2023 RSP	2022 CARE	2022 RSP
Discount rate applied to scheme liabilities	**5.7%**	**5.7%**	4.7%	4.7%
Inflation assumption (RPI)	**3.4%**	**3.4%**	3.5%	3.4%
Life expectancies	**2022/2023 CARE**	**2022/2023 RSP**	2021/2022 CARE	2021/2022 RSP
Longevity in years from age 65 for current pensioners				
Male	**19.7**	**n/a**	20.3	n/a
Female	**23.1**	**n/a**	23.6	n/a
Longevity in years from age 65 for current members aged 45				
Male	**21.4**	**n/a**	22.0	n/a
Female	**24.9**	**n/a**	25.4	n/a

The Company estimates the discount rates with reference to high quality corporate bonds. At very long durations, where there are no high quality corporate bonds, the yield curve is extrapolated based on available corporate bond yields of mid to long duration. The Company believes that this approach appropriately reflects expected yields on high quality corporate bonds over the duration of the Company's pension schemes, as required by FRS 101.

Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with published statistics. The mortality tables used for the 52 weeks ended 29 October 2023 are the S3PMA-Heavy/S3PFA-Heavy tables (males/females) based on year of birth with a scaling factor of 95% applied to the mortality rates, with CMI 2022 core projections and a long-term rate of improvement of 1.5% pa.

The mortality tables used for the 52 weeks ended 30 October 2022 were consistent with 2023, other than use of the CMI2021 projections.

Wm Morrison Supermarkets Limited
Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.21 Pensions (continued)

11.21.4 Significant actuarial assumptions (continued)

Related actuarial assumptions

	2023 CARE	**2023 RSP**	2022 CARE	2022 RSP
Rate of increase of pensions in payment: RPI inflation capped at either 2.5% p.a. or 5% p.a	**2.2%/3.2%**	**-**	2.2%/3.3%	-
Rate of increase of pensions in deferment: CPI inflation capped at either 2.5% p.a. or 5% p.a.	**-/2.8%**	**2.5%/-**	-/2.9%	2.5%/-
CPI inflation (% p.a.)	**2.8%**	**2.8%**	2.9%	2.8%

Sensitivity analysis on significant actuarial assumptions
The following table summarises the impact on the defined benefit obligation at the end of the reporting period if each of the significant actuarial assumptions listed above were changed, in isolation, assuming no other changes in market conditions at the accounting date. In practice, given the CARE Scheme is fully insured, any movement in assumptions could be accompanied by an offsetting change in asset values, and the corresponding overall impact on the net asset/(liability) is broadly nil. For the RSP, any movement in assumptions would be accompanied by a partially offsetting change in asset values, and therefore the corresponding overall impact of the net asset/(liability) is likely to be lower than the amounts below in a number of scenarios. Extrapolation of the sensitivities shown may not be appropriate.

		2023 CARE	**2023 RSP**	2022 CARE	2022 RSP
Discount rate applied to Scheme obligations	+/-0.1% p.a.	**-/+10**	**-/+5**	-/+10	-/+5
Inflation assumption (RPI and associated assumptions)	+/-0.1% p.a.	**+/-5**	**+/-**	+/-5	+/-0
Longevity	+one year	**+15**	**n/a**	+15	-

11.21.5 Funding
The CARE Scheme is entirely funded by the Company. The Company along with other subsidiaries of the Company participated in the RSP. There is no contractual agreement or stated policy for charging the net defined benefit cost between the Company and its subsidiaries. The contribution of each participating subsidiary to the RSP is currently calculated in proportion to the number of employees that are members of the RSP.

The latest full actuarial valuations were carried out as at 5 April 2022 for the CARE Scheme and the RSP. The valuations indicated that, on the agreed funding basis, the CARE and RSP Schemes had surpluses of £214m and £38m respectively. As a result of these funding positions there are currently no deficit contributions payable. As such there is no “minimum funding requirement” in force.

These results have been used and updated for FRS 101 purposes for the period to 29 October 2023 by a qualified independent actuary. The Schemes expose the Company to inflation risk, interest rate risk and market investment risk where benefits are not insured.

At 29 October 2023, schemes in surplus have been disclosed within the assets in the Statement of financial position. The Company continues to follow legal advice with regard to the recognition of a pension surplus and also recognition of a minimum funding requirement under IFRIC 14 ‘IAS19 – The limit on a defined benefit asset, minimum funding requirement and their interaction’. This advice concluded that recognition of a surplus is appropriate on the basis that the Company has an unconditional right to a refund of a surplus. In respect of the RSP this is on the basis that IFRIC 14 applies enabling a refund of surplus of the RSP. In respect of the CARE Scheme, this is on the basis that paragraph 11(b) or 11(c) 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 or the full settlement of the Scheme's liabilities in a single event (i.e. as a scheme wind up).

The current best estimate of Company contributions to be paid to the defined benefit schemes for the accounting period commencing 29 October 2023 is £nil (52 weeks to 29 October 2023: £7m).

Wm Morrison Supermarkets Limited
Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.21 Pensions (continued)

11.21.6 Defined contribution scheme

The Group opened a defined contribution retirement benefit scheme called the Morrisons Personal Retirement Scheme ('MPRS') for employees during the 53 weeks ended 4 February 2018. The MPRS has become the auto enrolment scheme for the Company. As the MPRS is a defined contribution scheme, the Company is not subject to the same investment, interest rate, inflation or longevity risks as it is for the defined benefit schemes. The benefits that employees receive are dependent on the contributions paid, investment returns, and the form of benefit chosen at retirement.

During the 52 weeks ended 29 October 2023, the Company paid contributions of £30m to the MPRS (52 weeks to 30 October 2022: £54m) and expects to contribute £33m for the following period.

11.22 Share capital

	Number of shares millions	Called up share capital £m	Share premium account £m	**Total £m**
At 31 October 2022 and 29 October 2023	2,451	245	253	**498**

All issued shares are fully paid and have a par value of 10p per share (2022: 10p per share).

For further details on called up share capital and share premium accounts, see note 6.7.

11.23 Reserves

	2023 £m	2022 £m
Capital redemption reserve	**39**	39
Merger reserve	**940**	940
Hedging reserve	**33**	373
Retained earnings[1]	**1,405**	1,549
Total	**2,417**	2,901

[1] Included in retained earnings is £nil relating to a gain on trust shares (2022: £28m gain)

Capital redemption reserve

The capital redemption reserve at the start of the period related to 389,631,561 of the Company's own shares which it purchased on the open market for cancellation between 31 March 2008 and 8 March 2013 at a total cost of £1,081m.

Merger reserve

The merger reserve represents the reserve arising on the acquisition in 2004 of Safeway Limited. This merger reserve was initially considered unrealised on the basis it was represented by investments held by the Company, which is not qualifying consideration in accordance with Tech 02/17 issued by the Institute of Chartered Accountants in England and Wales (ICAEW).

During the 53 weeks ended 4 February 2018, the majority of the Company's investments were transferred to another Group company, Wm Morrison Supermarkets Holdings Limited, in exchange for an intercompany loan. To the extent that this intercompany balance is settled in qualifying consideration, the same proportion of the merger reserve becomes realised. During the 52 weeks ended 29 October 2023 and 30 October 2022 none of the intercompany loan balance was settled through a qualifying consideration. As a result, none of the merger reserve balance was realised in the period (2022: £nil).

Hedging reserve

This represents the gains and losses arising on derivatives used for cash flow hedging.

11.24 Capital commitments

	2023 £m	2022 £m
Contracts placed for future capital expenditure not provided in the financial statements (property, plant and equipment, right-of-use assets and intangible assets)	**72**	44
Contracts placed for future leases not provided in the financial statements	**4**	19

Wm Morrison Supermarkets Limited
Notes to the Company financial statements (continued)

11 Company financial statements (continued)

11.25 Guarantees, contingent liabilities and contingent assets

Guarantees

Senior Facilities Agreement

A condition of the Market Bidco Limited Senior Facilities Agreement was that ‘material entities’ needed to become guarantors to the facilities. ‘Material entities’ are ones which hold 5% or more of the consolidated Group’s gross assets or generate 5% or more of the consolidated Group’s EBITDA, or those which hold real property of greater than £75m. As such, on 23 March 2022 Wm Morrison Supermarkets Limited (along with its subsidiaries Safeway Limited, Safeway Stores Limited and Optimisation Investments Limited) acceded as guarantors to each of the new Facilities Agreements. The Company granted a guarantee and indemnity in respect of the obligations of the Obligors under each of the Facilities Agreements and provided security over its assets, pursuant to the Common Transaction Security Agreement.

The terms and conditions of Wm Morrison Supermarkets Limited’s listed bonds are such that, if Group entities act as guarantors to finance facilities, they must also act as guarantors to the bonds. Wm Morrison Supermarkets Limited and Safeway Limited already guaranteed these bonds, so Safeway Stores Limited and Optimisation Investments Limited were required to accede as guarantors in addition.

The Company has also given an unlimited guarantee in respect of the overdraft of all the subsidiary undertakings within the Group’s banking offset agreement. The overdraft position at 29 October 2023 was £nil (30 October 2022: £nil).

Where the Company enters into financial contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Dordon and Equal pay claim

See note 10.2.

Other

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings, including certain tax matters, and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings, actions and claims, either individually or in aggregate, will have a material adverse effect upon the Group’s financial position.

11.26 Post-balance sheet events

Directors resignation and appointment

David Potts resigned as Director and Chief Executive Officer of the Company on 1 November 2023 and Rami Baitiéh joined the Group as Chief Executive Officer ('CEO') in October 2023, appointed as Director on 30 October 2023.

Sale of petrol forecourt business

On 30 January 2023, the Group agreed the sale of its petrol forecourt business to Motor Fuel Group (“MFG”) for £2.5bn. This consideration includes a 20% equity stake in MFG. The transaction also forms a new strategic partnership between MFG and the Group which will see Ultra-Rapid EV charging infrastructure rolled out across the Morrisons estate. The forecourts will continue to be branded Morrisons and food and groceries will be supplied by the Group. This represents a non-adjusting post-balance sheet event under IAS 8.

As part of the takeover by CD&R in 2021, a Memorandum of Understanding committed the Group to providing additional property security to the CARE Schemes and the RSP in a new arrangement, taking the total value of property security supporting these Schemes to at least £660m. In January 2024, an additional Memorandum of Understanding has been agreed releasing all the additional property assets agreed in 2021, except for four properties. Properties not returned have been substituted into an existing arrangement.

11.27 Ultimate parent undertaking

The ultimate parent undertaking and controlling party of the Company is Market Topco Limited. The immediate parent company is Market Bidco Limited. Market Bidco Limited and Market Topco Limited were incorporated by Clayton, Dubilier and Rice's Fund XI for the purposes of acquiring the Company. The investment into Market Topco Limited was made by a vehicle owned by Clayton, Dubilier & Rice Fund XI, L.P. and certain commonly-managed parallel and related investment vehicles thereof.

11 Company financial statements (continued)

In addition to Market Bidco Limited, the following five entities are controlled by Market Topco Limited and form part of the corporate structure above Wm Morrison Supermarkets Limited;

- Market Holdco 1 Limited;
- Market Holdco 2 Limited;
- Market Holdco 3 Limited;
- Market Bidco Finco Plc; and
- Market Parent Finco Plc.

The smallest group at which consolidated financial statements are prepared is Market Bidco Limited, a company incorporated in England and Wales. The largest group at which consolidated financial statements are prepared is Market Topco Limited, a company incorporated in England and Wales. The registered office address of these companies is the same as that of Wm Morrison Supermarkets Limited. The consolidated Financial Statements of these groups are available to the public and may be obtained from the Company Secretary, Wm Morrison Supermarkets Limited, Hilmore House, Gain Lane, Bradford, West Yorkshire, United Kingdom, BD3 7DL.

Wm Morrison Supermarkets Limited
Related undertakings

In accordance with section 409 of the Companies Act 2006, a full list of related undertakings including the country of incorporation, the principal activity and the effective percentage of equity owned as at 29 October 2023 is disclosed below. The registered address of all undertakings is Hilmore House, Gain Lane, Bradford, BD3 7DL unless otherwise stated.

Related undertakings of Wm Morrison Supermarkets Limited

Name	Country of incorporation	Principal activity	Interest
Bos Brothers Fruit and Vegetables B.V.[1]	Netherlands	Acquirer of food products	100%
Chippindale Foods Limited	England and Wales	Supplier of eggs	100%
De Mandeville Gate Management Limited	England and Wales	Dormant	51%
Dordon SPV Limited[2]	England and Wales	Lease company	100%
Flower World Limited	England and Wales	Dormant	100%
Lowlands Nursery Limited	England and Wales	Wholesale of flowers and plants	100%
MHE JVCo Limited[3]	England and Wales	Joint venture with Ocado	51%
Neerock Farming Limited[4]	Scotland	Dormant	100%
Perimeter Holdings Limited	England and Wales	Dormant	100%
Wm Morrison (HK) Limited[5]	Hong Kong	Acquirer of non-food products	100%
Wm Morrison Nominee 1 Limited	England and Wales	Dormant	100%
Wm Morrison Nominee 2 Limited	England and Wales	Dormant	100%
Wm Morrison Nominee 3 Limited	England and Wales	Dormant	100%
Wm Morrison Pension Trustee Limited	England and Wales	Dormant	100%
Wm Morrison Property Investments Limited[6]	Scotland	General partner in a partnership	100%
Wm Morrison Supermarkets Holdings Limited	England and Wales	Holding company	100%
Yes Recycling (Fife) Ltd[7]	Scotland	In administration	50%

Registered address:

1. 3151, ZJ Hoek van Holland, the Netherlands, Amersgat 17
2. 1 Ashley Road, 3rd Floor, Altrincham, WA14 2DT
3. Buildings 1 & 2, Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL
4. Market Hill, Market Hill Road, Turriff, Aberdeenshire, Scotland, AB53 4PA
5. 19/F Millenium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong
6. Capella Building (Tenth Floor), 60 York Street, Glasgow, G2 8JX
7. Lomond House Westlaw Road, Whitehill Industrial Estate, Glenrothes, Fife, Scotland, KY6 2QZ

Related undertakings of other Group companies

Name	Country of incorporation	Principal activity	Interest
Alliance Property Holdings Limited	England and Wales	Retailer	100%
Amos Hinton & Sons Ltd	England and Wales	Dormant	100%
Argyle Securities Limited[1]	Scotland	Dormant	100%
Argyll Foods Limited	England and Wales	Dormant	100%
Argyll Stores (Holdings) Limited	England and Wales	Dormant	100%
Ascot Road Watford Limited	England and Wales	Dormant	100%
Cancede Limited	England and Wales	Property investment	100%
Cordon Bleu Freezer Food Centres Limited	England and Wales	Dormant	100%
Divertigo Limited	England and Wales	Dormant	100%
English Real Estates Limited	England and Wales	Dormant	100%
Erith Pier Company Limited	England and Wales	Property maintenance	100%
Evermere Limited	England and Wales	Dormant	100%
Falfish (Holdings) Limited	England and Wales	Preparation and supply of seafood	100%

Wm Morrison Supermarkets Limited
Related undertakings (continued)

Related undertakings of other Group companies (continued)

Falfish Limited	England and Wales	Preparation and supply of seafood	100%
Farmers Boy Limited	England and Wales	Manufacturer and distributor of fresh food products	100%
Farmers Boy (Deeside) Limited	England and Wales	Dormant	100%
Federated Properties Limited	England and Wales	Dormant	100%
Firsdell Ltd	England and Wales	Dormant	100%
Fisherdale Properties Limited	England and Wales	Dormant	100%
Freehold Investments Limited[2]	Jersey	Dormant	100%
International Seafoods Limited	England and Wales	Preparation and supply of seafood	100%
Ipsolus Limited	England and Wales	Dormant	100%
J3 Property Limited[1]	Scotland	Dormant	100%
Kiddicare Properties Limited	England and Wales	Dormant	100%
Lease Securities Limited[2]	Jersey	Dormant	100%
MDW (Eastbourne) Limited	England and Wales	Dormant	100%
MoClo Limited	England and Wales	Property management	100%
Myton Food Group Limited	England and Wales	Dormant	100%
Monument Hill Properties Limited	England and Wales	Dormant	100%
Neerock Limited	England and Wales	Fresh meat processor	100%
Newincco 1072 Limited	England and Wales	Dormant	100%
Oldwest Limited[2]	Scotland	Dormant	100%
Optimisation Developments Limited	England and Wales	Property development	100%
Optimisation Investments Limited	England and Wales	Property investment	100%
Presto Stores (LC) Limited	England and Wales	Dormant	100%
Presto Stores Limited	England and Wales	Dormant	100%
Rathbone Kear Limited	England and Wales	Manufacturer and distributor of morning goods and bread	100%
Rathbones Bakeries Limited	England and Wales	Dormant	100%
RP (No. 37) Limited[25]	Jersey	Dormant	100%
Safeway (Overseas) Limited	England and Gibraltar	Grocery retailer (overseas)	100%
Safeway Development Limited	England and Wales	Dormant	100%
Safeway Food Stores Limited	England and Wales	Holding company	100%
Safeway Grocery (Ireland) Limited[5]	Ireland	Dormant	100%
Safeway Limited	England and Wales	Holding company	100%
Safeway Pensions Trustees Company Limited	England and Wales	Dormant	100%
Safeway Pension Trustees Limited	England and Wales	Dormant	100%
Safeway Properties Limited	England and Wales	Property investment	100%
Safeway QUEST Trustees Limited	England and Wales	Dormant	100%
Safeway Stores (Gibraltar) Pension Trustees Limited[4]	Gibraltar	Dormant	100%
Safeway Stores (Ireland) Limited	England and Wales	Dormant	100%

Wm Morrison Supermarkets Limited
Related undertakings (continued)

Related undertakings of other Group companies (continued)

Safeway Stores Limited	England and Wales	Grocery retailer	100%
Safeway Trustee (FURB) Limited	England and Wales	Dormant	100%
Safeway Wholesale Limited	England and Wales	Holding company	100%
Simply Fresh Foods Holdings Limited	England and Wales	Dormant	100%
Stalwart Investments Limited[2]	Jersey	Dormant	100%
Stores Group Limited	England and Wales	Holding company	100%
The Home & Colonial Stores Limited	England and Wales	Dormant	100%
The Medical Hall Limited[4]	Gibraltar	Pharmaceutical licence holder (Gibraltar)	100%
The Morrisons Foundation	England and Wales	Charity	100%
Tower Centre Hoddesdon Limited	England and Wales	Dormant	100%
Trilogy (Leamington Spa) Limited	England and Wales	Property development	100%
Velligrist Limited	England and Wales	Dormant	100%
Wm Morrison (Ireland) Limited[5]	Ireland	Dormant	100%
Wm Morrison At Source Limited	England and Wales	Technical testing and analysis	100%
Wm Morrison Bananas Limited	England and Wales	Dormant	100%
Wm Morrison GP 1 Limited	England and Wales	Dormant	100%
Wm Morrison GP 2 Limited	England and Wales	Dormant	100%
Wm Morrison GP 3 Limited	England and Wales	Dormant	100%
Wm Morrison Growers Limited	England and Wales	Acquirer of fresh produce	100%
Wm Morrison LP 1 Limited	England and Wales	Dormant	100%
Wm Morrison LP 2 Limited	England and Wales	Dormant	100%
Wm Morrison LP 3 Limited	England and Wales	Dormant	100%
Wm Morrison Produce Limited	England and Wales	Produce packer and purchaser	100%
Wm Morrison Property Partnership LP[1]	Scotland	Scottish Limited Property Partnership	100%
Wm Morrison Property Partnership 1 Limited Partnership	England and Wales	Dormant	100%
Wm Morrison Property Partnership 2 Limited Partnership	England and Wales	Dormant	100%
Wm Morrison Property Partnership 3 Limited Partnership	England and Wales	Property partnership	100%
Wm Morrison Property Partnership 4 LP[1]	Scotland	Property partnership	100%
Wm Morrison Supermarket Stores Ltd	England and Wales	Dormant	100%

Registered address:

1. Capella Building (Tenth Floor), 60 York Street, Glasgow, G2 8JX
2. IFC1, Esplanade, St Helier, Jersey, JE1 3BX
3. 1st & 2nd floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW
4. 1st Floor, 5 Secretary's Lane, Gibraltar GX11 1AA
5. 25-2, North Wall Quay, Dublin 1, Ireland, D01 H104

Glossary

Alternative Performance Measures

In response to the Guidelines on Alternative Performance Measures ('APMs') issued by the European Securities and Markets Authority ('ESMA'), we have provided additional information on the APMs used by the Group. The Directors use the APMs listed below as they are critical to understanding the financial performance and financial health of the Group. As they are not defined by IFRS, they may not be directly comparable with other companies who use similar measures.

Measures	Closest equivalent IFRS measure	Definition and purpose	Reconciliation for Group measures
Profit measures			
Like-for-like ('LFL') sales growth	Revenue	Percentage change in year-on-year sales (excluding VAT), removing the impact of new store openings and closures in the current or previous financial period. The measure is used widely in the retail industry as an indicator of ongoing sales performance. It is also a key measure for Director and management remuneration.	**2022/2023 %** Group LFL (exc. fuel) **1.8%** Group LFL (inc. fuel) **(1.4)%**
Total sales growth	Revenue	*Including fuel:* Percentage change in year-on-year total reported revenue. *Excluding fuel:* Percentage change in year-on-year total sales excluding fuel. This measure illustrates the total year-on-year sales growth and is a key measure for Director and management remuneration.	A reconciliation of total sales including and excluding fuel is provided in note 1.2 of the financial statements.
Profit before tax and exceptionals	Profit before tax	Profit before tax and exceptionals is defined as profit before tax, exceptional items and net retirement benefit credit. This excludes exceptional items which are significant in size and/or nature and net retirement benefit credit. This measure is a key measure used by the Directors. It provides key information on ongoing trends and performance of the Group.	A reconciliation of this measure is provided in note 1.4 of the financial statements.
Profit before exceptionals after tax	Profit after tax	Profit before tax and exceptionals after a normalised tax charge. This measure is used by the Directors as it provides key information on ongoing trends and performance of the Group, including a normalised tax charge.	£202m being profit before tax and exceptionals (£236m) less a normalised tax charge (£34m) (see note 1.4 of the financial statements).
Operating profit before exceptionals	Operating profit[1]	Reported operating profit before exceptional items, which are significant in size and/or nature. This measure is used by the Directors as it provides key information on ongoing trends and performance of the Group.	£307m being reported operating profit of £89m, adjusted for impairment and provisions for onerous contracts (£218m), restructuring and store closure costs (£50m), profit on disposal and closure (£1m), pension administrative costs (£5m) and other exceptional credit items (£54m).
Net finance costs before exceptionals	Finance costs	Reported net finance costs excluding the impact of net retirement benefit interest and other exceptional items, which are significant in size and/or nature. This measure is used by the Directors as it provides key information on ongoing cost of financing excluding the impact of exceptional items.	A reconciliation of this measure is provided in note 6.2 of the financial statements.

1 Operating profit is not defined under IFRS. However, it is a generally accepted profit measure.

Glossary (continued)

Alternative Performance Measures (continued)

Measures	Closest equivalent IFRS measure	Definition and purpose	Reconciliation for Group measures
Profit measures (continued)			
Underlying EBITDA	Operating profit[1]	Operating profit before exceptional items and after loss from joint ventures. Plus depreciation and amortisation, McColl's rental costs[2] and Management Incentive Plan (MIP)[3]. This measure is used by the Directors as it provides key information on ongoing trends and the performance of the Group before capital investment and financing costs.	£970m being operating profit before exceptionals (£307m), plus depreciation (£539m) and amortisation (£96m), McColl's rental costs (£24m), MIP (£5m) less share of loss from joint venture (£1m).
Statutory EBITDA	Operating profit[1]	Operating profit after exceptional items including share of profit/loss from joint venture, before depreciation and amortisation.	£723m being operating profit (£89m), less share of loss from joint venture (£1m), plus depreciation (£539m) and amortisation (£96m).
Tax measures			
Normalised tax	Effective tax	Normalised tax is the tax rate applied to the Group's principal activities on an ongoing basis. This is calculated by adjusting the effective tax rate for the period to exclude the impact of exceptional items and net retirement benefit credit. This measure is used by the Directors as it provides a better reflection of the normalised tax charge for the Group.	A reconciliation of the tax charge is found in note 2.2.3 of the financial statements.
Cash flows and net debt measures			
Net debt	No direct equivalent	Net debt is current and non-current: borrowings, lease liabilities and derivative financial assets and liabilities; net of cash and cash equivalents.	A reconciliation of this measure is provided in note 6.6 of the financial statements.
Working capital movement	No direct equivalent	Movement in inventories, trade and other receivables, trade and other payables and provisions.	£124m increase relating to movement in inventories (inflow of £72m), debtors (outflow of £12m), creditors (inflow of £44m) and provisions (inflow of £20m).

1 Operating profit is not defined under IFRS. However, it is a generally accepted profit measure.

2 Rental costs for the majority of McColl's properties are recorded within operating profit/(loss) as full IFRS 16 leases agreements have yet to be finalised. This adjustment treats them as if IFRS 16 had been applied.

3 Management Incentive Plan includes release of prepaid charges.

Company advisors

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London E1 6PW

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DISCLAIMER

This Annual Report has been prepared by Wm Morrison Supermarkets Limited ("Morrisons") solely for informational purposes.

Morrisons has prepared this Annual Report on the basis of information in its possession, as well as from sources believed to be reliable. To the extent available, the industry, market and competitive-position data contained in this Annual Report come from official or third-party sources. Third-party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Although Morrisons believes that each of these publications, studies and surveys has been prepared by a reputable source, Morrisons has not independently verified the data contained therein. In addition, certain of the industry, market and competitive position data contained in this Annual Report come from Morrisons own internal estimates based on the knowledge and experience of Morrisons management in the markets in which it operates. Although Morrisons believes that such estimates are reasonable and reliable, such estimates, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice. Accordingly, no undue reliance should be placed on any of the industry, market or competitive position data contained in this Annual Report. In connection with any investment decision, the recipient should conduct its own evaluation and assessment of the information contained in this Annual Report, and the economic, financial, regulatory, legal, taxation, stamp duty and accounting implications of that information. Morrisons is not providing legal, accounting or tax advice, and you are strongly advised to consult your own independent advisers on any legal, tax or accounting issues relating to this Annual Report in connection with any investment decision.

This Annual Report contains financial information regarding the businesses and assets of Morrisons. Unless indicated otherwise, the financial information presented herein is for Morrisons on a consolidated basis.

Certain financial data included in this Annual Report consists of "non-IFRS financial measures." These non-IFRS financial measures may not be comparable to similarly-titled measures as presented by other companies, nor should they be considered to be alternatives to the historical financial results or other indicators of Morrisons income or cash flow based on IFRS. Morrisons believes that presenting certain non-IFRS financial measures provides meaningful information to investors in understanding operating results and may enhance investors' ability to analyse financial and business trends. In addition, Morrisons believes that these non-IFRS financial measures allow investors to compare period to period more easily by excluding items that could have a disproportionately negative or positive impact on results in any particular period. Even though the non-IFRS financial measures are used by management to assess Morrisons financial position, financial results and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of Morrisons financial position or results of operations as reported under IFRS. The definitions, calculations and reconciliations of such non-IFRS measures to the applicable IFRS measures are set forth in the glossary to this Annual Report.

Neither Morrisons nor its advisers are under any duty to update or inform any recipient of any changes to information in this Annual Report, provide any recipient with access to any additional information or to correct any inaccuracies in any such information which may become apparent. As such, the information in this Annual Report should not be assumed to have been updated at any time subsequent to the date hereof.

This Annual Report may contain forward-looking statements. All statements other than statements of historical fact included in this Annual Report are forward-looking statements. Forward-looking statements express Morrisons current expectations and projections relating to Morrisons financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by, or including words such as "aim," "anticipate," "believe," "can," "have," "continue," "could," "estimate," "expect," "forecast," "guidance," "guide," "intend," "likely," "may," "ongoing," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would" and other words and terms of similar meaning or the negative thereof. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause Morrisons actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Morrisons present and future business strategies and the environment in which it will operate in the future. Past performance is not a guarantee of future results and there can be no assurance that Morrisons or its subsidiaries will achieve comparable results or be able to implement a desired strategy or objective. This Annual Report and any forward-looking statements herein speak only as of the date of this Annual Report and Morrisons expressly disclaims to the fullest extent permitted by applicable law any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements or other information contained herein to reflect any change in expectations with regard thereto or any new information or change in events, conditions or circumstances on which any such statement is based. The recipient acknowledges that circumstances may change without notice and the contents of this Annual Report may become outdated as a result. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.