Issued: 24 May 2017

Press Release

Marks and Spencer Group Plc
Full Year Results For 52 Weeks Ended 1 April 2017

	52 weeks ended 1 Apr 17	**53 weeks ended 2 Apr 16**	Change on 53 weeks LY %	*Change on 52 weeks LY %*
Group revenue	£10,622.0m	£10,555.4m	0.6	*2.2*
Profit before tax & adjusted items[1]	£613.8m	£689.6m	-11.0	*-10.3*
Adjusted items[1,2]	£(437.4)m	£(200.8)m	n/a	*n/a*
Profit before tax	£176.4m	£488.8m	-63.9	*-63.5*
Profit after tax	£115.7m	£404.4m	-71.4	*-71.1*
Adjusted basic earnings per share[1]	30.4p	35.0p	-13.1	*-12.6*
Basic earnings per share	7.2p	24.9p	-71.1	*-70.7*
Free cashflow pre shareholder returns	£585.4m	£539.3m	8.5	
Net debt	£1.93bn	£2.14bn	-9.5	
Ordinary dividend per share	18.7p	18.7p	Level	

[1]Adjusted results are consistent with how business performance is measured internally. [2]Refer to adjusted items table below for further details. See glossary for definitions

The financial year 2016/17 was a 52 week year whereas 2015/16 was a 53 week year. Unless otherwise stated, in order to provide a year on year comparison, variances relating to revenue, profit and earnings per share are on a 52 week comparative to 26 March 2016.

- Adjusted profit before tax down 10.3% due to the expected decrease in Clothing & Home sales and increased costs of new space.
- Significant adjusted items of £437.4m resulted in profit before tax down 63.5% as we establish a base from which to grow.
- Clothing & Home gross margin up 105 basis points with full price sales growth of 2.7%. As expected, revenue down 2.8% due to planned reduction in promotions and clearance sales.
- Food revenue growth of 4.2% driven by new stores. Gross margin down 25bps due to input cost inflation and higher than anticipated waste.

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- UK costs up 3.8% due to costs of new space, IT investment and inflation, offset by efficiencies.
- International profit before adjusted items up 15.4% to £64.4m, as a result of the decision to exit owned stores in 10 loss-making markets.
- Strong cash generation reduced net debt by £204m. Full year dividend unchanged at 18.7p.

Steve Rowe, Marks & Spencer CEO said:
"Last year we outlined a comprehensive plan to build strong foundations for the future. We said we would recover and grow clothing and home, continue with our plans for Food growth, remove costs and simplify the business. We achieved a huge amount in the year and whilst there is still much to do, I am pleased with our progress and we remain on track.

"As we have made improvements to our Clothing & Home product and proposition, our customers have noticed; we are starting to stabilise market share and importantly have seen full price market share growth, as we removed excessive discounting. In addition, our new Food stores continue to exceed our expectations.

"As we anticipated, the planned restructuring of M&S has come with a cost and has impacted profits, but the business is still strongly cash generative and we reduced our net debt.

"Looking ahead, we will continue our programme of self-help in a tough trading environment. We remain committed to delivering for our customers and shareholders as we build sustainable foundations for the future."

Robert Swannell, Marks & Spencer Chairman said:
"This has been a year of accelerated change at M&S, as Steve set out his plan for a simpler business, focused on customers. We believe these actions will make M&S a stronger, sustainable business. We are maintaining a total dividend per share at 18.7p, the same level as last year, taking into account the strong cash generation of the business."

Progress against our strategic priorities
A year ago, we announced the results of the strategic review that will form the platform from which we will recover and then grow the business. Since then we have delivered:

- A clear view of what our customers expect from M&S and what we stand for, supported by our unified brand message, 'Spend It Well'.
- A reshaped Clothing & Home proposition. This includes a more consistent colour palette, improved fit, 18% price reductions on a number of like-for-like lines, reduced promotional activity and 10% fewer lines.
- Continued growth in our Food business with 68 new stores and 1,600 new innovative lines, c.25% of our offer.
- Improvements to customer service in existing stores, where we have invested in over 3,000 new store colleagues, paid for through business efficiencies.
- Plans to reshape and improve our UK store estate for a multi-channel world. This will result in a refresh of c.25% of our Clothing & Home space over the next five years and further growth of Simply Food with c.250 new stores by the end of 2019/20.
- Completed consultation on store closures in 10 loss-making international markets. Renewed focus on growth with our franchise and joint venture partners.

- A fairer approach to pay and pensions which has resulted in a significant increase to our qualified UK customer service assistants' hourly base rate to £8.50 (outside London) and the closure of our defined benefit pension scheme to future accrual.
- A simpler, more effective leadership structure and operating model at our Head Office, with a reduction of c.590 roles.

We believe that our plan and the actions we are taking are the right ones to build a more sustainable, profitable M&S for our employees, customers, communities and our shareholders.

Full year guidance 2017/18;

- In Clothing & Home we expect a space decline of 1-2%, weighted towards the end of the year. We anticipate gross margin to be +25 to -25 basis points as we seek to mitigate currency headwinds with better buying and a further reduction in discounting.
- In Food, we expect space growth of c.7%, weighted towards the end of the year as we open c.90 new Simply Food stores. We anticipate input cost inflation will slightly outweigh operational efficiencies with a resulting decrease in gross margin of between 0 and -50 basis points largely weighted towards the first half.
- We expect UK cost growth of c.2.5 to 3.5% as a result of new space, cost inflation and the annualisation of investment in customer service, partly offset by Head Office restructuring efficiencies. Cost growth will be weighted towards the first half of the year.
- The 2017/18 effective tax rate on adjusted profit before tax is expected to be around 21% as a result of the Scottish Limited Partnership structure.
- Capital expenditure is expected to be c.£400m as we increase the rate of Simply Food store openings.

Group revenue: constant currency

Q4 group revenue declined by 0.6% at constant currency. Revenues were adversely impacted by the timing of the December sale, which was included in Q3, and Easter which fell outside the quarter. We estimate these factors had a combined effect of c.-3.8% on Clothing & Home revenues and c.-1.9% on Food revenues in Q4.

% change on LY	FY*	Q1	Q2	Q3	Q4
Food	**4.2**	4.0	4.1	5.6	2.9
- Like-for-like	**-0.8**	-0.9	-0.9	0.6	-2.1
Clothing & Home	**-2.8**	-8.3	-2.4	3.1	-5.5
- Like-for-like	**-3.4**	-8.9	-2.9	2.3	-5.9
Total UK sales	**1.3**	-1.1	1.3	4.5	-0.4
- Like-for-like	**-1.9**	-4.3	-1.7	1.3	-3.6
International	**-0.1**	0.7	-2.5	2.9	-1.8
Total Group	**1.1**	**-0.9**	**0.9**	**4.3**	**-0.6**
M&S.com[1]	**4.9**	*0.2*	*0.4*	*9.4*	*7.6*

**Full year sales are for 52 weeks to 1 April 2017 compared with 52 weeks to 26 March 2016. There was no Easter in the 2016/17 financial year. We estimate this had a negative effect of c.0.3% on Clothing & Home sales and c.0.5% on Food sales.*

[1]Memo only. See glossary for definitions.

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We will report our first quarter trading update on 11 July 2017.

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Investor & Analyst webcast:

Investor and analyst presentation will be held at 09.30 on 24 May 2017. This presentation can be viewed live on the Marks and Spencer Group plc website.

Fixed Income Investor Conference Call:

This will be hosted by Helen Weir, Chief Finance Officer at 14:00 on 24 May 2017:

Dial in number: +44 (0)330 336 9411 Access code: 5091683

A recording of this call will be available until 3 June 2017:
Dial in number: +44 (0)20 7984 7568 Access code: 5091683

FULL YEAR REVIEW

The financial year 2016/17 was a 52 week year whereas 2015/16 was a 53 week year. Unless otherwise stated, in order to provide a year on year comparison, variances relating to revenue, profit and earnings per share are on a 52 week comparative.

	52 weeks ended		
	1 Apr 17 £m	26 Mar 16 £m	Change on LY %
Group revenue	**10,622.0**	**10,391.0**	**2.2**
UK revenue	9,441.7	9,324.8	1.3
International revenue	1,180.3	1,066.2	10.7
Group adjusted operating profit	**690.6**	**777.6**	**-11.2**
UK adjusted operating profit	626.2	721.8	-13.2
International operating profit	64.4	55.8	15.4
Net finance costs	(76.8)	(93.5)	17.9
Profit before tax & adjusted items	**613.8**	**684.1**	**-10.3**
Adjusted items	(437.4)	(200.8)	n/a
Profit before tax	**176.4**	**483.3**	**-63.5**

Consumer & Retail environment

In 2016/17, consumer confidence remained broadly stable notwithstanding a dip in the lead up to the Brexit vote. However, there was a divergence between consumers' views on their personal financial situation which remained strong and their views on the economy as a whole, which was more fragile. Against this backdrop the clothing market declined by 1.8% (Kantar Worldpanel, 52 w/e 9 April 2017), with competition for consumer spending from other discretionary products and services such as leisure and entertainment. The food market returned to modest growth of 0.6% (Kantar Worldpanel, 52 w/e 26 March 2017), with signs of inflation coming through in the final quarter.

Recover and grow Clothing & Home

As expected Clothing & Home revenues declined, with total revenues down 2.8% and like-for-like revenues down 3.4% as a result of our strategy to reduce promotions and markdown activity. However, we are encouraged by early evidence that our strategy is working. Full price sales were up 2.7% with strong growth in the second half, and total market share stabilising in quarter four.

Last May we outlined our priorities for Clothing & Home: to improve product through better quality, style and authority, and drive execution. This included increased focus on areas such as wardrobe essentials as well as improved prices and availability.

During the year, we removed a number of sub brands, eliminating duplication across our ranges. We reduced the number of lines in Clothing & Home by c.10%, bringing greater authority to our product offer and bought wardrobe staples in greater depth. Tighter operational execution drove strong increases in launch availability with Autumn availability up 8% and Spring up 4%. Our actions helped to deliver strong performance in the top 100 lines which were up 7% on the year while sales in areas of focus, such as kids footwear were up 10% and our bra market share grew again to 34.9%. (Kantar Worldpanel 52 w/e 9 April 2017)

To deliver improved value for customers, we have reduced the price of c.2,400 lines since January 2016. This has been achieved through a combination of like-for-like price reductions of c.18% and the introduction of new lines at lower prices. As a result, the proportion of 'good' or entry price point sales have increased by 3% with the proportion in womenswear almost doubling to 15%. We held three fewer clearance sales and removed unproductive promotions such as Black Friday category deals. Our Sparks programme now has 5.6m members and we are seeing increased frequency of purchase amongst members.

M&S.com revenues increased by 4.9%, with online sales penetration increasing to 17%. Performance was impacted by the removal of eight cyber events compared with the prior year and sales growth improved in the second half. We delivered better customer service through a focus on operational processes at our Castle Donington warehouse.

We have invested in service in the areas our customers most appreciate such as fitting rooms, men's tailoring and till points. Customer satisfaction scores improved by 5% points compared with last year. Although while the overall Net Promoter Score (NPS) for Clothing & Home was broadly level, we are encouraged by a significant improvement in the rating from our most frequent customers and those in our larger stores, suggesting customers are noticing and liking the changes we have made.

Gross margin

Clothing & Home gross margin was ahead of expectations, up c.105bps year-on-year. Buying margin increased by 100bps despite currency headwinds as we continued to deliver benefits from leveraging our direct sourcing capabilities through retendering orders, and by moving business to lower duty locations. Reduced discounting benefited margin by c.5bps on the year with an 110bps improvement in the second half, as a result of lower stock into sale and better sell through rates.

Looking ahead

We believe the changes we have made are particularly relevant in the context of a clothing market which declined in 2016/17, and where the outlook remains uncertain.

Further improvements to style and fit will remain core to our strategy. In addition, having made a significant investment in price, we will ensure our prices remain competitive while continuing to reduce the number of promotions and clearance sales.

We are focused on improving customer experience across our channels. In our smaller stores, in direct response to customer feedback, we are introducing a greater level of product choice. We are beginning to rebalance our space towards potential areas of future growth such as Kidswear and Home having completed successful trials. We continue to invest to make our online customer journey faster with a particular focus on mobile. We will build on the success of our Sparks programme, with greater levels of personalisation in our offer in the year ahead.

We will continue to mitigate currency headwinds through better buying and a further reduction in discounting, while maintaining competitive pricing and anticipate the movement in gross margin in the year ahead to be between +25 to -25 basis points.

We have made a good start on our five-year plan to reshape and improve the quality of our Clothing & Home space. During 2016/17 we opened three new full-line stores, relocated two stores and closed one. Looking ahead we expect our Clothing & Home selling space to reduce by 1 to 2% in 2017/18, weighted towards the end of the year.

Continue to grow Food

Total Food revenues for the full year increased by 4.2% as we opened 68 new Simply Food stores, including one relocation. Like-for-like revenues were down 0.8% with the lack of Easter accounting for c.0.5% of the decline. Total market share increased by 20 bps to 4.5% according to data from Kantar Worldpanel (52 w/e 26 March 2017).

Our strategic objectives in Food remain consistent. Superior quality, leading innovation and offering convenient fresh food in convenient locations.

In 2016/17 we introduced around 1,600 new or improved lines. We built on our reputation for health and wellness by expanding our 'Made Without' range, launched a new sushi collection and increased the proportion of 'Eat Well' products. Recognising our broad customer appeal for seasonal and special events, we also expanded our upper tier 'Collection' offer. We continue to ensure our products are of superior quality through independent taste testing.

We were encouraged by the customer response as indicated by our Net Promoter Score which increased by 4 points compared with last year.

We further increased the reach and convenience of our offer through our new stores. Performance of new owned Simply Food stores was ahead of expectations, exceeding sales forecasts by 17% overall. We delivered a strong performance in our entertaining and gifting food online, with sales up 9% in part due to our 'Food-to-Order' business which was helped by the investment in our Christmas ordering website.

Gross margin

Food gross margin declined by 25bps year-on-year, which was more than expected. We generated gains from our on-going value optimisation programme of 70bps. However, these were more than offset by an increase in input costs of 80bps, following the depreciation of sterling, and higher than expected waste.

Looking ahead

While the grocery market returned to modest growth in the year driven by price inflation in the final quarter, it remains highly competitive. We will continue to work with our suppliers, leveraging our volume growth to mitigate cost inflation and ensure our prices remain competitive. Our strategic focus is on quality, innovation and convenience.

In the year ahead, as a result of continued input cost pressure, we expect a decrease in gross margin of 0 to 50 basis points, largely weighted towards the first half of the year.

We continue to extend our reach and convenience and plan to open a further c.250 Simply Food stores by the end of 2019/20 with c.90-100 in each of the next two years. These will be assessed against our financial return framework which focuses on cash payback and shorter lease lengths. Of these, around one third will be with our franchise partners. We continue to analyse the online food market with a view to undertaking a potential soft trial in the Autumn.

UK Operating costs

	52 weeks ended		
	1 Apr 17 £m	26 Mar 16 £m[1]	Change on LY %
Store staffing	1,010.3	974.4	3.7
Other store costs	1,000.7	974.4	2.7
Distribution & warehousing	519.6	475.4	9.3
Marketing	162.7	186.1	-12.6
Central costs	697.1	655.8	6.3
UK Operating Costs	**3,390.4**	**3,266.1**	**3.8**

[1]Certain prior year costs have been reclassified to reflect changes in UK organisation structure

UK operating costs were up by £124m, 3.8%, with higher depreciation accounting for £26m.

Store staff costs increased by £36m primarily driven by new space with the cost of the annual pay review and investments in improved store service largely offset by business efficiencies.

Within other store costs, new space drove the increase, with occupancy cost inflation largely offset by efficiencies and lower depreciation.

Distribution and warehousing costs increased by £44m. A significant proportion of this increase was driven by increased capacity to support growth in our business, with a new Food depot in Enfield and Clothing & Home warehouse in Bradford. The balance was largely attributable to increased food volumes and inflation.

Marketing costs declined by £23m. This was mostly a result of a reduction in activity and the more effective use of our marketing budget, such as our Christmas campaign where we increased customer views while reducing costs, as well as the annualisation of the launch of Sparks last year.

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Central costs increased by £41m. This was largely driven by an increase in IT related operating costs including higher depreciation from new merchandising systems. A greater proportion of costs are now being expensed as we transition to increased use of cloud based software services. As expected, around half of the anticipated c.£30m cost savings from our Head Office restructuring were delivered during the year.

Building a sustainable, profitable International business

Our strategy is to grow our International business through a partnership model. As a result, in November we announced we are exiting owned stores in 10 loss-making markets, in addition to the previously announced closures in the Balkans. These markets generated total losses of £34.7m on sales of £179.4m in 2016/17. Our proposals are on track, with all our stores in China closed by the end of the 2016/17 financial year and consultation on store closures complete in all markets.

	52 weeks ended		
	1 Apr 17 £m	26 Mar 16 £m	Change on LY %
Franchise	314.0	324.4	-3.2
Owned:	866.3	741.8	16.8
Retained	*686.9*	*580.9*	*18.2*
Exit	*179.4*	*160.9*	*11.5*
Revenue	**1,180.3**	**1,066.2**	**10.7**
Franchise	81.9	87.3	-6.2
Owned:	(17.5)	(31.5)	44.4
Retained	*17.2*	*15.3*	*12.4*
Exit	*(34.7)*	*(46.8)*	*25.9*
Operating profit before adjusted items	**64.4**	**55.8**	**15.4**

During the year, International revenues rose by 10.7% driven by currency translation, with constant currency sales down 0.1%. Profit before adjusted items increased by 15.4% to £64.4m.

In our franchise business, shipments to Asia benefitted from new store openings and expansion of our Food business. We saw a good performance from Europe, where shipments increased, driven by new Food store openings in France. Revenues from the Middle East were affected by de-stocking and weak retail markets, although the trend improved in the second half of the year, with a similar trend in profits.

In our retained owned business, constant currency revenues increased by 2%. Our joint venture business in India performed well, with seven new store openings during the year. Sales in the Republic of Ireland and in Hong Kong were affected by our strategy to reduce discounting. Profit in retained owned markets improved. Lower operating profits in Hong Kong was offset by an improved performance in the Czech Republic and India.

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International restructuring costs include £7m of lease costs relating to stores either closed, or in the process of closing. This contributed to the reduction of losses in exit markets. The remaining store closures will be largely complete by the end of the first half and we now expect to reduce the losses in exit markets by between £20 and £25m in the current year. Total closure costs related to the International strategy are expected to be at the lower end of the previously indicated range at c.£150m. The cash costs associated are expected to be c.£135m, with the vast majority incurred in 2017/18.

Net finance cost

	52 weeks ended		
	1 Apr 17 £m	26 Mar 16 £m	Change on LY £m
Interest payable	(100.2)	(99.1)	(1.1)
Interest income	6.6	5.8	0.8
Net interest payable	**(93.6)**	**(93.3)**	**(0.3)**
Pension net finance income	29.3	15.3	14.0
Unwind of discount on partnership liability	(12.6)	(14.7)	2.1
Unwind of discounts on financial instruments and provisions	0.1	(0.8)	0.9
Net finance cost	**(76.8)**	**(93.5)**	**16.7**

Net finance cost reduced by £16.7m largely due to increased pension net finance income as a result of a higher UK defined benefit scheme surplus at the start of the year. Net interest payable increased marginally to £93.6m. The interest payable on the new £300m bond issued in December as we pre-financed an existing bond expiring in December 2017 was almost fully offset by the reduction in interest rates year on year.

Group profit before tax & adjusted items

Group profit before tax and adjusted items was £613.8m, down 10.3% on last year (down 11.0% on a 53 weeks basis). The decrease was primarily due to the reduction in Clothing & Home gross profit and the increase in operating costs in the year.

M&S Bank profits were down £9.7m as a result of the reduction in interchange fees, and lower interest bearing balances.

Adjustments to profit before tax

The Group makes certain adjustments to statutory profit measures in order to derive alternative performance measures that provide stakeholders with additional helpful information on the performance of the business.

Adjusted items	52 weeks ended 1 Apr 17 £m	26 Mar 16 £m
Strategic programmes		
– Changes to pay and pensions	(156.0)	-
– UK organisation	(24.0)	-
– UK store estate	(51.6)	(37.0)
– International store closures and impairments	(132.5)	(31.6)
UK store impairments and onerous lease charges	(48.8)	-
M&S Bank charges incurred in relation to the insurance mis-selling provision	(44.1)	(50.3)
UK logistics	9.8	9.2
Legal settlements	9.8	-
Other impairments	-	(94.5)
IAS 39 fair value movement of embedded derivative	-	(2.0)
Net gain on acquisition of joint venture holding Bradford warehouse	-	5.4
Adjustments to operating profit and profit before tax	**(437.4)**	**(200.8)**

During the period, the Group announced changes to our pay and pensions arrangements within the UK business. We closed our UK defined benefit (DB) pension scheme to future accrual effective from April 2017 resulting in a curtailment charge of £127.0m. In respect of pay, we announced an increase in our base level of pay to £8.50 per hour as well as the removal of a number of premium payments. The Group has recognised a charge of £23.6m in the year in relation to this. The Group anticipates making transition payments to employees in relation to the closure of the DB scheme, of c.£25m (in aggregate) over the next three years. These amounts will be recognised within adjusted items as they are incurred.

During the period, following completion of a detailed review of the UK organisation, the Group announced proposed changes to its UK Head Office structure. The changes have resulted in a net reduction of c.590 Head Office roles, with restructuring costs in the year of £15.4m inclusive of fees. The Group also announced an 18 month programme to centralise its London Head Office functions into one building. The Group has recognised a net charge of £8.6m associated with this rationalisation.

In November the Group announced a strategic programme in relation to the UK store estate. As part of this programme, during the year ten UK stores were approved for closure resulting in closure costs of £47.3m relating to dilapidations, sublet shortfalls, accelerated depreciation of fixtures and fittings and impairment of assets. The balance of the charges of £4.3m in the period related to the ongoing review of assumptions associated with previously closed stores. We continue to expect total adjusted items related to this programme of c.£350m.

The Group has announced its intention to close its owned stores in in ten international markets resulting in the recognition of a cost of £130.5m in the period. The expected closure costs primarily relate to redundancy, lease exit and property dilapidations. The closure programmes are ongoing in all markets, with the exception of China where the final store was closed on 1 April 2017. International store impairment testing during the year identified a number of stores where current and anticipated future performance does not support the carrying value of the stores with a resulting impairment charge of £9.0m being incurred. Offsetting these store impairments are credits of £7.0m relating to the reversal of historic impairments against five stores in Ireland and the release of unutilised provisions on completion of the exit from the Balkans.

UK store impairment testing during the year has identified a number of stores where the current and anticipated future performance does not support the carrying value of the stores. As a result, a charge of £39.4m has been incurred in respect of the impairment of assets associated with these stores. A further charge of £9.4m has been incurred in respect of onerous lease provisions associated with some of these stores.

The Group continues to incur charges in relation to M&S Bank insurance mis-selling provision. The Group's income from M&S Bank has been reduced as a result of a further £44.1m of charges in the year.

A net credit of £9.8m has been recognised in the year in relation to an updated view of the estimated closure costs of legacy logistics sites associated with the strategic transition to a single tier distribution network.

The cash flow impact of adjusted items was £80.9m in the year.

Group profit before tax

Group profit before tax was £176.4m, down from £483.3m last year (£488.8m on a 53 week basis). The decrease was largely due to the impact of the strategic programmes in the year including the curtailment costs associated with the closure to future accrual of the UK Defined Benefit pension scheme, costs associated with the closure of our owned businesses in ten International markets and the UK store estate.

Taxation

The effective tax rate on profit before tax and adjusted items was 19.9% (last year 17.2%). The effective tax rate was 34.4% (last year 17.3%) due to the impact of disallowable adjusted items.

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Earnings per share

Basic earnings per share decreased by 70.7% to 7.2p (decreased by 71.1% on a 53 weeks basis) largely as a result of the impact of the adjusted items in the current year. The weighted average number of shares in issue during the period was 1,623.1m (last year 1,635.9m).

Basic earnings per share before adjusted items decreased by 12.6% to 30.4p (decreased by 13.1% on a 53 weeks basis) due to the lower adjusted profit generated in the year.

Capital expenditure

	52 weeks ended 1 Apr 17 £m	53 weeks ended 2 Apr 16 £m	Change on LY £m
UK store environment	22.6	36.9	(14.3)
New UK stores	75.0	106.4	(31.4)
International	13.4	26.4	(13.0)
Supply chain and M&S.com	46.1	89.1	(43.0)
IT	110.8	161.1	(50.3)
Property maintenance	90.3	79.6	10.7
Proceeds from property disposals	(27.0)	(30.6)	3.6
Total capital expenditure excluding acquisition	**331.2**	**468.9**	**(137.7)**
Joint venture owning Bradford warehouse	-	56.2	(56.2)
Total capital expenditure	**331.2**	**525.1**	**(193.9)**

UK store environment spend included investment in increasing the flexibility of our in-store layout in Womenswear, new store fascias and rebranding our Foodhalls. Spend was down year on year due to completion of a number of in-store schemes last year, primarily in Lingerie and Kidswear.

New UK store spend was down as a result of fewer new full-line stores opening. During the year, we opened 30 owned Simply Food, three full-line stores and two relocations compared to 25 owned Simply Food, five full-line stores and two relocations in the previous year. Clothing & Home space increased by 0.9%.

International spend was significantly lower as a result of the decision to exit stores in 10 markets. Spend in the year was largely focused on new stores in India and refurbishment projects in Hong Kong.

We continue to invest in improving our supply chain and IT infrastructure although the total spend has reduced as we have completed some of our larger infrastructure projects. During the year, we opened a new Food depot in Enfield as well as investing in our warehouse in Bradford. Within M&S.com the reduction in capital expenditure reflects the move towards customer focused enhancements which are expensed and away from larger infrastructure projects.

Investment in IT comprised of upgrading our in-store wifi networks and investing in additional handheld devices which improve efficiency and customer service in-store. In addition, as we move towards more cloud based software solutions, a larger proportion of costs are now being expensed.

Maintenance spend has increased primarily due to investment in more energy efficient in-store equipment such as lighting.

The proceeds from property disposals mainly relate to the final instalment of deferred consideration from the sale of White City warehouse.

Cashflow & net debt

	52 weeks ended 1 Apr 17 £m	53 weeks ended 2 Apr 16 £m	Change on LY £m
Adjusted operating profit	**690.6**	**784.9**	**(94.3)**
Depreciation and amortisation before adjusted items	589.5	576.8	12.7
Non-cash pension and share charges	110.9	118.0	(7.1)
Adjusted items cash outflow	(80.9)	(63.2)	(17.7)
Working capital	(9.1)	13.2	(22.3)
Pension funding	(135.3)	(118.4)	(16.9)
Capex and disposals	(383.2)	(519.5)	136.3
Acquisition of joint venture	-	(56.2)	56.2
Interest and taxation	(202.6)	(206.0)	3.4
Share transactions	5.5	9.7	(4.2)
Free cash flow pre shareholder returns	**585.4**	**539.3**	**46.1**
Dividends paid	(377.5)	(301.7)	(75.8)
Share buy back	-	(150.7)	150.7
Free cash flow	**207.9**	**86.9**	**121.0**
Opening net debt	**(2,138.3)**	**(2,223.2)**	**84.9**
Exchange and other non-cash movements	(4.3)	(2.0)	(2.3)
Closing net debt	**(1,934.7)**	**(2,138.3)**	**203.6**

The reduction in capital and acquisition expenditure was partially offset by weaker business performance, with adjusted operating profit down £94.3m. Working capital was broadly flat on the year with a reduction in Clothing & Home inventory offset by a reduction in creditors. Pension funding was up £16.9m due to an increase to the UK defined benefit contributions rate following the 2015 triennial valuation. Additionally, cash payments associated with adjusted items were £17.7m higher in the year driven by the International strategy.

The business delivered free cash flow pre shareholder returns of £585.4m, an increase of £46.1m on the prior year.

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We have continued to improve our investment disciplines and remain committed to a strong balance sheet and maintaining an investment grade credit rating.

We returned £377.5m to shareholders in the year, which included £74.5m in the form of a special dividend. We have announced a final dividend of 11.9p (full year dividend 18.7p, level year-on-year). This will be paid on 14 July 2017 to shareholders on the register of members as at close of business on 2 June 2017, subject to approval of shareholders at the Annual General Meeting, to be held on 11 July 2017. Given the future cash costs associated with our strategic changes, we believe it is prudent not to make additional returns of cash to shareholders under our enhanced shareholder returns programme at this time.

Pension

At 1 April 2017, the IAS 19 net retirement benefit surplus was £692.8m (last full year £824.1m). The decrease in the net surplus is largely due to the closure of the UK Defined Benefit scheme to future accrual which triggered a one-off curtailment charge in the period of £127.0m.

Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences and prospects are "forward-looking statements" within the meaning of the United States federal securities laws. These forward-looking statements reflect Marks & Spencer's current expectations concerning future events and actual results may differ materially from current expectations or historical results. Any such forward-looking statements are subject to various risks and uncertainties, including failure by Marks & Spencer to predict accurately customer preferences; decline in the demand for products offered by Marks & Spencer; competitive influences; changes in levels of store traffic or consumer spending habits; effectiveness of Marks & Spencer's brand awareness and marketing programmes; general economic conditions or a downturn in the retail or financial services industries; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets.

- Ends -

Consolidated income statement

		52 weeks ended 1 April 2017			53 weeks ended 2 April 2016		
		Profit before adjusted items	Adjusted items	Total	Profit before adjusted items	Adjusted items	Total
	Notes	£m	£m	£m	£m	£m	£m
Revenue	2	**10,622.0**	**-**	**10,622.0**	**10,555.4**	**-**	**10,555.4**
Operating profit	2,3	**690.6**	**(437.4)**	**253.2**	**784.9**	**(200.8)**	**584.1**
Finance income	4	36.2	-	36.2	21.1	-	21.1
Finance costs	4	(113.0)	-	(113.0)	(116.4)	-	(116.4)
Profit before tax		**613.8**	**(437.4)**	**176.4**	**689.6**	**(200.8)**	**488.8**
Income tax expense	5	(122.4)	61.7	(60.7)	(118.8)	34.4	(84.4)
Profit for the year		**491.4**	**(375.7)**	**115.7**	**570.8**	**(166.4)**	**404.4**
Attributable to:							
Owners of the parent		492.8	(375.7)	117.1	573.3	(166.4)	406.9
Non-controlling interests		(1.4)	-	(1.4)	(2.5)	-	(2.5)
		491.4	**(375.7)**	**115.7**	**570.8**	**(166.4)**	**404.4**
Basic earnings per share	6	30.4p		7.2p	35.0p		24.9p
Diluted earnings per share	6	30.2p		7.2p	34.9p		24.8p

Consolidated statement of comprehensive income

	Notes	52 weeks 1 April 2017 £m	53 weeks 2 April 2016 £m
Profit for the year		**115.7**	**404.4**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of retirement benefit schemes	8	(68.9)	346.2
Tax charge/(credit) on items that will not be reclassified		25.3	(45.6)
		(43.6)	300.6
Items that will be reclassified subsequently to profit or loss			
Foreign currency translation differences		31.0	7.3
Cash flow hedges and net investment hedges			
- fair value movements recognised in other comprehensive income		56.1	(30.1)
- reclassified and reported in profit or loss		(72.4)	(22.1)
- amount recognised in inventories		(20.1)	5.9
Tax credit on cash flow hedges and net investment hedges		4.1	6.5
		(1.3)	(32.5)
Other comprehensive (expense)/income for the year, net of tax		(44.9)	268.1
Total comprehensive income for the year		**70.8**	**672.5**
Attributable to:			
Owners of the parent		72.2	675.0
Non-controlling interests		(1.4)	(2.5)
		70.8	**672.5**

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Consolidated statement of financial position

	Notes	As at 1 April 2017 £m	As at 2 April 2016 £m
Assets			
Non-current assets			
Intangible assets		709.0	802.8
Property, plant and equipment		4,837.8	5,027.1
Investment property		15.5	15.5
Investment in joint ventures		7.0	6.9
Other financial assets		3.0	3.0
Retirement benefit asset	8	706.0	851.0
Trade and other receivables		234.1	234.7
Derivative financial instruments		56.8	74.0
Deferred tax assets		-	-
		6,569.2	7,015.0
Current assets			
Inventories		758.5	799.9
Other financial assets		14.5	19.1
Trade and other receivables		318.6	321.1
Derivative financial instruments		163.1	72.1
Current tax assets		-	1.6
Cash and cash equivalents		468.6	247.6
		1,723.3	1,461.4
Total assets		8,292.5	8,476.4
Liabilities			
Current liabilities			
Trade and other payables		1,553.8	1,617.7
Partnership liability to the Marks & Spencer UK Pension Scheme	9	71.9	71.9
Borrowings and other financial liabilities		518.0	297.5
Derivative financial instruments		10.5	28.5
Provisions		147.2	14.0
Current tax liabilities		66.6	75.2
		2,368.0	2,104.8
Non-current liabilities			
Retirement benefit deficit	8	13.2	26.9
Trade and other payables		328.5	353.0
Partnership liability to the Marks & Spencer UK Pension Scheme	9	324.6	383.8
Borrowings and other financial liabilities		1,711.7	1,774.7
Derivative financial instruments		0.8	0.2
Provisions		113.5	52.0
Deferred tax liabilities		281.8	337.6
		2,774.1	2,928.2
Total liabilities		5,142.1	5,033.0
Net assets		3,150.4	3,443.4
Equity			
Issued share capital		406.2	405.8
Share premium account		416.4	411.3
Capital redemption reserve		2,210.5	2,210.5
Hedging reserve		17.3	32.3
Other reserve		(6,542.2)	(6,542.2)
Retained earnings		6,648.1	6,927.5
Total shareholders' equity		3,156.3	3,445.2
Non-controlling interests in equity		(5.9)	(1.8)
Total equity		3,150.4	3,443.4

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Consolidated statement of changes in equity

	Ordinary share capital	Share premium account	Capital redemption reserve	Hedging reserve	Other Reserve[1]	FX reserve	Retained earnings	Total	Non-controlling interest	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 29 March 2015	412.0	392.4	2,202.6	64.3	(6,542.2)	(12.6)	6,683.1	3,199.6	(0.8)	3,198.8
Profit/(loss) for the year	-	-	-	-	-	-	406.9	406.9	(2.5)	404.4
Other comprehensive (expense)/income:										
Foreign currency translation	-	-	-	(0.5)	-	7.8	-	7.3	-	7.3
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	346.2	346.2	-	346.2
Tax charge on items that will not be reclassified	-	-	-	-	-	-	(45.6)	(45.6)	-	(45.6)
Cash flow hedges and net investment hedges										
- fair value movement recognised in other comprehensive income	-	-	-	(21.8)	-	-	(8.3)	(30.1)	-	(30.1)
- reclassified and reported in profit or loss[2]	-	-	-	(22.1)	-	-	-	(22.1)	-	(22.1)
- amount recognised in inventories	-	-	-	5.9	-	-	-	5.9	-	5.9
Tax on cash flow hedges and net investment hedges	-	-	-	6.5	-	-	-	6.5	-	6.5
Other comprehensive income/(expense)	-	-	-	(32.0)	-	7.8	292.3	268.1	-	268.1
Total comprehensive income/(expense)	-	-	-	(32.0)	-	7.8	699.2	675.0	(2.5)	672.5
Transactions with owners:										
Dividends	-	-	-	-	-	-	(301.7)	(301.7)	-	(301.7)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	1.5	1.5
Shares issued on exercise of employee share options	1.7	18.9	-	-	-	-	-	20.6	-	20.6
Purchase of own shares held by employee trusts	-	-	-	-	-	-	(10.9)	(10.9)	-	(10.9)
Shares purchased in buy back	(7.9)	-	7.9	-	-	-	(150.7)	(150.7)	-	(150.7)
Credit for share-based payments	-	-	-	-	-	-	17.2	17.2	-	17.2
Deferred tax on share schemes	-	-	-	-	-	-	(3.9)	(3.9)	-	(3.9)
As at 2 April 2016	405.8	411.3	2,210.5	32.3	(6,542.2)	(4.8)	6,932.3	3,445.2	(1.8)	3,443.4

	Ordinary share capital	Share premium account	Capital redemption reserve	Hedging reserve	Other Reserve[1]	FX reserve	Retained earnings	Total	Non-controlling interest	Total
As at 3 April 2016	405.8	411.3	2,210.5	32.3	(6,542.2)	(4.8)	6,932.3	3,445.2	(1.8)	3,443.4
Profit/(loss) for the year	-	-	-	-	-	-	117.1	117.1	(1.4)	115.7
Other comprehensive (expense)/income:										
Foreign currency translation	-	-	-	(4.3)	-	35.3	-	31.0	-	31.0
Remeasurements of retirement benefit schemes	-	-	-	-	-	-	(68.9)	(68.9)	-	(68.9)
Tax credit on items that will not be reclassified	-	-	-	-	-	-	25.3	25.3	-	25.3
Cash flow hedges and net investment hedges										
- fair value movement recognised in other comprehensive income	-	-	-	77.7	-	-	(21.6)	56.1	-	56.1
- reclassified and reported in profit or loss[2]	-	-	-	(72.4)	-	-	-	(72.4)	-	(72.4)
- amount recognised in inventories	-	-	-	(20.1)	-	-	-	(20.1)	-	(20.1)
Tax on cash flow hedges and net investment hedges	-	-	-	4.1	-	-	-	4.1	-	4.1
Other comprehensive income/(expense)	-	-	-	(15.0)	-	35.3	(65.2)	(44.9)	-	(44.9)
Total comprehensive income/(expense)	-	-	-	(15.0)	-	35.3	51.9	72.2	(1.4)	70.8
Transactions with owners:										
Dividends	-	-	-	-	-	-	(377.5)	(377.5)	-	(377.5)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	(2.7)	(2.7)
Shares issued on exercise of employee share options	0.4	5.1	-	-	-	-	-	5.5	-	5.5
Purchase of own shares held by employee trusts	-	-	-	-	-	-	-	-	-	-
Credit for share-based payments	-	-	-	-	-	-	13.5	13.5	-	13.5
Deferred tax on share schemes	-	-	-	-	-	-	(2.6)	(2.6)	-	(2.6)
As at 1 April 2017	406.2	416.4	2,210.5	17.3	(6,542.2)	30.5	6,617.6	3,156.3	(5.9)	3,150.4

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

[2]Amounts 'reclassified and reported in profit or loss' includes the revaluation of the cross currency swaps, offsetting the revaluation of the USD hedged bonds within finance costs.

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Consolidated statement of cash flows

	Notes	52 weeks 1 April 2017 £m	53 weeks 2 April 2016 £m
Cash flows from operating activities			
Cash generated from operations	12	1,165.7	1,311.3
Income tax paid		(98.0)	(99.3)
Net cash inflow from operating activities		**1,067.7**	**1,212.0**
Cash flows from investing activities			
Proceeds on property disposals		27.0	30.6
Purchase of property, plant and equipment		(309.1)	(363.3)
Purchase of intangible assets		(101.1)	(186.8)
Reduction/(purchase) of current financial assets		4.6	(7.2)
Interest received		6.6	6.8
Acquisition of subsidiary		-	(56.2)
Net cash used in investing activities		**(372.0)**	**(576.1)**
Cash flows from financing activities			
Interest paid[1]		(111.2)	(113.5)
Cash (outflow)/inflow from borrowings		(32.7)	3.1
Repayment of syndicated loan notes		(215.3)	(19.9)
Issuance of medium-term notes		300.0	-
Decrease in obligations under finance leases		(2.0)	(2.4)
Payment of liability to the Marks & Spencer UK Pension Scheme		(57.9)	(56.0)
Equity dividends paid		(377.5)	(301.7)
Shares issued on exercise of employee share options		5.5	20.6
Purchase of own shares by employee trust		-	(10.9)
Share buy back		-	(150.7)
Net cash used in financing activities		**(491.1)**	**(631.4)**
Net cash inflow from activities		204.6	4.5
Effects of exchange rate changes		5.6	3.7
Opening net cash		196.0	187.8
Closing net cash		**406.2**	**196.0**

[1]Includes interest on the partnership liability to the Marks & Spencer UK DB Pension Scheme.

Reconciliation of net cash flow to movement in net debt

	Notes	52 weeks 1 April 2017 £m	53 weeks 2 April 2016 £m
Opening net debt		**(2,138.3)**	**(2,223.2)**
Net cash inflow from activities		204.6	4.5
(Decrease)/increase in current financial assets		(4.6)	7.2
Decrease in debt financing		7.9	75.2
Exchange and other non-cash movements		(4.3)	(2.0)
Movement in net debt		**203.6**	**84.9**
Closing net debt	13	**(1,934.7)**	**(2,138.3)**

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1 General information and basis of preparation

General Information

The financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, does not constitute full accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. The auditor has reported on the Group's statutory accounts for each of the years 2016/17 and 2015/16, which do not contain any statement under s498 of the Companies Act 2006 and are unqualified. The statutory accounts for 2015/16 have been delivered to the Registrar of Companies and the statutory accounts for 2016/17 will be filed with the Registrar in due course.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are drawn up on the historical cost basis of accounting, as modified by financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

Going concern basis

Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its bank facilities for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing its financial statements.

Accounting Policies

There have been no significant changes to accounting under IFRS which have affected the Group's results for the current financial year. The only changes to the IFRS, IFRS IC interpretations and amendments that are effective for the first time in this financial year and applicable for the Group are the Annual Improvements to IFRSs: 2012-2014 cycle. These have not had a material impact on the Group.

The following IFRS have been issued but are not yet effective:

- IFRS 9 'Financial Instruments' replaces all phases of the financial instruments project and IAS 39 'Financial Instruments: Recognition and Measurement'. The standard is effective from periods beginning on or after 1 January 2018 and introduces:

- new requirements for the classification and measurement of financial assets and financial liabilities;

- a new model based on expected credit losses for recognising provisions; and

- simplified hedge accounting by aligning hedge accounting more closely with an entities risk management methodology.

Work is underway to assess the necessary changes to existing IT systems that will be required to aid the Group's implementation of the standard. The adoption of IFRS 9 is unlikely to have a material impact on the consolidated results of the Group. Any potential impact of IFRS 9 will be quantified in the Annual Report and Financial Statements for the year ended 31 March 2018;

- IFRS 15 'Revenue from Contracts with Customers' is effective for periods beginning on or after 1 January 2018. The standard establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. It applies to all contracts with customers, except those in the scope of other standards. It replaces the separate models for goods, services and construction contracts under the current accounting standards. The Group has completed an assessment on the impact of IFRS 15 and it is expected adoption will not have a material impact on any of the Group's revenue streams.

- IFRS 16 'Leases' was issued on 13 January 2016 and is effective for periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. IFRS 16 is not yet endorsed by the EU. The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model, and as such, requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. The standard may also require the capitalisation of a lease element of contracts held by the Group which under the existing accounting standard would not be considered a lease. Accounting requirements for lessors are substantially unchanged from IAS 17.

The Group has established a working group to assess the impact of the new standard. Work performed includes assessing the accounting impacts of the change, the process of collecting the required data from across the business and the necessary changes to systems and processes. From work performed to date it is expected implementation of the new standard will have a significant impact on the consolidated results of the Group. On adoption, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. Depreciation of the right of use asset will be recognised in the income statement on a straight line basis, with interest recognised on the lease liability which will result in a change to the profile of the net charge taken to the income statement over the life of the lease. These charges will replace the lease costs currently charged to the income statement.

The Group continues to assess the full impact of IFRS 16, however the impact will greatly depend on the facts and circumstances at the time of adoption and upon transition choices adopted. It is therefore not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated results.

Alternative Performance Measures

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

The key APMs that the Group uses include: like-for-like sales; management gross margin; adjusted profit before tax; adjusted earnings per share; net debt, free cash flow and return on capital employed. Each of these APMs, and others used by the Group, are set out within the Glossary including explanation of how they are calculated, and how they can be reconciled to a statutory measure where relevant.

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

The Group makes certain adjustments to the statutory profit measures in order to derive many of these APMs. The Group's policy is to exclude items that are considered to be significant in both nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group. On this basis, the following items were included within adjusted items for the 52 week period ended 1 April 2017:

- Significant pension charges arising as a result of changes to the defined benefit schemes' rules and practices;
- Significant restructuring costs and other associated costs arising from significant strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- Net profits and losses on the disposal of properties or impairments of properties where a commitment to close has been demonstrated;
- Significant impairment charges and provisions that, are considered to be significant in nature and/ or value to the trading performance of the business;
- Adjustments to income from M&S Bank due to a provision recognised by M&S Bank for the cost of providing redress to customers in respect of possible mis-selling of M&S Bank financial products; and
- Various significant legal settlements that are significant in value to the results of the Group or to a segment.

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

2 Segmental Information

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

The chief operating decision maker has been identified as the Operating Committee. The Operating Committee reviews the Group's internal reporting in order to assess performance and allocate resources across each operating segment. The operating segments are UK and International which are reported in a manner consistent with the internal reporting to the Operating Committee.

The UK segment consists of the UK retail business and UK franchise operations. The International segment consists of Marks & Spencer owned businesses in Europe and Asia, together with international franchise operations.

The Operating Committee assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of adjusted items from the operating segments. The Operating Committee also monitors revenue within the segments and gross profit within the UK segment. To increase transparency, the Group has decided to include an additional voluntary disclosure analysing revenue within the reportable segments and gross profit within the UK segment by subcategory.

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

	52 weeks ended 1 April 2017				53 weeks ended 2 April 2016			
	Management	Logistics Adjustment[1]	Adjusted items[2]	Statutory	Management	Logistics Adjustment[1]	Adjusted items[2]	Statutory
	£m	£m	£m	£m	£m	£m		£m
Clothing & Home revenue	3,792.7	-	-	3,792.7	3,961.3	-	-	3,961.3
Food revenue	5,649.0	-	-	5,649.0	5,509.5	-	-	5,509.5
UK revenue	9,441.7	-	-	9,441.7	9,470.8	-	-	9,470.8
Franchised	314.0	-	-	314.0	329.7	-	-	329.7
Owned	866.3	-	-	866.3	754.9	-	-	754.9
International revenue	1,180.3	-	-	1,180.3	1,084.6	-	-	1,084.6
Group revenue	**10,622.0**	**-**	**-**	**10,622.0**	**10,555.4**	**-**	**-**	**10,555.4**
Clothing & Home gross profit	2,128.7				2,180.7			
Food gross profit	1,837.7				1,806.2			
UK gross profit	3,966.4	(360.5)	-	3,605.9	3,986.9	(300.9)	-	3,686.0
UK operating costs	(3,390.4)	360.5	(254.5)	(3,284.4)	(3,320.1)	300.9	(49.1)	(3,068.3)
M&S Bank	50.2	-	(44.1)	6.1	59.9	-	(50.3)	9.6
UK operating profit	626.2	-	(298.6)	327.6	726.7	-	(99.4)	627.3
International operating profit	64.4	-	(138.8)	(74.4)	58.2	-	(101.4)	(43.2)
Group operating profit	**690.6**	**-**	**(437.4)**	**253.2**	**784.9**	**-**	**(200.8)**	**584.1**
Finance income	36.2	-	-	36.2	21.1	-	-	21.1
Finance costs	(113.0)	-	-	(113.0)	(116.4)	-	-	(116.4)
Profit before tax	**613.8**	**-**	**(437.4)**	**176.4**	**689.6**	**-**	**(200.8)**	**488.8**

[1]Management gross profit for the UK segment excludes certain expenses resulting in an adjustment between cost of sales and selling and administrative expenses of £360.5m (last year £300.9m). Updates to the methodology have been made in the current year to include depreciation of the relevant Distribution Centres within gross margin. This is to ensure consistent treatment with the underlying warehousing costs. The prior year comparatives have not been restated.
[2]Management profit excludes the adjusted items (income or charges) made to reported profit before tax that are significant in value and/or nature (see note 3). Please refer to the Glossary for more detail on these items.

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Other segmental information

	2017			2016		
	UK £m	**International £m**	**Total £m**	UK £m	International £m	Total £m
Additions to property, plant and equipment and intangible assets (excluding goodwill)	374.1	12.2	**386.3**	624.9	20.0	644.9
Depreciation and amortisation	549.1	29.1	**578.2**	531.9	30.9	562.8
Impairment and asset write-offs	72.7	31.2	**103.9**	60.8	98.8	159.6
Total assets	7,917.3	375.2	**8,292.5**	8,062.3	414.1	8,476.4
Non-current assets	6,324.4	244.8	**6,569.2**	6,751.9	263.1	7,015.0

3 Adjusted items

The total adjusted items reported for the 52 week period ended 1 April 2017 is a net charge of £437.4m. The adjustments made to reported profit before tax to arrive at adjusted profit are:

	2017 £m	2016 £m
Strategic programmes		
- Changes to pay and pensions	(156.0)	-
- UK organisation	(24.0)	-
- UK store estate	(51.6)	(37.0)
- International store closures and impairments	(132.5)	(31.6)
UK store impairments and onerous lease charges	(48.8)	-
M&S Bank charges incurred in relation to the insurance mis-selling provision	(44.1)	(50.3)
UK logistics	9.8	9.2
Legal settlements	9.8	-
Other impairments[1]	-	(94.5)
IAS 39 fair value movement of embedded derivative	-	(2.0)
Net gain on acquisition of joint venture holding Bradford warehouse	-	5.4
Adjustments to profit before tax	**(437.4)**	**(200.8)**

[1]Other impairments in the prior year included the impairment of Czech and Hungary goodwill (£19.1m), the M&S Mode brand (£32.4m), an enterprise management system used by the International business (£19.3m) and impairment costs of £23.7m related to the Clothing & Home buying and merchandising systems.

Changes to pay and pensions (£156.0m)

On 25 May 2016, the Group announced proposals for a fairer, simpler and more consistent approach to pay and premia as well as proposals to close the UK defined benefit (DB) pension scheme to future accrual effective from 1 April 2017. The consultation with employees on these changes completed on 2 September 2016.

The closure of the UK DB pension scheme to future accrual has resulted in a curtailment charge of £127.0m. As all remaining active members of the scheme transition to deferred status, all future pensionable increases will be in line with inflation (CPI) as opposed to the lower 1% salary cap applied to the active members. Other costs of £5.4m directly associated with the closure, primarily in relation to third party advisory costs, have also been incurred.

The Group considers the curtailment cost and directly associated costs to be an adjusted item on the basis that they relate to a significant cost affecting the Group results.

Following the completion of the consultation in respect of pay and premia, the Group has committed to transition payments of £23.6m in respect of removal of premia. The full amount of £23.6m has been recognised as a liability at 1 April 2017 as the criteria for recognition under IAS 37 have been met at this date.

The Group anticipates making further transition payments to impacted employees in relation to the closure of the DB scheme, expected to be c. £25m in total over the next three years. These amounts will be recognised within adjusted items in future years as incurred.

The premia buyout costs are considered to be an adjusted item as they represent costs that are significant in value to the results of the Group.

Strategic programmes – UK organisation (£24.0m)

During the year, the Group announced the results of a wide-ranging strategic review across a number of areas of the business including customer, brand, UK organisation, UK store estate and International. The completion of this review has resulted in the Group incurring a number of significant charges.

On 5 September 2016, following completion of a detailed review of the UK organisation, the Group announced changes to the UK Head Office structure. The changes have resulted in a net reduction of c.590 Head Office roles achieved through a combination of fewer contractors, natural attrition and redundancies and resulting in costs of £15.4m inclusive of fees.

On 2 March 2017, as part of the ongoing strategic programme, the Group announced an 18 month programme to centralise its London Head Office functions into one building. The Group has recognised a net charge of £8.6m associated with this rationalisation inclusive of the impairment and write off of assets upon exit of vacated buildings, an expected net sublet shortfall and the costs of relocation.
The costs are considered to be adjusted items as they are significant in value and relate to a strategic initiative. As a result they are not considered to be normal operating costs of the business.

Strategic programmes – UK store estate (£51.6m)

The Group has revised its previously announced strategic programme in relation to the UK store estate. As part of this programme, ten UK stores were approved for closure in the period, resulting in closure costs of £47.3m relating to dilapidations, sublet shortfalls, accelerated depreciation of fixtures and fittings and impairment of assets. The balance of the charges of £4.3m in the period relate to the ongoing review of assumptions associated with previously closed stores.

Whilst costs associated with the closure and re-configuration of the UK store estate will recur across financial years, the Group considers that they should be treated as adjusted items given they are part of a significant strategic programme and are significant in value to the results of the Group.

International store closures and impairments (£132.5m)

The Group has announced its intention to close its owned stores in ten international markets, resulting in the recognition of a cost of £130.5m in the year. The expected closure costs primarily relate to redundancy, lease exit and property dilapidations. The closure programmes are ongoing in all markets, with the exception of China where the final store was closed on 1 April 2017. The costs are considered to be an adjusted item as they are significant in both value and nature to the results of the Group.

In addition the International store impairment testing during the year identified a number of stores where current and anticipated future performance does not support the carrying value of the stores. As a result, an impairment charge of £9.0m has been incurred which is considered significant in value to the results of the International segment.

Offsetting these store impairments are credits of £7.0m relating to the reversal of historic impairments against five stores in Ireland and the release of unutilised provisions on completion of the exit from and liquidation of companies in the Balkans. These releases are considered to be an adjusted item, consistent with treatment in previous periods when the original charges were recognised as adjusted items.

UK store impairments and onerous lease contracts (£48.8m)

The UK store impairment testing during the year has identified a number of stores where the current and anticipated future performance does not support the carrying value of the stores. As a result, a charge of £39.4m has been incurred in respect of the impairment of assets associated with these stores. A further charge of £9.4m has been incurred in respect of onerous lease provisions associated with some of these stores.

The charges associated with the impairment of stores and associated onerous leases have been classified as an adjusted item on the basis of the significant value of the charge in the year to the results of the Group.

M&S Bank charges incurred in relation to the insurance mis-selling provision (£44.1m)

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

Since the year ended 31 December 2010, M&S Bank has recognised in its audited financial statements an estimated liability for redress to customers in respect of possible mis-selling of financial products. The Group's income from M&S Bank has been reduced by the deduction of our share of the estimated liability in both the current and prior years. The deduction in the period is £44.1m.

The Group considers this cost to be an adjusted item, despite its recurring nature, as the charges are significant in nature and value in each period to the results of the Group.

UK logistics (£9.8m credit)

A net credit of £9.8m has been recognised in the year relating to an updated view of the estimated closure costs of legacy logistics sites associated with the transition to a single tier distribution network. This credit largely arises following a decision to retain two logistics warehouses within the network which had previously been identified for closure. This net release is considered to be an adjusted item, consistent with treatment in previous periods when the original charges were recognised as adjusted items.

Legal settlements (£9.8m credit)

During the year the Group has reached various legal settlements resulting in a net credit to the Income Statement of £9.8m. No further detail is provided in respect of these legal settlements due to the requirement to comply with confidentiality clauses within the agreements.

The settlements are considered to be adjusted items as they are significant in value to the results of the Group or to the segment.

4 Finance income/costs

	2017 £m	2016 £m
Bank and other interest receivable	6.6	5.8
Unwind of discount on financial instruments	0.3	-
Pension net finance income (see note 8)	29.3	15.3
Finance income	**36.2**	**21.1**
Interest on bank borrowings	(2.8)	(3.6)
Interest payable on syndicated bank facility	(4.3)	(5.5)
Interest payable on medium-term notes	(91.2)	(89.9)
Interest payable on finance leases	(1.9)	(1.9)
Unwind of discount on financial instruments	-	(0.4)
Unwind of discount on provisions	(0.2)	(0.4)
Unwinding of discount on partnership liability to the Marks and Spencer UK Pension Scheme (see note 9)	(12.6)	(14.7)
Finance costs	**(113.0)**	**(116.4)**
Net finance costs	**(76.8)**	**(95.3)**

5 Taxation

The effective tax rate was 34.4% (last year 17.3%) and after excluding adjusted items the effective tax rate was 19.9% (last year 17.2%).

6 Earnings per share

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

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

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

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

	2017 £m	2016 £m
Profit attributable to equity shareholders of the Company	**117.1**	**406.9**
Add/(less) (net of tax):		
Strategic programmes		
- Changes to pay and pensions	128.6	-
- UK organisation	20.3	-
- UK store estate	46.5	40.7
- International store closures and impairments	120.8	92.1
UK store impairments and onerous lease charges	41.3	-
M&S Bank charges incurred in relation to the insurance mis-selling provision	35.3	40.2
UK logistics	(9.2)	(7.3)
Legal settlements	(7.9)	-
Other Impairments	-	8.8
IAS 39 Fair value movement of embedded derivative	-	1.6
Net gain on acquisition of joint venture holding Bradford warehouse	-	(9.7)
Profit before adjusted items attributable to equity shareholders of the Company	**492.8**	**573.3**

	Million	Million
Weighted average number of ordinary shares in issue	1,623.1	1,635.9
Potentially dilutive share options under Group's share option schemes	8.0	6.3
Weighted average number of diluted ordinary shares	**1,631.1**	**1,642.2**

	Pence	Pence
Basic earnings per share	7.2	24.9
Diluted earnings per share	7.2	24.8
Adjusted basic earnings per share	30.4	35.0
Adjusted diluted earnings per share	30.2	34.9

7 Dividends

	2017 per share	2016 per share	2017 £m	2016 £m
Dividends on equity ordinary shares				
Paid final dividend	11.9p	11.6p	192.7	190.8
Special dividend	4.6p	-	74.5	-
Paid interim dividend	6.8p	6.8p	110.3	110.9
	23.3p	**18.4p**	**377.5**	**301.7**

The directors have proposed a final dividend in respect of the year ended 1 April 2017 of 11.9p per share (last year 11.9p), amounting to a dividend of £193.3m (last year £192.7m). This payment is subject to approval of shareholders at the Annual General Meeting, to be held on 11 July 2017.

A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. The shares will go ex-dividend on 1 June 2017. For those shareholders electing to receive the DRIP the last date for receipt of a new election is 23 June 2017.

8 Retirement benefits

	2017 £m	2016 £m
Opening net retirement benefit asset	**824.1**	**449.0**
Current service cost	(96.5)	(98.0)
Administration cost	(3.2)	(3.0)
Curtailment charge	(128.0)	(1.0)
Net interest income (see note 4)	29.3	15.3
Employer contributions	137.0	118.4
Remeasurements	(68.9)	346.2
Exchange movement	(1.0)	(2.8)
Closing net retirement benefit asset	**692.8**	**824.1**
Total market value of assets	10,135.1	8,515.3
Present value of scheme liabilities	(9,433.3)	(7,682.3)
Net funded pension plan asset	701.8	833.0
Unfunded retirement benefits	(1.0)	(0.9)
Post-retirement healthcare	(8.0)	(8.0)
Net retirement benefit asset	**692.8**	**824.1**
Analysed in the statement of financial position as:		
Retirement benefit asset	706.0	851.0
Retirement benefit deficit	(13.2)	(26.9)
Net retirement benefit asset	**692.8**	824.1

On closure of the UK DB scheme, all remaining active members moved to deferred status which resulted in a curtailment charge of £127.0m. There will be no future service charge relating to the scheme and no future monthly employer contributions for current service. During the year the Group paid the final contribution of £28m, as agreed at the 2012 actuarial valuation, in respect of benefits already accrued by members. In addition, the UK DB Scheme will continue to receive income from the Scottish Limited Partnership. Please refer to Note 9 for further details.

The main financial assumptions for the UK DB scheme and the most recent actuarial valuations of the other post-retirement schemes have been updated by independent qualified actuaries to take account to the requirements for IAS 19 – 'Employee Benefits' in order to assess the liabilities of the schemes. The most significant of these are the discount rate and inflation rate which are 2.55% (last year: 3.40%) and 3.20% (last year: 2.95%) respectively. The inflation rate of 3.20% (last year: 2.95%) reflects the Retail Price Index (RPI) rate. Certain benefits have been calculated with reference to the Consumer Price Index (CPI) as the inflationary measure and in these instances a rate of 2.20% (last year: 1.95%) has been used.

The amount of the surplus varies if the main financial assumptions change, particularly the discount rate. If the discount rate decreased by 0.25%, the surplus would decrease by c. £70m. If the inflation rate decreased by 0.25%, the surplus would decrease by c. £20m.

9 Marks and Spencer Scottish Limited Partnership

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

The Partnership holds £1.6bn (last year £1.6bn) of properties which have been leased back to Marks and Spencer plc at market rates. The Group retains control over these properties, including the flexibility to substitute alternative properties into the Partnership. The first limited partnership interest (held by the Marks and Spencer UK Pension Scheme), entitles the Pension Scheme to receive an annual distribution of £71.9m until 2022 from the Partnership. The second partnership interest (also held by the Marks and Spencer UK Pension Scheme), entitles the Pension Scheme to receive a further £36.4m annually from 2017 until 2031.

The Partnership liability in relation to the first interest of £396.5m (last year £455.7m) is valued at the net present value of the future expected distributions from the Partnership. During the year to 1 April 2017 an interest charge of £12.6m (last year £14.7m) was recognised in the income statement representing the unwinding of the discount included in this obligation.
The first limited partnership interest of the Pension Scheme is included within the UK pension scheme assets, valued at £412.1m (last year £469.5m). It is also included as a liability on our Balance Sheet as it is a transferable financial instrument. The second partnership interest is not a transferable financial instrument and therefore is not included as a plan asset in accordance with IAS 19. The associated liability is eliminated on consolidation.

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10 Financial instruments

Fair Value Hierarchy

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

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

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

				2017				2016
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value								
Financial assets at fair value through profit or loss								
- Trading derivatives	-	0.7	-	0.7	-	1.4	-	1.4
Derivatives used for hedging	-	219.2	-	219.2	-	144.7	-	144.7
Short term investments	-	14.5	-	14.5	-	19.1	-	19.1
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss								
- Trading derivatives	-	(1.5)	-	(1.5)	-	(1.8)	-	(1.8)
Derivatives used for hedging	-	(9.8)	-	(9.8)	-	(26.9)	-	(26.9)

There were no transfers between the levels of the fair value hierarchy. In addition to the above, the group has £3.0m (last year £3.0m) in unlisted equity securities measured at cost.

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

	2017 £m	2016 £m
Opening balance	1,219.1	1,093.6
Fair value gain recognised in other comprehensive income	100.6	70.3
Additional investment/derecognition	125.2	55.2
Closing balance	1,444.9	1,219.1

In the prior year the Group purchased Lima (Bradford) S.à r.l. This resulted in the derecognition of the embedded derivative as the lease contract was between subsidiaries of the Group. Gains recognised in the prior year income statement related to the valuation of the embedded derivative in the lease contract up until the acquisition date. The fair value movement of the embedded derivative of £2.0m loss and subsequent derecognition of the asset (£21.7m) was treated as an adjustment to reported profit in the prior year (see note 3).

Fair value of financial instruments

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

The carrying value of the Group's fixed rate bond debt (level 1 equivalent) was £2,110.7m (last year £1,726.4m), the fair value of this debt was £2,236.7m (last year £1,868.3m).

11 Contingencies and commitments

A. Capital commitments

	2017 £m	2016 £m
Commitments in respect of properties in the course of construction	156.4	129.2
Software capital commitments	11.0	17.1
	167.4	146.3

B. Other material contracts

In the event of a material change in the trading arrangements with certain warehouse operators, the Group has a commitment to purchase property, plant and equipment, which are currently owned and operated by the warehouse operators on the Group's behalf (at values ranging from historical net book value to market value).

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

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

	2017 £m	2016 £m
Profit on ordinary activities after taxation	115.7	404.4
Income tax expense	60.7	84.4
Finance costs	113.0	116.4
Finance income	(36.2)	(21.1)
Operating profit	**253.2**	**584.1**
Depreciation, amortisation and asset impairments and write offs before adjusted items	589.5	576.8
Share-based payments charge	10.6	16.0
Pension costs charged against operating profit	100.3	102.0
Adjusted profit items	437.4	200.8
Decrease/(increase) in inventories	53.9	(22.5)
(Increase)/decrease in receivables	(9.9)	3.3
(Decrease)/increase in payables	(53.1)	32.4
Adjusted items cash outflows	(36.8)	(12.9)
Adjusted items non-cash	(44.1)	(50.3)
Cash contributions to pension schemes	(135.3)	(118.4)
Cash generated from operations	**1,165.7**	**1,311.3**

13 Reconciliation of net debt to statement of financial position

	2017 £m	2016 £m
Statement of financial position and related notes		
Cash and cash equivalents	468.6	247.6
Current financial assets	14.5	19.1
Bank loans and overdrafts	(70.3)	(297.3)
Medium-term notes – net of hedging derivatives	(1,957.8)	(1,656.1)
Finance lease liabilities	(48.7)	(48.6)
Partnership liability to the Marks & Spencer UK DB Pension Scheme (see note 9)	(396.5)	(455.7)
	(1,990.2)	**(2,191.0)**
Interest payable included within related borrowing and the partnership liability to the Marks & Spencer UK DB Pension Scheme	55.5	52.7
Total net debt	**(1,934.7)**	**(2,138.3)**

14 Related party transactions

There were no related party transactions during the year to 1 April 2017. Last year, supplier transactions occurred between the Group and a company controlled by Martha Lane Fox's partner. Martha was a non-executive director of the Group, retiring from the Board on 2 April 2016. These transactions amounted to £2.6m during the year with an outstanding trade payable of £0.2m at 2 April 2016.

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Glossary

<table>
<tr><th>Alternative Performance Metric</th><th>Closest equivalent statutory measure</th><th>Reconciling items to statutory measure</th><th>Definition and purpose</th></tr>
<tr><td colspan="4">Income Statement Measures</td></tr>
<tr><td>Like-for-like revenue growth</td><td>Movement in revenue per the Income Statement</td><td>Sales from non like-for-like stores</td><td>The period on period change in revenue (excluding VAT) from stores which have been trading and where there has been no significant change in footage for at least 52 weeks and online sales. The measure is used widely in the retail industry as an indicator of sales performance. It excludes the impact of new stores, closed stores or stores with significant footage change.
<table>
<tr><th></th><th>FY 16/17 £m</th><th>FY 15/16 £m</th><th>%</th></tr>
<tr><td>UK Revenue</td><td></td><td></td><td></td></tr>
<tr><td>Like-for-like</td><td>9,039.2</td><td>9,213.0</td><td>-1.9%</td></tr>
<tr><td>Net space change</td><td>402.6</td><td>111.7</td><td></td></tr>
<tr><td>Total</td><td>9,441.7</td><td>9,324.7</td><td>1.3%</td></tr>
<tr><td>Week 53</td><td>-</td><td>146.1</td><td></td></tr>
<tr><td>Statutory</td><td>9,441.7</td><td>9,470.8</td><td>-0.3%</td></tr>
</table></td></tr>
<tr><td>M&S.com revenue / Online revenue</td><td>None</td><td>Not applicable</td><td>Total revenue through the Group's online platforms. These revenues are reported within the relevant UK and International segment results. The growth in revenues on a year-on-year basis is a good indicator of the performance of the online channel and is a measure used within the Group's incentive plans.</td></tr>
<tr><td>Revenue growth at constant currency</td><td>None</td><td>Not applicable</td><td>The period on period change in revenue retranslating the previous year revenue at the average actual periodic exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.
<table>
<tr><th></th><th>FY 16/17 £m</th><th>FY 15/16 £m</th><th>%</th></tr>
<tr><td>International Revenue</td><td></td><td></td><td></td></tr>
<tr><td>At reported currency</td><td>1,180.3</td><td>1,066.3</td><td>10.7%</td></tr>
<tr><td>Impact of FX translation</td><td>-</td><td>115.2</td><td></td></tr>
<tr><td>At constant currency</td><td>1,180.3</td><td>1,181.5</td><td>-0.1%</td></tr>
</table></td></tr>
<tr><td>Gross margin</td><td>Gross profit margin[1]</td><td>Certain downstream logistics costs
(See Note 2)</td><td>Where referred to throughout the Press Release, gross margin is calculated as gross profit before adjusted items on a management basis divided by revenue. The gross profit used in this calculation is based on an internal measure of margin rather than the statutory margin, which excludes certain downstream logistics costs. This is a key internal management metric for assessing category performance.</td></tr>
<tr><td>Adjusted items</td><td>None</td><td>Not applicable</td><td>Those items which the Group excludes from its adjusted profit metrics in order to present a further measure of the Group's performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is reported to the Board and the Operating Committee.</td></tr>
<tr><td>EBIT before adjusted items</td><td>EBIT[2]</td><td>Adjusted items
(See Note 3)</td><td>Calculated as profit before the impact of adjusted items, net finance costs and tax. This measure is used in calculating the Return on Capital Employed for the Group.</td></tr>
<tr><td>Profit before tax and adjusted items</td><td>Profit before tax</td><td>Adjusted items
(See Note 3)</td><td>Profit before the impact of adjusted items and tax. The Group considers this to be an important measure of Group performance and is consistent with how the business performance is reported to and assessed by the Board and the Operating Committee.
This is a measure used within the Group's incentive plans.</td></tr>
<tr><td>Adjusted earnings per share</td><td>Earnings per share</td><td>Adjusted items
(See Note 3)</td><td>Profit after tax attributable to owners of the parent and before the impact of adjusted items, divided by the weighted average number of ordinary shares in issue during the financial year.
This is a measure used within the Group's incentive plans.</td></tr>
<tr><td>Adjusted diluted earnings per share</td><td>Diluted earnings per share</td><td>Adjusted items
(See Note 3)</td><td>Profit after tax attributable to owners of the parent and before the impact of adjusted items, divided by the weighted average number of ordinary shares in issue during the financial year adjusted for the effects of any potentially dilutive options.</td></tr>
<tr><td>Effective tax rate before adjusted items</td><td>Effective tax rate</td><td>Adjusted items and their tax impact
(See Note 3)</td><td>Total income tax charge for the Group excluding the tax impact of adjusted items divided by the profit before tax and adjusted items.

This measure is an indicator of the ongoing tax rate for the Group.</td></tr>
</table>

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Alternative Performance Metric	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
52 week period ended 26 March 2016	53 week period ended 2 April 2016	Results for the 53rd week in the statutory reporting period ended 2 April 2016	Every 6 years an additional week is included within the statutory period to ensure that the year end date stays in line with the end of March. The prior year statutory financial measures were based on such a 53 week reporting period. In order to provide a meaningful comparison with this year's 52 week period, all financial movements in commentary relative to the prior year are provided on a 52 week basis and exclude the 53rd week, unless otherwise noted. The Group considers that presentation of comparatives on this basis enables stakeholders to more appropriately compare the performance of the business year on year. The 52 week period for the prior year has been used for management incentive purposes.
Balance Sheet Measures			
Net debt	None	Reconciliation of net debt (see note 13)	Net debt comprises total borrowings (bank, bonds and finance lease liabilities net of accrued interest), net derivative financial instruments that hedge the borrowings and the Scottish Limited Partnership liability to the UK pension scheme less cash, cash equivalents and unlisted and short term investments. This measure is a good indication of the strength of the Group's balance sheet position and is widely used by credit rating agencies.
Capital employed	Net assets	Refer to definition	The net total of assets and liabilities as reported in the annual financial statement excluding assets and liabilities in relation to investment property, net retirement benefit position, derivatives, current and deferred tax liabilities, Scottish Limited Partnership liability, non-current borrowings and provisions in respect of adjusted items. This measure is used in the calculation of return on capital employed.
Cash Flow Measures			
Free cash flow	Net cash inflow from operating activities	See Full Year Review	The cash generated from the Group's operating activities less capital expenditure and interest paid. This measure shows the cash retained by the Group in the year.
Free cash flow pre shareholder returns	Net cash inflow from operating activities	See Full Year Review	Calculated as the cash generated from the Group's operating activities less capital expenditure and interest paid excluding returns to shareholders (dividends and share buyback). This measure shows the cash generated by the Group during the year that is available for returning to shareholders and is used within the Group's incentive plans.
Other Measures			
Capital expenditure	None	Refer to definition	Calculated as the purchase of property, plant and equipment, investment property and intangible assets during the year less proceeds of asset disposals excluding any assets acquired as part of a business combination.
Return on capital employed	None	Not applicable	Calculated as being EBIT before adjusted items divided by the average of opening and closing capital employed. This measure is used within the Group's incentive plans.

[1] Gross profit margin is not defined within IFRS but is a widely accepted profit measure being derived from revenue less cost of sales divided by revenue
[2] EBIT is not defined within IFRS but is a widely accepted profit measure being earnings before interest and tax

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