Consolidated income statement

13 weeks ended 30 January 2022

		13 weeks ended 30 January 2022 (unaudited)				13 weeks ended 31 January 2021 (unaudited)			39 weeks ended 31 October 2021 (audited)			
	Note	Before exceptionals[1] £m	Exceptionals (note 4)[1] £m	Exceptionals - Transaction costs (note 4)[1] £m	Total £m	Before exceptionals[1] £m	Exceptionals (note 4)[1] £m	Total £m	Before exceptionals[1] £m	Exceptionals (note 4)[1] £m	Exceptionals - Transaction costs (note 4)[1] £m	Total £m
Revenue	3	4,558	–	–	4,558	4,500	–	4,500	13,483	–	–	13,483
Cost of sales		(4,378)	(5)	–	(4,383)	(4,419)	(30)	(4,449)	(13,146)	(16)	–	(13,162)
Cost of sales before supply chain disruption		(4,334)	(5)	–	(4,339)	(4,419)	(30)	(4,449)	(13,116)	(16)	–	(13,132)
Supply chain disruption[2]		(44)	–	–	(44)	–	–	–	(30)	–	–	(30)
Gross profit		180	(5)	–	175	81	(30)	51	337	(16)	–	321
Other operating income		31	–	–	31	23	–	23	77	–	–	77
Profit/(loss) on disposal and closure		–	5	–	5	–	1	1	–	(28)	–	(28)
Administrative expenses		(64)	(4)	(1)	(69)	(66)	66	–	(203)	(120)	(98)	(421)
Operating profit/(loss)		147	(4)	(1)	142	38	37	75	211	(164)	(98)	(51)
Operating profit/(loss) before supply chain disruption[1]		191	(4)	(1)	186	38	37	75	241	(164)	(98)	(21)
Supply chain disruption[2]		(44)	–	–	(44)	–	–	–	(30)	–	–	(30)
Finance costs	5	(20)	–	–	(20)	(28)	–	(28)	(83)	–	–	(83)
Finance income	5	1	4	–	5	1	4	5	5	8	–	13
Profit/(loss) before taxation		128	–	(1)	127	11	41	52	133	(156)	(98)	(121)
Taxation	6	(18)	–	–	(18)	(3)	(19)	(22)	(39)	(87)	–	(126)
Profit/(loss) for the period attributable to the owners of the Company		110	–	(1)	109	8	22	30	94	(243)	(98)	(247)

[1] Alternative performance measures are defined in the glossary.
[2] Supply chain disruption costs in the 13 weeks ended 30 January 2022 amounted to £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 are returning to a stable level in March 2022. These costs have been disclosed separately to provide additional information to users of the condensed consolidated interim financial statements.

Consolidated statement of comprehensive income

13 weeks ended 30 January 2022

Other comprehensive income/(expense)	Note	**13 weeks ended 30 January 2022 (unaudited) £m**	13 weeks ended 31 January 2021 (unaudited) £m	39 weeks ended 31 October 2021 (audited) £m
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit schemes	13	**107**	(110)	236
Tax on defined benefit schemes		**(27)**	8	(90)
		80	(102)	146
Items that may be reclassified subsequently to profit or loss				
Cash flow hedging movement		**126**	14	167
Exchange differences on translation of foreign operations		**(3)**	2	1
Tax on cash flow hedging		**(31)**	(2)	(42)
		92	14	126
Other comprehensive income/(expense) for the period, net of tax		**172**	(88)	272
Profit/(loss) for the period attributable to the owners of the Company		**109**	30	(247)
Total comprehensive income/(expense) for the period attributable to the owners of the Company		**281**	(58)	25

Consolidated statement of financial position

As at 30 January 2022

	Note	**30 January 2022 (unaudited) £m**	31 January 2021 (audited) £m	31 October 2021 (audited) £m
Assets				
Non-current assets				
Goodwill and intangible assets	8	**322**	328	320
Property, plant and equipment	9	**7,330**	7,358	7,327
Right-of-use assets	10	**932**	997	940
Investment property	11	**60**	59	61
Retirement benefit surplus	13	**1,091**	754	995
Investment in joint venture		**23**	31	31
Investment in other companies		**2**	–	–
Trade and other receivables		**86**	70	81
Derivative financial assets	16	**89**	9	43
		9,935	9,606	9,798
Current assets				
Inventories		**859**	814	902
Trade and other receivables		**457**	336	427
Current tax asset		**8**	27	53
Derivative financial assets	16	**117**	13	33
Cash and cash equivalents	15	**236**	240	296
		1,677	1,430	1,711
Assets classified as held-for-sale	12	–	–	1
		1,677	1,430	1,712
Total assets		**11,612**	11,036	11,510
Liabilities				
Current liabilities				
Trade and other payables		**(3,286)**	(2,837)	(3,187)
Borrowings	16	–	(54)	(838)
Lease liabilities	15	**(76)**	(72)	(76)
Derivative financial liabilities	16	**(6)**	(18)	(19)
		(3,368)	(2,981)	(4,120)
Non-current liabilities				
Borrowings	16	**(1,648)**	(1,986)	(1,107)
Lease liabilities	15	**(1,272)**	(1,299)	(1,284)
Derivative financial liabilities	16	–	(2)	(2)
Retirement benefit deficit	13	**(14)**	(36)	(28)
Deferred tax liabilities		**(800)**	(463)	(730)
Provisions	18	**(44)**	(53)	(55)
		(3,778)	(3,839)	(3,206)
Total liabilities		**(7,146)**	(6,820)	(7,326)
Net assets		**4,466**	4,216	4,184
Shareholders' equity				
Share capital	17	**245**	241	245
Share premium	17	**253**	201	252
Capital redemption reserve		**39**	39	39
Merger reserve		**2,578**	2,578	2,578
Retained earnings and other reserves		**1,351**	1,157	1,070
Total equity attributable to the owners of the Company		**4,466**	4,216	4,184

Consolidated statement of cash flows

13 weeks ended 30 January 2022

	Note	**13 weeks ended 30 January 2022 (unaudited) £m**	13 weeks ended 31 January 2021 (unaudited) £m	39 weeks ended 31 October 2021 (audited) £m
Cash flows from operating activities				
Cash generated from operations	14	**323**	(3)	621
Interest paid		**(25)**	(35)	(76)
Taxation received/(paid)		**38**	19	(17)
Net cash inflow/(outflow) from operating activities		**336**	(19)	528
Cash flows from investing activities				
Dividends received from joint venture	21	**8**	8	–
Proceeds from the disposal of property, plant and equipment, right-of-use assets, investment property and assets classified as held-for-sale		**9**	22	10
Purchase of property, plant and equipment and investment property		**(133)**	(162)	(307)
Purchase of intangible assets		**(20)**	(13)	(53)
Acquisition of subsidiary (net of cash received)	22	**–**	–	(8)
Investment in other companies		**(2)**	–	–
Net cash outflow from investing activities		**(138)**	(145)	(358)
Cash flows from financing activities				
Purchase of trust shares	17	–	–	(3)
Settlement of share awards	17	–	–	(8)
Proceeds from trust shares	17	**41**	–	–
Proceeds from exercise of employee share options	17	**1**	–	55
Proceeds from settlement of derivative contracts	17	**18**	–	118
New borrowings from parent company	15	**1,573**	–	–
New external borrowings		**–**	371	–
Repayment of borrowings from parent company	15	**(193)**	–	–
Repayment of external borrowings	15	**(1,677)**	–	(94)
Repayment of lease liabilities		**(21)**	(27)	(59)
Dividends paid	7	**–**	(96)	(123)
Net cash (outflow)/inflow from financing activities		**(258)**	248	(114)
Net (decrease)/increase in cash and cash equivalents		**(60)**	84	56
Cash and cash equivalents at start of period		**296**	156	240
Cash and cash equivalents at end of period	15	**236**	240	296

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

	Note	**13 weeks ended 30 January 2022 (unaudited) £m**	13 weeks ended 31 January 2021 (unaudited) £m	39 weeks ended 31 October 2021 (audited) £m
Financing activities:				
Cash inflow from increase in external borrowings		–	(371)	–
Cash inflow from increase in borrowings from parent company		**(1,573)**	–	–
Cash outflow from repayment of external borrowings		**1,677**	–	94
Cash outflow from repayment of borrowings from parent company		**193**	–	–
Cash outflow from repayment of lease liabilities		**21**	27	59
Non-cash movements on lease liabilities[2]		**(9)**	(21)	(48)
Other financing non-cash movements		**1**	–	1
Net decrease/(increase) from financing activities		**310**	(365)	106
Other non-cash movements		**144**	11	53
Net (decrease)/increase in cash and cash equivalents		**(60)**	84	56
Opening net debt[1]		**(2,954)**	(2,899)	(3,169)
Closing net debt[1]	15	**(2,560)**	(3,169)	(2,954)

[1] Net debt is defined in the Glossary.

[2] Non-cash movements on lease liabilities comprise £1m (31 January 2021: £3m, 31 October 2021: £41m) in relation to new leases and £8m (31 January 2021: £18m, 31 October 2021: £7m) from the remeasurement of existing leases.

Consolidated statement of changes in equity

		Attributable to the owners of the Company						
13 weeks ended 30 January 2022 (unaudited)	Note	**Share capital £m**	**Share premium £m**	**Capital redemption reserve £m**	**Merger reserve £m**	**Hedging reserve £m**	**Retained earnings £m**	**Total equity £m**
At 1 November 2021		**245**	**252**	**39**	**2,578**	**122**	**948**	**4,184**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**109**	**109**
Other comprehensive income/(expense):								
Cash flow hedging movement		**–**	**–**	**–**	**–**	**126**	**–**	**126**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Remeasurement of defined benefit schemes	13	**–**	**–**	**–**	**–**	**–**	**107**	**107**
Tax in relation to components of other comprehensive income		**–**	**–**	**–**	**–**	**(31)**	**(27)**	**(58)**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**95**	**186**	**281**
Employee share option schemes:								
Share options exercised	17	**–**	**1**	**–**	**–**	**–**	**–**	**1**
Total transactions with owners		**–**	**1**	**–**	**–**	**–**	**–**	**1**
At 30 January 2022		**245**	**253**	**39**	**2,578**	**217**	**1,134**	**4,466**

		Attributable to the owners of the Company						
13 weeks ended 31 January 2021 (unaudited)		Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 2 November 2020		241	201	39	2,578	(15)	1,322	4,366
Profit for the period		–	–	–	–	–	30	30
Other comprehensive income/(expense):								
Cash flow hedging movement		–	–	–	–	14	–	14
Exchange differences on translation of foreign operations		–	–	–	–	–	2	2
Remeasurement of defined benefit schemes	13	–	–	–	–	–	(110)	(110)
Tax in relation to components of other comprehensive income		–	–	–	–	(2)	8	6
Total comprehensive income/(expense) for the period		–	–	–	–	12	(70)	(58)
Employee share option schemes:								
Share-based payments		–	–	–	–	–	4	4
Dividends	7	–	–	–	–	–	(96)	(96)
Total transactions with owners		–	–	–	–	–	(92)	(92)
At 31 January 2021		**241**	**201**	**39**	**2,578**	**(3)**	**1,160**	**4,216**

Consolidated statement of changes in equity (continued)

		Attributable to the owners of the Company						
39 weeks ended 31 October 2021 (audited)	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 1 February 2021		241	201	39	2,578	(3)	1,160	4,216
Loss for the period		–	–	–	–	–	(247)	(247)
Other comprehensive income/(expense):								
Cash flow hedging movement		–	–	–	–	167	–	167
Exchange differences on translation of foreign operations		–	–	–	–	–	1	1
Remeasurement of defined benefit schemes	13	–	–	–	–	–	236	236
Tax in relation to components of other comprehensive income		–	–	–	–	(42)	(90)	(132)
Total comprehensive income/(expense) for the period		–	–	–	–	125	(100)	25
Employee share option schemes:								
Purchase of trust shares	17	–	–	–	–	–	(3)	(3)
Share-based payments charge		–	–	–	–	–	29	29
Settlement of share awards	17	–	–	–	–	–	(56)	(56)
Share options exercised	17	4	51	–	–	–	–	55
Sale of trust shares	17	–	–	–	–	–	41	41
Dividends	7	–	–	–	–	–	(123)	(123)
Total transactions with owners		4	51	–	–	–	(112)	(57)
At 31 October 2021		**245**	**252**	**39**	**2,578**	**122**	**948**	**4,184**

1. General information and basis of preparation

Wm Morrison Supermarkets Limited (formerly known as Wm Morrison Supermarkets PLC) is a company incorporated in the United Kingdom 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.

The condensed consolidated interim financial statements for the 13 weeks ended 30 January 2022 do not constitute financial statements within the meaning of Section 434 of the Companies Act 2006 and do not include all of the information and disclosures required for full annual financial statements.

The condensed consolidated interim financial statements for the 13 weeks ended 30 January 2022, including the comparative financial information for the 13 weeks ended 31 January 2021, are unaudited. The comparative financial information contained in these condensed consolidated interim financial statements in respect of the 39 weeks ended 31 October 2021 has been extracted from the latest Annual Report and Financial Statements.

The financial statements included in the October 2021 Annual Report and Financial Statements have been reported on by PricewaterhouseCoopers LLP. The report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under Section 498 of the Companies Act 2006.

The condensed consolidated interim financial statements for the 13 weeks ended 30 January 2022 were approved by the Board of Directors on 29 March 2022.

Going concern

The condensed consolidated interim 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 as disclosed in the 31 October 2021 Annual Report and financial statements, 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, as well as the impact of the CD&R takeover.

The COVID-19 pandemic continued to have an impact on customer behaviour during the 13 weeks ended 30 January 2022. Profit before tax and exceptionals continued to be impacted in the period by the direct costs associated with COVID-19, as expected.

In addition, the Group has incurred significant costs in relation to the impact of the unprecedented nationwide disruption in the supply chain of the Group's operations in both the 13 weeks ended 30 January 2022 and the 39 weeks ended 31 October 2021. The costs incurred mainly relate to warehouse and transport costs, and the impact on retail operations.

The Directors' assessment of the Group's ability to continue as a going concern includes consideration of cash flow forecasts for the Group and the committed borrowing and debt facilities of the Group and its parent entities that were either in place at the point of signing these condensed consolidated interim financial statements or are expected to be in place during the period under consideration. These forecasts include consideration of future trading performance, working capital requirements, known and possible changes to financing arrangements and the wider economy 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, cost inflation headwinds, loss of a significant wholesale customer relationship and failing to recover lost profits incurred as a result of the pandemic.

The Group continues to maintain a robust financial position providing it with sufficient access to liquidity, through a combination of cash, intercompany loans and access to committed 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 99 of the October 2021 Annual Report and Financial Statements. As disclosed in note 15, discussions are ongoing with various banks and platform providers to ensure the continued availability of supply chain finance facilities.

1. General information and basis of preparation (continued)

Going concern (continued)
As at 30 January 2022, the Group had access to intercompany funding provided by Market Bidco Limited, the Group's new intermediate parent company (see note 21). In respect of banking covenants in relation to the Group's committed revolving credit facilities at 30 January 2022, along with additional covenants in place as a result of new financing arrangements entered into after the period end, each scenario modelled demonstrates sufficient liquidity and financial covenant headroom being available. In addition, Market Holdco 3 Limited (the immediate 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.

On 26 October 2021, the Competition & Markets Authority ('CMA') imposed an Initial Enforcement Order ('IEO') on Wm Morrison Supermarkets Limited and CD&R. The IEO is, effectively, a 'hold separate' requirement, which will remain in place until the CMA has completed its merger investigation. The Directors have therefore considered CD&R's publicly declared Intention Statements, which place an emphasis on continuity of business strategy, along with the funding secured and related cash flow modelling. They are satisfied that the going concern basis remains appropriate for the preparation of the condensed consolidated interim financial statements with the Group being well funded, profitable and cash generative for a period of at least 12 months from the date of approval of these condensed consolidated interim financial statements.

Basis of preparation
The condensed consolidated interim financial statements of the Group for the 13 weeks ended 30 January 2022 have been prepared in accordance with the requirements of UK adopted IAS 34 'Interim Financial Reporting', except for the comparative 13 week information relates to the same calendar period as opposed to the first 13 weeks of the last financial period. As Wm Morrison Supermarkets Limited changed its accounting reference date from 31 January 2021 to 31 October 2021 for the period ended 31 October 2021, the change of year end means that the first 13 weeks of the comparative period would not be comparable given the seasonality of the business. The condensed consolidated interim financial statements should be read in conjunction with the 31 October 2021 Annual Report and Financial Statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the UK Endorsement Board.

These condensed consolidated interim financial statements reflect the results of Wm Morrison Supermarkets Limited and its subsidiary entities.

Significant and new accounting policies
The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements in the 31 October 2021 Annual Report and Financial Statements.

New standards, interpretations and amendments to standards that are mandatory for the Group for the first time for the 13 weeks ended 30 January 2022 were considered and it was concluded that none were relevant to the Group and it did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There are a number of standards and interpretations issued by the IASB that are effective for financial statements after this reporting period. Of these new standards, amendments and interpretations, there are none that are expected to have a material impact on the Group.

Critical estimates and judgements
In preparing the condensed consolidated interim financial statements, the Group is required to make accounting judgements, assumptions and estimates. The judgements, assumptions and estimation methods are consistent with those applied to the 31 October 2021 Annual Report and Financial Statements and have therefore not been set out again here (see page 69 of the 31 October 2021 Annual Report and Financial Statements).

The Group has considered the impact of its takeover by CD&R on its critical estimates and judgements and does not consider there to be a significant impact on any of those areas as at 30 January 2022.

1. General information and basis of preparation (continued)

Critical estimates and judgements (continued)
Impairment of non-financial assets
The Group's policy is to test non-financial assets for impairment at each reporting date, or if events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Group has considered whether there have been any indicators of impairment during the 13 weeks ended 30 January 2022 which would require an impairment review to be performed. The Group has considered indicators of impairment with regards to a number of factors, and based upon this, the Group has concluded that there are no indicators of impairment or impairment write back during the period. See note 9 for further details.

2. 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 Executive Committee, as it 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 fundamentally have the same economic characteristics. All operational decisions made are focussed 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 Group's 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 has considered its retail outlets, the fuel sale operation, the manufacturing entities, its online operations and wholesale supply. The Directors' conclusion is that the Group has one operating segment, that of retailing.

3. Revenue

	13 weeks ended 30 January 2022 (unaudited) £m	13 weeks ended 31 January 2021 (unaudited) £m	39 weeks ended 31 October 2021 (audited) £m
Sale of goods in-store and online	**3,456**	3,687	10,298
Other sales	**261**	237	801
Total sales excluding fuel	**3,717**	3,924	11,099
Fuel	**841**	576	2,384
Total revenue	**4,558**	4,500	13,483

All revenue is derived from contracts with customers.

4. Profit before exceptionals

'Profit before exceptionals' is defined as profit before exceptional items and net retirement benefit credit. Further detail on the definition of profit before tax and exceptionals and profit before exceptionals after tax is provided in the Glossary (see page 22).

The Directors consider that these adjusted profit measures provide useful information on ongoing trends and performance, and are consistent with how business performance is measured internally. The adjustments made to reported profit are to: exclude exceptional items, which are significant in size and/or nature; exclude the net retirement benefit credit; and to apply a normalised tax rate of 14.4% (31 January 2021: 28.7%, 31 October 2021: 29.5%).

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 classification of items excluded from profit before exceptionals requires judgement, including considering 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 onerous and property related provisions would typically be included as exceptional items, as would significant impairments or impairment write backs of other non-current assets.

4. Profit before exceptionals (continued)

Despite being a recurring item, the Group chooses to 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. The net retirement benefit credit consists of the net retirement benefit interest and the administration costs associated with the pension schemes.

	13 weeks ended 30 January 2022 (unaudited) £m	13 weeks ended 31 January 2021 (unaudited) £m	39 weeks ended 31 October 2021 (audited) £m
Profit/(loss) after tax	**109**	30	(247)
Add back: tax charge for the period	**18**	22	126
Profit/(loss) before tax	**127**	52	(121)
Adjustments for:			
Net impairment and provision for onerous contracts	–	(78)	110
Online and home delivery expansion transformation costs	–	11	–
(Profit)/loss arising on disposal and closure	**(5)**	(1)	28
Restructuring costs	**5**	26	19
Other exceptional items	**2**	5	3
Net retirement benefit credit	**(2)**	(4)	(4)
Transaction costs	**1**	–	98
Profit before tax and exceptionals	**128**	11	133
Normalised tax charge at 14.4% (31 January 2021: 28.7%, 31 October 2021: 29.5%)[1]	**(18)**	(3)	(39)
Profit before exceptionals after tax	**110**	8	94

[1] Normalised tax is defined in the Glossary.

Net impairment and provision for onerous contracts
A charge of £nil (31 January 2021: net credit of £78m, 31 October 2021: net charge of £110m) has been recognised in respect of impairment and provision for onerous contracts for the 13 weeks ended 30 January 2022.

In the 13 weeks ended 31 January 2021, the net credit of £78m included an impairment write back of £149m on tangible fixed assets offset by a £67m impairment charge on intangible assets and a net charge of £4m in respect of onerous contract provisions.

In the 39 weeks ended 31 October 2021, the net charge of £110m included:

- a net £70m impairment charge, comprising a £10m impairment charge on intangible assets offset by a £1m write back (net £9m intangible asset charge) and a £230m impairment charge on tangible assets offset by a £169m write back of impairment on tangible assets (net £61m tangible asset charge);
- a £3m charge relating to temporary store build costs associated with one site; and
- a charge of £37m in respect of amounts provided for onerous contractual commitments and related assets.

Profit/loss arising on disposal and closure
A net profit arising on disposal and closure of £5m has been recognised in relation to property disposals (net profit of £6m) and business closures (costs incurred of £1m).

The net £1m profit recognised in the 13 weeks to 31 January 2021 arose solely in respect of profits on disposal of properties.

The £28m net loss recognised in the 39 weeks to 31 October 2021 comprises of property disposals (net profit of £5m) and business closures (costs incurred of £33m). These business closure costs include a £13m charge in relation to the closure of some operations such as Eat Fresh and the temporary food box offering, along with costs of £20m relating to the consolidation of certain store pick sites.

4. Profit before exceptionals (continued)

Restructuring costs

Restructuring costs total £5m for the 13 weeks ended 30 January 2022 (31 January 2021: £26m, 31 October 2021: £19m). This amount includes £3m in relation to reorganisations within logistics to increase the flexibility of the distribution network to respond to changes in the business (31 January 2021: £9m, 31 October 2021: £12m), and £2m relating to restructuring of the retail model (31 January 2021 and 31 October 2021: £nil).

In addition in the comparative periods, the amount included charges of £8m (31 January 2021) and £3m (31 October 2021) relating to the conclusion of organising and modernising the ways of working across head office, charges of £7m (31 January 2021) and £4m (31 October 2021) for finalisation of the restructuring of store management and operations, and a net charge of £2m (31 January 2021) and £nil (31 October 2021) for the restructuring of the manufacturing operations.

Other exceptional items

Other exceptional items total £2m (31 January 2021: £5m, 31 October: £3m). These costs at 30 January 2022 and 31 October 2021 wholly relate to costs incurred in relation to legal cases in respect of historical events.

In the 13 weeks ended 31 January 2021, the £5m charge comprised of a £1m charge relating to additional bonuses paid to Colleagues during the year who would not ordinarily have been eligible for the bonus scheme, a £2m net charge relating to costs incurred in relation to legal cases in respect of historical events and a £2m charge relating to the increased mark down of excess stock and one-off costs relating to Brexit.

Online and home delivery expansion

In the 13 weeks ended 30 January 2022 and the 39 weeks ended 31 October 2021, the costs of the rapid roll out of online and home delivery amounted to £nil. In the 13 weeks ended 31 January 2021, the cost of £11m consisted of transformation costs from increasing the number and capacity of online and home delivery channels available.

Transaction fees and other takeover related costs

A £1m charge has been recognised for the 13 weeks ended 30 January 2022 in respect of transaction fees (31 January 2021: £nil, 31 October 2021: £98m transaction fees and other takeover related costs such as the cost of accelerated maturity of open incentive schemes). The majority of these costs are not deductible for tax purposes.

Taxation

A normalised tax charge of 14.4% (31 January 2021: 28.7%, 31 October 2021: 29.5%) has been applied in arriving at profit before exceptionals after tax. The total tax charge for the 13 week period ended 30 January 2022 of £18m includes an exceptional tax charge of £nil.

5. Finance costs and income

	13 weeks ended 30 January 2022 (unaudited) £m	**13 weeks ended 31 January 2021 (unaudited) £m**	39 weeks ended 31 October 2021 (audited) £m
Interest payable on short-term loans and bank overdrafts	**(1)**	(2)	(8)
Interest payable on bonds	**(5)**	(12)	(31)
Interest on lease liabilities	**(14)**	(15)	(43)
Interest capitalised (notes 8 and 9)	**–**	1	2
Total interest payable	**(20)**	(28)	(80)
Provisions: unwinding of discount	**–**	–	(1)
Other finance costs	**–**	–	(2)
Finance costs before exceptionals[1]	**(20)**	(28)	(83)
Finance costs	**(20)**	(28)	(83)
Bank interest and other finance income	**–**	–	3
Other receivables: unwinding of discount	**1**	1	2
Finance income before exceptionals[1]	**1**	1	5
Net retirement benefit interest income (note 13)[2]	**4**	4	8
Finance income	**5**	5	13
Net finance costs	**(15)**	(23)	(70)

[1] Net finance costs before exceptionals marked [1] amount to £19m (31 January 2021: £27m, 31 October 2021: £78m). Net finance costs before exceptionals are defined in the Glossary.

[2] Included within the net retirement benefit credit exceptional item (see note 4).

6. Taxation

Tax charged within the 13 weeks ended 30 January 2022 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the current financial year, using rates substantively enacted at 30 January 2022 as required by IAS 34 'Interim Financial Reporting'.

The normalised rate of tax of 14.4% (31 January 2021: 28.7%, 31 October 2021: 29.5%) has been calculated using the full year projections, and has been applied to profit before exceptionals for the 13 weeks ended 30 January 2022. The standard rate of corporation tax of 19% (31 January 2021: 19%, 31 October 2021: 19%) for the full year has been applied to the exceptional profits and losses in the 39 weeks ended 31 October 2021, on an item by item basis where they are deductible for tax purposes.

An increase in the UK standard rate of corporation tax to 25% from 1 April 2023 was announced in the March 2021 Budget. Deferred tax balances for the 13 weeks ended 30 January 2022 have been calculated at 25% or 19% depending upon when the temporary difference is expected to reverse.

Factors affecting current and future tax charges
The normalised tax rate was 4.6% below the UK statutory tax rate of 19%. The main item reducing the normalised tax rate is group relief claimed from other companies not included within these consolidated accounts. The Group considers its normalised tax rate to be sustainable.

7. Dividends

	13 weeks ended 30 January 2022 (unaudited) £m	13 weeks ended 31 January 2021 (unaudited) £m	39 weeks ended 31 October 2021 (audited) £m
Amounts recognised as distributed to equity holders in the period:			
Special interim dividend for the period ended 31 January 2021 of 4.00p	**–**	96	–
Final dividend for the period ended 31 October 2021 of 5.11p	**–**	–	123
	–	96	123

The dividends paid during each period as set out above were from the cumulative realised distributable reserves of Wm Morrison Supermarkets Limited.

8. Goodwill and intangible assets

Net book value	**30 January 2022 (unaudited) £m**	31 January 2021 (audited) £m	31 October 2021 (audited) £m
At start of the period	**320**	382	328
Additions	**23**	20	60
Interest capitalised	**–**	–	1
Amortisation charge	**(21)**	(7)	(60)
Net impairment charge	**–**	(67)	(9)
At end of the period	**322**	328	320

The net book value of goodwill and intangible assets principally consists of software development costs and licences of £312m (31 January 2021: £318m, 31 October 2021: £310m). Within this asset class, there are assets under construction of £19m (31 January 2021: £14m, 31 October 2021: £14m).

A net impairment charge of £nil (31 January 2021: £67m, 31 October 2021: £9m) was recognised in the period. The cost of internal labour capitalised is £3m (31 January 2021: £3m, 31 October 2021: £13m).

9. Property, plant and equipment

Net book value	30 January 2022 (unaudited) £m	31 January 2021 (audited) £m	31 October 2021 (audited) £m
At start of the period	**7,327**	7,198	7,358
Additions	**116**	152	304
Interest capitalised	–	–	1
Disposals	**(3)**	–	(9)
Transfers to assets classified as held-for-sale	–	–	(1)
Depreciation charge	**(110)**	(102)	(317)
Impairment charge	–	(34)	(147)
Impairment write back	–	144	138
At end of the period	**7,330**	7,358	7,327

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 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. If such an indication exists, an impairment exercise is undertaken to assess the recoverable amount of the assets, being the higher of its fair value less costs to dispose and its value-in-use, in order to determine the extent of any impairment loss or write back. Consideration is given to any significant one-off factors impacting the locations during the current period and any strategic, climate-related, Brexit or market factors which may impact future performance.

At 30 January 2022, management considers that there are no indicators of impairment or impairment write back.

In the 13 weeks ended 31 January 2021 and in the 39 weeks ended 31 October 2021, there were indicators of impairment and impairment write back, and therefore a full impairment review of the store portfolio and other centrally held assets was undertaken. In addition, there were specific indicators of impairment on certain assets identified during the period. For further details on the methodology applied by management in determining the impairment charge or write back in the comparative periods, refer to the 31 October 2021 Annual Report and Financial Statements.

10. Right-of-use assets

Net book value	30 January 2022 (unaudited) £m	31 January 2021 (audited) £m	31 October 2021 (audited) £m
At start of the period	**940**	950	997
Additions	**8**	22	49
Depreciation charge	**(16)**	(16)	(50)
Impairment charge	–	(13)	(83)
Impairment write back	–	54	27
At end of the period	**932**	997	940

Included within the table above is land and buildings with a net book value of £881m (31 January 2021: £964m, 31 October 2021: £885m) and plant and equipment with a net book value of £51m (31 January 2021: £33m, 31 October 2021: £55m).

A net impairment charge of £nil (13 weeks to 31 January 2021: £41m write back, 39 weeks to 31 October 2021: £56m charge) was recognised in the period. See note 9 for further details.

11. Investment property

Net book value	30 January 2022 (unaudited) £m	31 January 2021 (audited) £m	31 October 2021 (audited) £m
At start of the period	**61**	57	59
Additions	–	5	–
Disposals	–	(1)	–
Depreciation charge	**(1)**	–	(2)
Impairment charge	–	(3)	–
Impairment write back	–	1	4
At end of the period	**60**	59	61

Included within the table above are right-of-use leasehold land and buildings with a net book value of £38m (31 January 2021: £37m, 31 October 2021: £39m).

12. Assets classified as held-for-sale

Net book value	30 January 2022 (unaudited) £m	31 January 2021 (audited) £m	31 October 2021 (audited) £m
At start of the period	**1**	–	–
Transfer from property, plant and equipment	**–**	–	1
Disposals	**(1)**	–	–
At end of the period	**–**	–	1

13. Retirement benefits

The Group operates a number of defined benefit retirement schemes (together 'the Schemes') providing benefits based on a formula that depends on factors including the employee's age and number of years of service. The Morrison and Safeway Schemes provide retirement benefits based on either the employee's compensation package and/or career average revalued earnings ('CARE') (the 'CARE Schemes'). 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 disclosures below show the details of the Schemes combined:

	30 January 2022 (unaudited) £m	31 January 2021 (audited) £m	31 October 2021 (audited) £m
CARE Schemes	**1,091**	754	995
RSP	**(14)**	(36)	(28)
Net retirement benefit surplus	**1,077**	718	967

The movement in the net retirement benefit surplus during the period was as follows:

	13 weeks ended 30 January 2022 (unaudited) £m	13 weeks ended 31 January 2021 (audited) £m	39 weeks ended 31 October 2021 (audited) £m
Net retirement benefit surplus at start of the period	**967**	824	718
Net retirement benefit interest income (note 5)	**4**	4	8
Settlement and curtailment gain	–	–	1
Remeasurement in other comprehensive income	**107**	(110)	236
Employer contributions	**1**	1	8
Administrative expenses	**(2)**	(1)	(4)
Net retirement benefit surplus at end of the period	**1,077**	718	967

At 30 January 2022, schemes in surplus have been disclosed within assets in the consolidated statement of financial position. The Group has obtained legal advice with regards to the recognition of a retirement benefit surplus and also recognition of a minimum funding requirement under IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirement and their interaction.' This advice concludes that the continuing recognition of a surplus is appropriate on the basis that the Group has an unconditional right to a refund of a surplus. The International Accounting Standards Board ('IASB') have been considering amendments of the current version of IFRIC 14, however the IASB has decided not to finalise these amendments and is considering whether to develop new proposals. The legal advice received by the Group has concluded that the above accounting treatment should not have been materially affected by the previous proposed amendments to IFRIC 14.

Annuity policies

There were no new buy-ins for annuity policies in the 13 weeks ended 30 January 2022. During the 39 weeks ended 31 October 2021, the Safeway CARE Scheme entered into a new buy-in policy that provides insurance for a proportion of the pensioner population, in addition to three buy in policies previously entered into. The policies pay income to the Schemes that is exactly equal to the benefits paid to the insured populations. This removes all investment, interest rate, inflation and longevity risks in respect of these members. The value of the annuity is determined using the disclosed assumptions used for valuing the benefits of the Scheme and is equal to the accounting liabilities of the insured pensioner population.

13. Retirement benefits (continued)

Scottish Limited Partnership

The Group has previously entered into a pension funding 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 of £7m per annum until 2033 subject to certain conditions.

This was reorganised during the previous financial year (year ended 31 January 2021) when the Group and the Schemes' Trustees agreed that future distributions would be made to the RSP. The pension funding partnership structure was amended to permanently cease fixed distributions to the CARE schemes, due to their strong funding positions. On the same day, Wm Morrison Supermarkets PLC (now Wm Morrison Supermarkets Limited) and the RSP entered into a new pension funding partnership. As a partner, the RSP is entitled to receive a fixed distribution of £7m per annum 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 Trustees of the Pension Schemes were concerned that the takeover by CD&R may weaken the Group's covenant and so sought protection in a downside scenario. CD&R worked quickly to address Trustee concerns and a legally binding agreement was signed well ahead of the auction process. The Memorandum of Understanding committed the Group to providing additional property security into the Schemes, which would cover the estimated s75 deficit, taking the total value of property security to at least £660m. No additional annual cash flows will be payable as a result of the agreement with CD&R and the security is only triggered in the event of an insolvency of the sponsoring employers. Implementation has progressed well and completed in February 2022.

Assumptions

The main assumptions used by the Group to calculate the net retirement benefit surplus were as follows:

	30 January 2022 (unaudited)	31 January 2021 (audited)	31 October 2021 (audited)
Financial assumptions			
Discount rate applied to scheme liability (% p.a.):			
Safeway CARE Scheme	**2.3%**	1.5%	1.9%
Morrison CARE Scheme	**2.3%**	1.5%	1.9%
RSP	**2.3%**	1.5%	1.9%
Inflation assumption (RPI) (% p.a.):			
Safeway CARE Scheme	**3.7%**	3.0%	3.6%
Morrison CARE Scheme	**3.6%**	3.0%	3.5%
RSP	**3.6%**	3.0%	3.5%
Life expectancies			
Longevity in years from age 65 for current pensioners:			
Male	**21.1**	21.1	21.0
Female	**22.5**	22.5	22.5
Longevity in years from age 65 for current members aged 45:			
Male	**22.7**	22.8	22.6
Female	**24.5**	24.4	24.4

Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with published statistics. The mortality table used for the 13 weeks ended 30 January 2022 were the S2PMA/S2PFA-Heavy mortality tables (males/females) based on year of birth with a scaling factor of 110% applied to the mortality rates in both the Morrison and Safeway Schemes, with CMI 2019 core projections and a long-term rate of improvement of 1.5% p.a. The mortality tables used for the 39 weeks ended 31 October 2021 were the S2PMA/S2PFA-Heavy mortality tables (males/females) based on year of birth with a scaling factor of 110% applied to the mortality rates in both the Morrison and Safeway Schemes, with CMI 2020 core projections and a long-term rate of improvement of 1.5% p.a. The mortality tables used for the 13 weeks ended 31 January 2021 were the S2PMA/S2PFA-Heavy mortality tables (males/females) based on year of birth with a scaling factor of 110% applied to the mortality rates in both the Morrison and Safeway Schemes, with CMI 2019 core projections and a long-term rate of improvement of 1.5% p.a.

14. Cash generated from operations

	30 January 2022 (unaudited) £m	31 January 2021 (unaudited) £m	31 October 2021 (audited) £m
Profit/(loss) for the period	**109**	30	(247)
Net finance costs (note 5)	**15**	23	70
Taxation charge (note 6)	**18**	22	126
Operating profit/(loss)	**142**	75	(51)
Adjustments for:			
Depreciation and amortisation	**148**	125	429
Net impairment charge/(write back)	–	(82)	70
Profit arising on disposal and exit of properties	**(6)**	(1)	(6)
Defined benefit scheme contributions paid less operating expenses	**(1)**	(1)	(5)
Share-based payments	–	4	29
Decrease/(increase) in inventories	**43**	48	(88)
(Increase)/decrease in trade and other receivables	**(76)**	38	(55)
Increase/(decrease) in trade and other payables	**132**	(210)	296
(Decrease)/increase in provisions	**(11)**	1	2
Settlement of share awards	**(48)**	–	–
Cash generated from operations	**323**	(3)	621

15. Analysis of net debt[1]

	30 January 2022 (unaudited) £m	31 January 2021 (audited) £m	31 October 2021 (audited) £m
Fuel and energy price contracts	**89**	9	43
Non-current financial assets	**89**	9	43
Foreign exchange forward contracts	**3**	1	2
Fuel and energy price contracts	**114**	12	31
Current financial assets	**117**	13	33
Other short-term borrowings[2]	–	(54)	–
Lease liabilities[2]	**(76)**	(72)	(76)
Foreign exchange forward contracts	**(5)**	(17)	(7)
Revolving credit facilities[2]	–	–	(838)
Fuel and energy price contracts	**(1)**	(1)	(12)
Current financial liabilities	**(82)**	(144)	(933)
Bonds[2]	**(265)**	(1,109)	(1,107)
Revolving credit facility[2]	–	(877)	–
Borrowings from parent companies[2]	**(1,383)**	–	–
Lease liabilities[2]	**(1,272)**	(1,299)	(1,284)
Forward foreign exchange contracts	**–**	(1)	–
Fuel and energy price contracts	–	(1)	(2)
Non-current financial liabilities	**(2,920)**	(3,287)	(2,393)
Cash and cash equivalents	**236**	240	296
Net debt[1]	**(2,560)**	(3,169)	(2,954)

[1] Net debt is defined in the Glossary.

Total net liabilities from financing activities (the sum of the items marked [2] in the table) is £2,996m as at 30 January 2022 (31 January 2021: £3,411m, 31 October 2021: £3,305m).

15. Analysis of net debt (continued)

Available facilities
At 30 January 2022, the Group had total committed facilities of £1,648m, comprising bond debt of £265m (maturing between 2023 and 2031) and £1,383m of intercompany funding provided by Market Bidco Limited, the Group's new intermediate parent company. This intercompany funding is interest free.

On 8 November 2021, the Group's syndicated committed revolving credit facility of £1,350m was repaid in full and cancelled.

In the period to 31 January 2021, the maturity dates of three £100m 364 day committed revolving credit facilities were extended to September 2021 (£200m) and March 2022 (£100m). In addition, the Group had a further £100m revolving credit facility with an original maturity date of July 2020, which was extended to mature in July 2022. On 8 November 2021, during the 13 weeks ended 30 January 2022, the remaining active £100m revolving credit facilities were cancelled by the Group.

As at 30 January 2022, Wm Morrison Supermarkets Limited's senior unsecured debt obligations were rated Ba1 with Moody's. The obligations were downgraded from Baa2 on 13 December 2021, after being placed on review following the announcement of the takeover offer. The rating then remained on review.

On 21 October 2021, Market Bidco Limited launched invitations to holders of each series of notes outstanding under the Company's £3bn Euro Medium Term Note Programme, to tender their Existing Notes at par plus an early tender premium, and to consent to certain amendments and waivers of the terms and conditions of the bonds on the terms and subject to the conditions set out in the tender offer and consent solicitation memorandum, dated 21 October 2021. Following the settlement of the Tender and Consent process on 2 December 2021, £265m of the Group's bonds remained outstanding. The purchase of the bonds tendered pursuant to the Tender Offers and related put rights was financed by the proceeds of additional drawdowns under the Term Loan B2 facilities. £805m of bonds were repaid early, in addition to £9m of accrued interest and a further £3m of premium. On 8 December, a further bond repurchase process was undertaken. This resulted in £31m of bonds being repaid early, in addition to £1m accrued interest. There was no additional premium awarded on this repurchase.

The remaining bond debt is presented as a non-current liability as at 30 January 2022. A Change of Control Waiver was signed during November 2021, meaning that upon completion of the takeover by CD&R, and in the event of a rating downgrade, the bond noteholders would not have the right to require the Company to redeem or purchase notes pursuant to the relevant condition.

On 8 November 2021 CD&R obtained £6,600m of debt facilities to finance the takeover of the Group. These comprise £2,400m Senior Secured Bridge Facility, £1,200m (equivalent, comprising £500m and EUR828m tranches) Senior Bridge Facility, EUR1,064m Term Loan B1, £1,100m Term Loan B2 facilities (equivalent, comprising £500m and EUR710m tranches), and £1,000m multicurrency Senior Revolving Credit Facility. The Senior Secured Bridge Facility, Senior Bridge Facility and Term Loan B1 were drawn in full as at 8 November 2021. The £1,000m Revolving Credit Facility is for working capital purposes and is accessible by the Group and was drawn £100m as at 30 January 2022.

The Group's 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 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.

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 policy applied and the assessment performed by the Group is consistent with that disclosed on page 91 of the October 2021 Annual Report and Financial Statements.

The total size of the facility at 30 January 2022 was £1,078m (31 January 2021: £1,078m, 31 October 2021: £1,078m) across a number of banks and platforms. The level of utilisation is dependent on the individual supplier requirements and varies significantly over time, dependent on suppliers' requirements. Trade payables include £785m (31 January 2021: £522m, 31 October 2021: £692m) where suppliers have chosen to receive early payment under the Group's supply chain finance facilities.

Following the takeover of the Group by CD&R, the Group entered into discussions with various banks and platform providers to ensure the continued availability of the supply chain finance facilities. At the point of signing these condensed consolidated interim financial statements, the supply chain finance facilities remain in place and suppliers utilising the facilities continue to receive payments earlier than their contractual terms. These discussions are ongoing, with an expectation that sufficient facilities will continue to be available going forwards.

16. Financial instruments

	30 January 2022 (unaudited)		31 January 2021 (audited)		31 October 2021 (audited)	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Other receivables – deferred consideration	**36**	**36**	35	35	36	36
Derivative financial assets	**89**	**89**	9	9	43	43
Total non-current financial assets	**125**	**125**	44	44	79	79
Derivative financial assets	**117**	**117**	13	13	33	33
Total current financial assets	**117**	**117**	13	13	33	33
Borrowings	–	–	(54)	(54)	(838)	(838)
Derivative financial liabilities	**(6)**	**(6)**	(18)	(18)	(19)	(19)
Total current financial liabilities	**(6)**	**(6)**	(72)	(72)	(857)	(857)
External borrowings	**(265)**	**(268)**	(1,986)	(2,145)	(1,107)	(1,116)
Borrowings from parent company	**(1,383)**	**(1,383)**	–	–	–	–
Derivative financial liabilities	–	–	(2)	(2)	(2)	(2)
Total non-current financial liabilities	**(1,648)**	**(1,651)**	(1,988)	(2,147)	(1,109)	(1,118)

The fair value of bonds were measured using closing market prices (level 1) for each period presented. The fair value of all derivative financial instruments is calculated by using benchmark observable market interest rates and discounted future cash flows (level 2) for each period presented. Trade receivables and trade payables are held at carrying amount, which is judged to be a reasonable approximation of their fair value.

17. Share capital and share premium

	Number of shares millions	Share capital £m	Share premium £m	**Total £m**
At 1 November 2021	2,450	245	252	**497**
Share options exercised and shares issued under LTIP schemes	1	–	1	**1**
At 30 January 2022	**2,451**	**245**	**253**	**498**

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 (31 January 2021: £19m, 31 October 2021: £nil). These shares were not treasury shares as defined by the London Stock Exchange.

As such, during the period, the Group acquired none (31 January 2021: none, 31 October 2021: 1,455,420) of its own shares to hold in trust for consideration of £nil (31 January 2021: £nil, 31 October 2021: £3m). The Group utilised nil (31 January 2021: 5,494,159, 31 October 2021: 18,173,931) trust shares to satisfy awards under the Group's employee share plans.

17. Share capital and share premium (continued)

Proceeds from exercise of share awards
During the period the Group issued 690,739 (13 weeks ended 31 January 2021: none, 39 weeks ended 31 October 2021: 32,228,906) new shares 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 £1m (13 weeks ended 31 January 2021: £nil, 39 weeks ended 31 October 2021: £55m) In addition, the Group issued nil (31 January 2021: nil, 31 October 2021: 7,997,629) shares under the Group's Long Term Incentive Plan (LTIP) scheme for nominal value, which were held in trust to satisfy awards under the Group's employee share plans. Following the takeover of the group by CD&R and the subsequent delisting of the Company's shares from the London Stock Exchange, all outstanding Sharesave and LTIP schemes have been settled.

All long term incentive plans and other employee share incentive schemes automatically vested on the takeover and therefore a full vest was accounted for in the financial period to 31 October 2021. These awards were settled in cash through Wm Morrison Supermarkets Limited's payroll on 19 November 2021.

Up until the takeover by CD&R, the Group's Sharesave participants were able to buy shares at the option price for the schemes. Where participants provided their instruction by 17 October 2021, their share options were exercised following Court Approval on 26 October 2021, with CD&R transferring funds to the participants on 10 November 2021. This was accounted for in the financial period ended 31 October 2021. In addition to the above, a goodwill cash payment of £6m was made to employees on 19 November 2021, which represented the profit that Sharesave participants would have made for an additional three month period. A cash inflow of £41m was received in the period from CD&R relating to the purchase of trust shares, which was used in part to settle share awards with employees.

Settlement of share awards
During the 13 weeks ended 30 January 2022, the Group has settled nil (31 January 2021: 5,494,159, 31 October 2021: 3,880,655) of share options out of trust shares which vested during the period. Vesting of shares took place in the 39 weeks ended 31 October 2021, but as stated in 'proceeds from exercise of share awards' above the cash (£48m) was not paid to employees / on behalf of employees until the 13 week period ended 30 January 2022.

Hedging reserve
In the 13 weeks ended 30 January 2022, various energy forward contracts previously taken out were closed early, realising cash earlier than expected. This gain of £18m has been recognised through the hedging reserve and will be released to the income statement based on the initial maturity dates of the contracts, on the basis that new replacement forward contracts have been reopened and therefore hedge accounting is still applied.

18. Provisions

Net book value	Total (unaudited) £m
At 1 November 2021	**55**
Utilised during the period	**(6)**
Released during the period	**(5)**
At 30 January 2022	**44**

19. Commercial Income

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 year 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 year in accordance with the specific supplier terms. In order to minimise any risk arising from estimation, supplier confirmations are also obtained to agree the final value to be recognised at year end.

19. Commercial Income (continued)

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

	13 weeks ended 30 January 2022 (unaudited) £m	13 weeks ended 31 January 2021 (audited) £m	39 weeks ended 31 October 2021 (audited) £m
Marketing and advertising funding	**54**	43	71
Volume-based rebates	**28**	43	99
Total commercial income	**82**	86	170

The following table summarises the uncollected commercial income at the balance sheet date at the end of each period:

	30 January 2022 (unaudited) £m	31 January 2021 (audited) £m	31 October 2021 (audited) £m
Commercial income trade receivables	**5**	6	6
Accrued commercial income	**49**	47	57
Commercial income due, offset against amounts owed	**61**	32	34
	115	85	97

As at 25 March 2022, £5m of the £5m commercial income trade receivables balance had been settled and of the £49m accrued commercial income balance, £2m is still to be invoiced. In addition, £61m of the £61m commercial income due had been offset against payments made.

20. Guarantees, contingent liabilities and contingent assets

Guarantees

Following the disposal 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 the 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 £30m (31 January 2021: £29m, 31 October 2021: £30m).

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.

Interchange Fee Claim

The Group, along with other claimants, has had an ongoing claim against Mastercard in respect of bank interchange fees. The Supreme Court determined the fixing of interchange fees by Mastercard over many years was an unlawful infringement of competition law. The Supreme Court's definitive decision means that the case continues towards a quantum hearing to determine what level of damages will be payable to the Group. The quantum trial is currently listed to be heard in January 2023. At this stage, the Group is not able to quantify the amount of settlement which it will receive, and accordingly no asset has been recognised in the condensed consolidated interim financial statements in the 13 weeks ended 30 January 2022. In addition, legal costs associated with this claim will be recovered, and the Group has made an estimate of the amount of fees to be recovered which were recognised in the prior period.

Wholesale customer risk

The Group is aware of the recent market updates made by its wholesale customer, McColl's Retail Group plc, concerning its deteriorating financial position, which could impact the recoverability of ongoing accounts receivable balances and the Company's ability to recover value from assets associated with the related wholesale supply contract. Given we continue to trade with this customer, and a payment plan is in place, no liability has been recognised in these financial statements for an exposure at this stage but there exists a contingent liability at the date of signing. Should the relationship be terminated, Morrisons may potentially remain subject to continuing contractual commitments. Of the wholesale accounts receivable as at 31 January 2022, £88m of the £98m has been recovered. The ongoing potential exposure based on the normal level of trade receivables, the other assets on the balance sheet and the potentially onerous contract could be in the region of £65m to £130m.

20. Guarantees, contingent liabilities and contingent assets (continued)

Other
The Company and various of its subsidiaries are, from time to time, parties to legal proceedings 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.

21. Related party transactions

The Group's related party transactions in the period include the remuneration of the senior managers, and the Directors' emoluments and pension entitlements, share awards and share options as disclosed in the Group's October 2021 Annual Report and Financial Statements.

At 30 January 2022, there was an outstanding interest-free loan from Market Bidco Limited, the immediate parent undertaking of the Company, of £1,383m (31 January 2021: £nil, 31 October 2021: £nil). In the 13 weeks to 30 January 2022, advances of £1,576m (13 weeks to 31 January 2021: £nil, 39 weeks to 31 October 2021: £nil) were received by the Company as part of this loan, offset by repayments made of £193m (13 weeks to 31 January 2021: £nil, 39 weeks to 31 October 2021: £nil).

Dividend
The Group received a dividend of £8m (13 weeks ended 31 January 2021: £8m, 39 weeks ended 31 October 2021: £nil) from MHE JVCo Limited in the 13 weeks to 30 January 2022. The Group has a c.51% interest in MHE JVCo Limited.

22. Business combinations

No acquisitions were made in the 13 weeks ended 30 January 2022 or the 13 weeks ended 31 January 2021.

In the 39 weeks ended 31 October 2021, the Group acquired 100% of the share capital of Falfish (Holdings) Limited, a leading supplier of fresh seafood, for a total consideration of £9m. This acquisition took place on 27 February 2021. Of this consideration, £8m was paid during the period and £1m was deferred by up to two years. The fair value of the net assets acquired was £9m. Goodwill recognised in the transaction was negligible.

23. Ultimate parent undertaking

The immediate parent undertaking of the Company is Market Bidco Limited. The ultimate parent undertaking and controlling party of the Company is Market Topco 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.

24. Post balance sheet events

On 26 October 2021, the Competition and Markets Authority (CMA) imposed an Initial Enforcement Order (IEO) on Morrisons and CD&R. The IEO is, effectively, a 'hold separate' requirement, which among other things prohibits the two companies from integrating or exchanging confidential or commercially sensitive information, until the IEO has been revoked or the CMA's investigation is complete. The companies submitted a Merger Notice to the CMA on 26 January 2022, and this commenced Phase 1 of the CMA's merger investigation. Phase 1 is a 40 working day process at the end of which the CMA makes a decision as to whether to clear the transaction unconditionally or to refer the merger for a Phase 2 investigation (unless the parties offer acceptable undertakings in lieu of a Phase 2 reference).

On 24 March 2022, the CMA issued its Phase 1 decision. The CMA found that the merger between Morrisons and CD&R gives rise to a realistic prospect of a substantial lessening of competition with regards to the retail supply of road fuel (petrol and diesel) in 121 local areas within the UK. The CMA found no competition concerns at the national level.

The companies have until 31 March 2022 to offer undertakings to the CMA, and the CMA will have 50 working days from the date of the Phase 1 decision to give consideration as to whether to accept the companies' undertakings in lieu of a reference to a Phase 2 investigation (which is extendable by a further 40 working days). Any Phase 2 process would take up to 24 weeks - extendable by a further 8 weeks.

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 the 13 weeks ended 30 January 2022 Group measures[1]
Profit measures			
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 and is used for Director and management remuneration.	A reconciliation of this measure is provided in note 4.
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.	£109m being profit before tax and exceptionals (£127m) less a normalised tax charge (£18m) (see note 4).
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 on-going trends and performance of the Group.	£147m being reported operating profit of £142m, plus restructuring costs (£5m), profit on disposal and closure (£5m), transaction costs (£1m), pension administrative costs (£2m) and other exceptional costs (£2m).
Operating profit before supply chain disruption	Operating profit[1]	Reported operating profit before the supply chain disruption costs.	£186m being reported operating profit of £142m, plus supply chain disruption costs (£44m).
Operating profit before exceptionals and supply chain disruption	Operating profit[1]	Reported operating profit before exceptional items and the supply chain disruption costs, which are significant in size and/or nature.	£191m profit being reported operating profit before exceptionals of £147m, plus supply chain disruption cost (£44m).
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 5.
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.	The normalised tax rate is based on full year projections and as such a tax reconciliation will be provided in the next consolidated Annual Report and Financial Statements. Details of the normalised tax rate used in the 13 weeks ended 30 January 2022 is provided in note 6 of the condensed consolidated interim financial statements.
Other 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 15.

[1] Operating profit is not defined under IFRS. However, it is a generally accepted profit measure.