YOUR M&S

Annual review and summary financial statements 2010

Marks and Spencer Group plc Annual review and summary financial statements 2010

Quality, Value, Service, Innovation and **Trust**

About M&S Marks & Spencer is one of the UK's leading retailers with over 21 million customers visiting our stores every week. We sell high quality, great value clothing and home products and outstanding quality food. We source our products responsibly from 2,000 suppliers around the world. Over 76,000 people work for M&S both in the UK and in 41 territories overseas, where we have a growing international business.

Our core values of **Quality, Value, Service, Innovation** and **Trust** are as important to us today as they were when M&S was founded over 125 years ago.

What we sell Our core UK business

With an annual turnover of £8.4bn*, our UK business has a broadly even split between General Merchandise (clothing and home) and Food.

General Merchandise £4.1bn sales (+4.0%)*

With more than 1 in 10 clothing items bought from M&S, we remain the UK's largest clothing retailer and the first choice for stylish, great value clothes for the whole family. We lead the market in womenswear, lingerie and menswear and have an expanding kidswear and home business.

Market share (value) 11.0%

Market share (volume) 11.2%

Source: Kantar Worldpanel

Food £4.3bn sales (+1.8%)*

We are the UK's leading provider of high quality food, selling everything from fresh produce and groceries, to partly-prepared meals and ready meals and an award winning range of wines. Underpinning this is our commitment to healthy eating, ethical sourcing and innovation.

Market share 3.8%

Source: Kantar Worldpanel

How we sell Multi-channel

Customers shop with M&S in many ways – in stores, online or over the phone. Our aim is that everyone receives the same consistently high level of service from purchase through to delivery.

Our UK stores

We have 690 stores across the UK – in a wide range of convenient locations – from high streets to retail parks, train stations to airports. Over the past four years we have transformed these stores into bright and contemporary destinations with a range of hospitality options.

690 UK stores:

- **10** Premiere
- **42** Major
- **242** High Street
- **46** Outlets
- **156** Simply Food wholly-owned
- **194** Simply Food franchises

M&S Direct £413m sales (+27%)*

M&S Direct is key to improving customer convenience and service including via our website and our newly launched 'Shop Your Way' facility. We are on target to achieve **£500m in sales by 2010/11.**

M&S Direct:

- E-commerce website
- Home catalogue
- Flowers & wine delivery
- Hampers
- Food to Order
- lunchtogo

Where we sell International

International £949m sales (+5.7%)*

With a portfolio of over 320 owned and franchised stores in 41 territories we continue to grow our International business. Our mix of ownership models and countries enabled us to perform well over the past year even when individual markets were weak.

How we do business Plan A

Over the past three years, our eco and ethical plan, Plan A, has helped us reduce our environmental impact, develop new sustainable products and services and improve the lives of people in our local communities. This year we extended our plan to involve all our customers and employees and to set ourselves the ambitious goal of becoming the world's most sustainable major retailer by 2015.

The statutory results for the year are for the 53 weeks ended 3 April 2010. In order to be able to compare these with last year's 52 week period, where appropriate, the 52 week results have been stated. In September 2009 Kantar Worldpanel adjusted its market share data for the period to March 2009. The market share data in this report is based on these more accurate figures.

*52 weeks.

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Chairman's overview

by Sir Stuart Rose

Sir Stuart Rose Chairman

"Leading your very special business for the last six years has been a pleasure and a privilege."

Interim dividend paid on: 8 January 2010
5.5p

Final dividend to be paid on: 16 July 2010
9.5p

Total dividend 2009/10
15.0p

Register for electronic communication and get your **10% off voucher for marksandspencer.com**. See page 29 for more details.

A platform for growth

This year M&S returned to growth, demonstrating the resilience of the brand through difficult times. 2009/10 has been about leading the business through the recession without losing sight of our long-term plan or our core values.

We remain committed to building a world-class retailer through increasing the pace of change and driving operational excellence in the business; building our multi-channel capability; growing our international portfolio; and, as the economy returns to a stronger footing, reinvigorating our brand communications.

Our progress was interrupted – but not altered – by the recession. Last year, we continued to implement short-term objectives to guide M&S through the economic downturn. As a result of this decisive action our long-term strategy remains in place. We have built a strong platform for growth and have improved or maintained market share in all our core areas.

We grew because we managed our costs prudently, listened and responded to our customers' changing needs and stayed true to our core values of Quality, Value, Service, Innovation and Trust, reminding our customers of what makes M&S different. This year we have worked hard to further improve our quality and our customers have told us they have noticed this improvement.

A year ago, I told you the Board had cut the dividend by 20.9%. This was not an easy decision but it gave us the flexibility to continue to invest in the business despite the downturn. Although we scaled back investment in new stores we continued to invest in our infrastructure, particularly our supply chain and IT systems.

We also invested in our margins, to give customers the extra value they were looking for without compromising quality. Whilst some retailers attempted to meet this need by repositioning themselves as 'low cost', M&S continued to stand for value and not just price – an approach that is serving us well as consumer confidence returns.

Overview

Chairman's overview continued

QUALITY & INNOVATION

Above: Extending the asparagus season John Chinn has been growing asparagus for M&S for over six years: "In 2003 I went to an asparagus growers' conference where an M&S buyer gave a talk and invited any growers interested in extending the season to come and see him."

Since then John, with the help of M&S, has doubled the length of the British season by growing early varieties on the south facing slopes of his Wye Valley farm. The later-cropping asparagus are planted on the north facing slopes which are still being harvested well into July.

QUALITY

Above: Wrapping up As Britain's coldest winter in decades took hold, customers turned to M&S to keep them cosy. In December we sold enough knitwear to clothe every woman between the ages of 20 and 84 living in London, with sales of women's knitwear up 18%.

Despite the economic challenges, we have also renewed our commitment to Plan A, our eco and ethical plan. We know environmental issues matter to our customers and that the recession has not altered their level of concern. They continue to look to M&S to lead the way, so this year we set out our vision to become the world's most sustainable major retailer by 2015.

Since its launch in 2007, we have moved from the implementation of Plan A to making it the key driver of how we do business. In doing so, we have become more efficient and in 2009/10 alone Plan A generated £50m additional profit, which has been invested back into the business.

This year I worked with the Board to identify Marc Bolland as my successor as Chief Executive. Though we remain cautious about the year ahead, the worst effects of the recession are behind us. Furthermore, M&S is in a stronger position and I am convinced that Marc is the right man to lead the business forward, as he brings a wealth of experience to the role. As Chairman, I will continue to work with the Board and with the management team to ensure a smooth transition until I leave the business.

Our performance this year*

Marks & Spencer has had a good year, with our adjusted profits up 4.6% on last year to £632.5m. Before the £80.9m bonus we paid to our colleagues to thank them for their extraordinarily hard work, profits were at £713.4m, a 17.5% increase on 2008/09.

Group sales increased by 3.2% and positive UK like-for-like sales have returned up 0.9%. We have seen growth across all parts of the business, as the external market conditions improved and our customers became more confident.

Food has now delivered a sixth consecutive quarter of growth. This has been achieved by better value, availability and product innovation, whilst continuing to deliver outstanding quality. The pace of development in Food will not slow and this year we committed to renewing 25% of our food range every year.

Our clothing market share continues to grow, up 0.3% to 11%, as our customers have started to invest in their wardrobes again. Feedback from them tells us we have got the products right and are in touch with the latest trends. We've responded to customer requests for an easy to wear, casual range with the launch of our Indigo Collection in October. We have also used our 'good', 'better' and 'best' pricing structure to ensure we continue to offer something for everyone, making it easy for our customers to trade up and down within M&S to suit their priorities and budgets.

PLAN A: YOUR GREEN IDEA

Trust In March we launched Your Green Idea a major Plan A competition, offering a chance to win £100,000 to 'green' an organisation, such as a school or a local community group.

Your Green Idea invited people to share their ideas for new, 'green actions' that M&S could implement under Plan A, so that all of our 21 million customers can get involved in helping the environment.

For more information visit marksandspencer.com/plana

INDIGO COLLECTION

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Well Suited Over the last 12 months we've strengthened our share of the menswear market to 10.4% by value. We've sharpened our brands, such as Collezione, featured left, which we relaunched in February.

YOUR M&S

Find out more at marksandspencer.com

Overview

Chairman's overview continued

INNOVATION

Left: Reversey Percy Customers told us they like to eat Percy Pigs jelly ears first so in March 2010 we reversed him to give fans more of their favourite bits. Percy Pig is exclusive to M&S and has his own Facebook Appreciation Society, with over 200,000 members and over 1.5 million Percy Pigs are eaten a week!

TRUST

Above: The Marks in Time exhibition was launched as part of our 125 celebrations. It showcased the M&S journey from market stall to international retailer, highlighting its role in British cultural history since Michael Marks opened his first stall in 1884. Held at the University of Leeds, it features nearly 200 items from the M&S Company Archive and marks the beginning of a unique partnership which will see the entire archive relocate to the University in 2011. Sir Stuart Rose and Twiggy opened the exhibition alongside University Vice-Chancellor, Michael Arthur.

See more at marksintime.marksandspencer.com

SERVICE & TRUST

Below: Three Lions One Tailor As World Cup fever hits the country this summer we'll be kitting out the England squad for their trip to South Africa. Fans won't be left out and they can get their hands on the same suits for £199 and waistcoat for £35.

We remain focused on helping our customers shop with us whichever way they want, bringing together our various shopping channels to provide greater convenience and flexibility. This year we launched 'Shop Your Way', a new ordering service that has been rolled-out to over 300 stores, allowing customers to place orders either in store, online or over the phone, for delivery to either a nominated address or free of charge to their nearest store.

Our International sales were up 5.7%, despite difficult trading conditions in the Republic of Ireland and Greece. We remain confident in our International growth plans and this year we have focused on building sustainable businesses in emerging economies such as India and China.

Improvements across M&S are a result of our consistent delivery of quality and value to our customers. Through good times and through adversity we have remained true to our core values. It is these values that continue to set M&S apart from the competition and I believe they are more relevant than ever before in our 125 year history.

Trust

Our customers know they can trust us to do the right thing and nowhere is this better demonstrated than through Plan A. This year we raised the bar – setting ourselves the ambitious goal of becoming the world's most sustainable major retailer by 2015.

Our extended Plan A will reach further and move us faster – covering every part of our business and reaching out to our 2,000 suppliers in the UK and overseas and into the homes of our 21 million customers.

We are also encouraging our 76,000 employees to live 'greener lifestyles' and all M&S employees are now entitled to a paid volunteer day – so that we can give something back to the communities we serve.

By 2020 we aim to convert the 2.7 billion individual M&S food, clothing and home products sold each year, to 'Plan A products', so that each carries at least one sustainable or ethical quality. In doing so, we will make a positive contribution to the environment and society across everything we do and everything we sell.

Plan A is not just the right thing to do ethically, it also makes commercial sense. By further embedding sustainability into the way we do business we will continue to become more efficient, develop new markets and build customer loyalty.

125th anniversary

Against the backdrop of recession, our 125th anniversary celebrations served as a rallying call to remind both customers and employees of the values M&S has stood for throughout its 125 year history. To this effect, we brought back the Penny Bazaar under the original slogan – 'Don't ask the price it's a penny' – attracting over three million customers in just three days.
As part of the celebrations we also set our employees a target of raising £1.25m in just 125 days. Across the country, employees

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INNOVATION

Above: Show stopping desserts This year our pudding experts created the inside-out trifle, with layers of swiss roll on the outside holding a filling of custard and raspberry jelly. Also popular was the Snow Storm – inspired by old fashioned snow globes it's made using transparent vanilla jelly interspersed with coconut flakes on a white chocolate panna cotta base.

QUALITY & TRUST

Left: Cashmere Goats John Worley, our knitwear product technologist conducted a fact-finding visit to Inner Mongolia to discover more about the age old production of cashmere, which we use in our luxury knits. John's hosts showed him how they comb and remove the goats' hair by hand to ensure it's of the highest quality. You have to comb one and a half goats to collect enough fibre to produce one men's jumper.

rose to the challenge, more than doubling this target to raise £2.8m benefiting over 500 local charities.

Foundations for the future

In October we held an Investor Day to explain in more detail our long-term change programme, which we launched a year ago as Project 2020. This year we have begun to accelerate the pace of activity to fundamentally transform the way M&S does business. It is:

– delivering a step-change in the way we service our customers' needs and the way we operate our business;
– increasing the pace of change and operational execution;
– accelerating Multi-channel; and
– driving our International business.

Our investment will not only create a solid platform for future growth but will also deliver tangible customer benefits – from improved on shelf availability to more convenient delivery times.

Handing over a stronger business

As we welcome Marc Bolland as our new Chief Executive, I would like to reflect briefly on what has been achieved over the past six years. Marks & Spencer is a significantly stronger business today than it was when I became Chief Executive in 2004.

We have taken the business back to its core values of Quality, Value, Service, Innovation and Trust. We reconnected with our customers and employees by focusing on these values and launching the successful 'Your M&S' campaign, as well as Plan A.

Our revenues have grown by £1.9bn, with International revenues doubling since 2004. We have significantly expanded our UK store base, from 375 stores to almost 700 today including putting M&S in previously under-represented locations – like out-of-town and retail parks.

We have revitalised our clothing offer, filling the gaps in our ranges, keeping up to date with key trends and making our prices much more competitive. We now offer stylish, good value and great quality products for all our customers – regardless of their age, lifestyle or budget. Six years ago, for example, only 12% of our total clothing offer was at our opening price points, compared to just under a third today.

The growth we've seen in our market share shows us that this approach is working. We have strengthened our performance across all areas of clothing – in womenswear, lingerie, menswear and kidswear – and our market share has risen to 11%.

QUALITY & INNOVATION

Left: In print Our Limited Collection geometric print dress was our take on the graphic prints displayed on the 2009/10 catwalk. Using the latest digital print technology, it was a hit with both customers and the fashion press, named by Sunday Times Style Magazine as 'the best print dress on the high street – ever.'

Overview

Chairman's overview continued

MANAGEMENT BOARD

1. **Sir Stuart Rose** Chairman*
2. **Marc Bolland** Chief Executive**
3. **Ian Dyson** Group Finance and Operations Director***
4. **Steven Sharp** Executive Director, Marketing
5. **Kate Bostock** Executive Director, General Merchandising
6. **John Dixon** Executive Director, Food
7. **Clem Constantine** Director, International, Property and Store Development
8. **Tanith Dodge** Director, Human Resources
9. **Nayna McIntosh** Director, Store Marketing and Design
10. **Steve Rowe** Director, Retail and M&S Direct
11. **Andrew Skinner** Trading Director, per una
12. **Darrell Stein** Director, IT and Logistics

* From 31 July 2010, will hand over CEO role, leaving the Company by March 2011
** Joined 1 May 2010
*** Resigned from the Company on 5 May 2010. Ian will step down from the Board following the AGM on 14 July and will leave the Company on 31 August 2010.

We have also built up our position as the UK's leading retailer of good quality, fresh food. We have driven innovation while staying true to our quality and ethical sourcing principles. We have improved our pricing and made our Food offer more convenient. We now have 350 Simply Food stores across the UK – in locations such as high streets, railway stations and airports – up from 100 in 2004.

Meanwhile we have made significant, long overdue investment in the business. Our total capital expenditure has been around £3.5bn of which £2.2bn has been invested in stores. Over 80% of our store portfolio has been completely renovated and we are building new logistics and delivery systems, which are essential to the future of our business – especially our two key areas of growth, Multi-channel and International.

We have also invested in our people – with training and career paths – and reinstated an active customer feedback programme. We know our customer service has improved because of this. Our mystery shopping scores currently stand at 89%, up from 70% when we introduced this measure in 2006.

Finally, over the same period, I am pleased to say that we have given back around £4.6bn to our shareholders in dividends and buy-backs.

The M&S team

Marc will be able to benefit from the wealth of experience within the management team that has led M&S over the last year.

In 2009, I announced that Kate Bostock would take responsibility for our Home division, bringing our entire General Merchandise offer under her leadership. Over the last 12 months we have seen the benefits of this, with greater collaboration and shared learning across the GM business units. Similarly, the management of all our shopping channels transferred to Steve Rowe, allowing us to better focus on our ambitions as a multi-channel retailer.

In September 2009, John Dixon was promoted to the Board as Executive Director of Food. Since his appointment as Director of Food in July 2008, John has been instrumental in improving the performance of the Food division and returning it to positive like-for-like sales.

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Introduction

Marks & Spencer is a great brand and I am very proud to have the opportunity to lead a company with such a unique heritage. Since I arrived in May I have been getting to know the business and our customers and I am looking forward to working with the team as we continue to build on the strong foundations that have been put in place by Stuart.

Marc Bolland Chief Executive — Joined 1 May 2010

In May 2010, Ian Dyson resigned from his position as Group Finance & Operations Director to join Punch Taverns plc as its Group Chief Executive. On behalf of the M&S Board, I would like to thank Ian for the significant contribution he has made to M&S over the last five years and wish him well with his future career.

Our management team has worked together throughout the recession, focusing on both our long and short-term priorities, enabling the business to emerge stronger and ready to capitalise as the economy recovers.

The progress we have made would not have been possible without the hard work and commitment of our dedicated workforce – particularly during the challenge of a recession. I am delighted that we have been able to pay all our staff a bonus this year. I would like to say a personal thank you to all of them.

It has been a great pleasure and a privilege to lead this very special business over the past six years. I am confident that with strong foundations in place, our core values revitalised and a brand that inspires confidence and recognition worldwide, M&S is poised for an exciting new era of growth under the direction of a new Chief Executive.

Sir Stuart Rose Chairman

QUALITY

Above: Super sweet carrots M&S organic carrots are grown exclusively by Steven Jack on the wild Moray coast in the shadow of the Grampian Mountains. Long daylight hours in the summer mean sweeter, better tasting carrots and the light sandy soils ensure carrots with a fine skin that just need a gentle brushing before cooking, so there is no need to peel them.

Performance overview

by Ian Dyson

Ian Dyson Group Finance and Operations Director

Last year we took decisive action to give us the strength and flexibility we needed to navigate the recession. As a result we have emerged in a stronger position and delivered an improved performance, with an adjusted 52 week profit before tax of £632.5m up 4.6% from £604.4m in 2008/09. Whilst we have tackled the short-term issues caused by the downturn we have remained focused on our long-term strategy. Over the last 12 months, we have continued to invest in M&S, building a platform for future growth through Project 2020.

Underlying cost savings
£145m

Group capital expenditure
£389m

Net debt
£2.1bn

Our performance*

This year our Group sales were up 3.2% to £9.3bn. A combination of improving market conditions and our own efforts helped us achieve an increase in UK sales of 2.9%, with a strong performance in all areas of our business. Despite tough trading conditions, particularly in Republic of Ireland and Greece, our International business delivered a strong performance, with sales up 5.7%.

GM has seen market share growth in both value and volume, with sales up 4.0%. Continued investment in our margins has helped Food return to positive like-for-like sales of +0.3%.

M&S Direct has delivered another good performance, with sales increasing to £413m and remains on track to deliver £500m by 2010/11.

Margins*

Our UK gross margin was 41.2%, down 5 bps. This reflects our continued investment in Food margins to provide our customers with the value they want, without compromising quality. Food gross margin was down 95 bps at 30.6%, with investment in prices and promotions partly offset by better buying and a reduction in food waste. GM margin was up 70 bps at 52.5%, despite the weak sterling performance this year. Over the last 12 months we have worked with our suppliers to manage currency pressures in our supply chain and delivered tighter stock control and management of markdowns.

Cost management*

Total UK operating costs, excluding bonuses, were £2,769m, an increase of 1.0%. Despite the pressure of increased volumes, depreciation and inflation on our cost base, through prudent cost management we delivered savings of 5.3% representing an underlying saving of £145m.

In addition, due to our significant outperformance against our plan we have paid a bonus of £81m to be shared by employees across M&S.

Balance sheet management

Throughout 2009/10 we have remained focused on improving our cash flows. We reduced capital expenditure to £389m, down from £652m in 2008/09 and have a working capital inflow of £78m.

As a result we have generated a net cash inflow of £412m after tax and dividend. Focus on cash flow management has enabled us to further reduce our net debt to £2.1bn, from £2.5bn in 2008/09.

PLAN A: UK ECO FACTORY

Since its opening in 2008, our furniture supplier's first UK eco factory – the 150,000 sq ft Westbridge Furniture factory in Holywell, Wales – has reduced its CO_2 emissions by 48%, energy use by 56% and water consumption by 30%. The factory is also on target to send no waste to landfill by 2012. At the same time it produces some of the most stylish pieces in the M&S range.

For more information visit marksandspencer.com/plana

INNOVATION

Right: Click to watch In December we launched our iViewer TV – a British high street first. Viewers can get BBC iPlayer straight to their screen with the touch of a button. The TV also doubles as a digital photoframe.

* 52 weeks.

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SERVICE

Above: Say it with flowers On Valentines Day this year we delivered just under 30,000 bouquets of flowers to customers up and down the UK.

QUALITY

Above: Store design We have now completed our modernisation programme in over 80% of stores.

Refinancing

We completed a buy-back of £200m worth of bonds, enabling us to issue a new longer term bond, taking advantage of the favourable conditions in the debt capital market. This has allowed us to strengthen our long-term position by extending the average maturity life of our debt capital.

Defined Benefit Pension Scheme

In May 2010 we and the Trustees of our UK Defined Benefit Pension Scheme agreed a funding plan with a present value of £800m, following the outcome of the Scheme's triennial actuarial valuation, which showed a deficit of £1.3bn at 31 March 2009.

The funding plan includes the following contributions from M&S:

- cash contributions of £35m per annum for the first three years of the funding plan increasing to £60m per annum until 2018. This has a present day cash value of £376m;
- £300m of value through the granting of a further interest in the property-backed partnership established between M&S and the Pension Scheme in 2007. This new interest entitles the Pension Scheme to a fixed annual distribution of c. £36m for 15 years commencing in 2017 and a capital sum in 2031 equal to the lower of £350m or any funding deficit in the Pension Scheme at that point in time; and
- £124m of value through the transfer of assets from existing US$ debt hedge contracts held by M&S.

Dividend

In May 2009 the Board made the difficult decision to rebase the Group's dividend payment for 2009/10 to 15.0p per share to provide us with greater flexibility during the downturn. This decision resulted in a final dividend of 9.5p per share (last year 9.5p). Having rebuilt cover to two times, our policy is to grow dividends in line with adjusted earnings per share.

Investing for the future

In the midst of a recession, when it was easy to focus only on the short-term, we decided to re-examine our long-term strategy and gave it a renewed sense of purpose, resulting in the creation of Project 2020, which has the following aims:

- increase the pace of change and operational execution
- accelerate towards becoming a multi-channel retailer
- drive our International business

The overall objective of the programme is to create long-term sustainable growth in shareholder value. This year we have focused on three priorities – restructuring our supply chain, implementing new IT systems and driving operational execution. These changes will deliver long-term benefits including:

Improving our cost efficiency The implementation of changes in our supply chain and systems requires a capital investment of £1bn by 2015/16. We expect this to deliver cost efficiencies of around £175m per year by 2012/13, rising to £250m per year by 2015/16, made up of £150m savings from our supply chain and £100m from systems. We are on track and this year we have achieved cost savings of £35m.

Driving sales growth Through better cataloguing and product control we will be able to deliver improvements in on-shelf availability. Customers have also started to see tangible benefits, such as better fulfilment in our online ordering.

Provide a platform for future profitable growth Our current systems are outdated and we need a better support infrastructure so that we can grow profitably in both Multi-channel and International. This year we have made substantial progress, including signing the lease on our new dedicated e-commerce warehouse due to open in 2012.

Looking ahead

Though market conditions have improved, we remain cautious about the year ahead. We are confident that the actions we have taken have put the business in good financial shape to weather uncertainty and emerge strongly as the economy improves.

Throughout 2010/11 we will continue our delivery of Project 2020, focused on our goal of creating long-term sustainable growth.

Ian Dyson Finance and Operations Director

Performance overview

Key performance indicators

Financial performance These financial performance indicators are based on the statutory 53 week period ended 3 April 2010.

Group revenue

£9.5bn

+5.2%

£m	06/07	07/08	08/09	09/10
UK	7,977.5	8,309.1	8,164.3	**8,567.9**
International	610.6	712.9	897.8	**968.7**
Total	8,588.1	9,022.0	9,062.1	**9,536.6**

Adjusted Group operating profit*

£843.9m

+9.8%

£m	06/07	07/08	08/09	09/10
UK	956.5	972.9	652.8	**701.2**
International	87.5	116.4	116.1	**142.7**
Total	1,044.0	1,089.3	768.9	**843.9**

Performance against our strategy

What we sell
Growing our core UK business

UK Market share Clothing and footwear

Analysis: During the year we grew our value market share and held on volume.

Source: Kantar Worldpanel

Value market share

11.0%

2008/09 **10.7%**
2007/08 **11.0%**
2006/07 **11.1%**

Volume market share

11.2%

2008/09 **11.2%**
2007/08 **11.3%**
2006/07 **10.7%**

UK Market share Food

Analysis: Our market share is slightly down, reflecting the fact we were the only retailer to lower prices during what was an inflationary period.

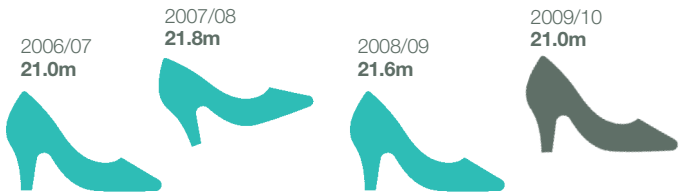
Source: Kantar Worldpanel

3.8%

2008/09 **3.9%**
2007/08 **4.3%**
2006/07 **4.2%**

Average weekly UK footfall

Analysis: Around half of UK stores have cameras fitted at the entrance to allow us to track customer visits. We calculate our average footfall by analysing the ratios between visits and sales in these stores and then applying it to stores without cameras.

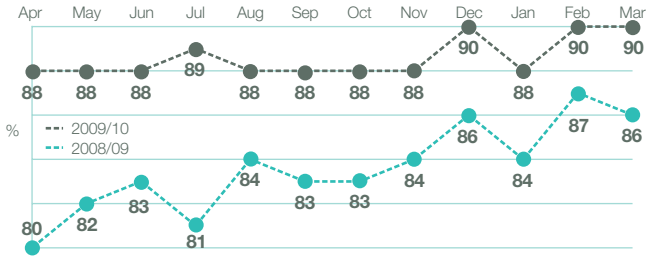


Average weekly footfall

21.0m

UK mystery shopping programme

Analysis: Mystery shoppers anonymously visit all of our UK stores once a month – twice for flagship stores – to evaluate the levels of service, scoring factors such as how staff welcome customers and the management of store environment. This year over 6,500 visits were conducted and we have seen a 5% increase in service scores.



Visits completed

6,500

average score 89%

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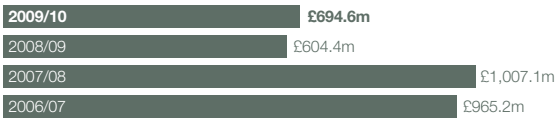
Adjusted Group profit before tax*

£694.6m
+14.9%



Group profit before tax

£702.7m
-0.5%

2008/09 **£706.2m**
2007/08 **£1,129.1m**
2006/07 **£936.7m**

Adjusted earnings per share*

33.0p

2008/09 **28.0p**
2007/08 **43.6p**
2006/07 **40.4p**

*The adjusted profit measures are stated before property disposals and exceptional items.

How we sell
Building our Multi-channel business

M&S Direct sales

Analysis: We continue to invest in our Direct business as part of our commitment to become a multi-channel retailer and remain firmly on track to reach our £500m target next year.

£413m*
+27%

Percentage of our stores refurbished since 2005

Analysis: Since 2005 we have refurbished over 80% of our stores. This year we opened 30 new stores, adding approximately 3.2% of trading space. We continue to invest in our stores to ensure they offer a bright, contemporary shopping environment.

However, this year our capital expenditure has been focused on laying the foundations for future growth under Project 2020.

80%

Where we sell
Expanding our International business

International revenue as proportion of Group revenue

Analysis: Expanding our International business is a key part of our future plan and in 2007/08 we set a target for it to account for 15-20% of Group revenues within five years. Our investment under Project 2020 will support this growth.

10.2%*
+0.3% pts

How we do business
Integrating Plan A across the business

Improve carbon efficiency tonnes CO_2e per 1000 sq ft

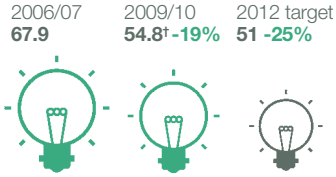
Store, office, warehouse, business travel and logistics carbon dioxide emissions in tonnes CO_2e per 1000 sq ft of sales floor. Residual emissions will be offset in 2012.

Why carbon efficiency?
Improving carbon efficiency reduces green house emissions and costs.

Improve store energy efficiency kWhs/sq ft

Store energy usage in kWhs/sq ft of sales floor

Why energy efficiency?
Improving energy efficiency reduces costs and helps to meets the requirements of new legislation effective from 2010.



Send no operational waste to landfill tonnes

Waste sent to landfill from M&S stores, offices and warehouses in tonnes

Why no waste to landfill?
Sending no waste to landfill will reduce costs in the longer term and help reduce carbon emissions.

* Recalculated in accordance with 2009 DEFRA/DECC carbon conversion factors and reporting guidelines.

† Gas usage included in this calculation has been adjusted using standard degree days to reflect the cold winter of 2009/10.

* 52 weeks.

Our brand

by Steven Sharp

Steven Sharp Executive Director, Marketing

Our marketing campaigns remain a visible – and important way – of communicating with our customers. Over the last 12 months we have responded to the difficult market conditions by refocusing and increasing our marketing activity, keeping the M&S brand fresh and relevant to our customers' changing needs. We are already seeing returns on this investment, with improving sales across the business.

SERVICE

Above: Christmas wouldn't be Christmas
Our 'Christmas wouldn't be Christmas without…' campaign appealed to those customers – both regular and occasional shoppers – who find it impossible to imagine Christmas without M&S. The result was our highest ever customer recognition for an advertisment.

Quality worth every penny

In 2009 we looked back over our 125 year history and the core values M&S has always stood for. 'Quality Worth Every Penny' is a simple message that demonstrated the continued relevance of our founding principles of Quality, Value, Service, Innovation and Trust.

The campaign launched with a TV ad to celebrate our 125th anniversary, taking customers back to where M&S began at Leeds Kirkgate market. In the midst of a recession, the campaign resonated particularly well, reassuring our customers that M&S is a brand they can trust to deliver quality and value.

We believe 'Quality Worth Every Penny' has ongoing relevance, reinforcing the value for money M&S offers and this message continues to underpin our 2010 campaigns.

New directions

In recent years our advertising has achieved iconic status – however, though our core values remain the same, M&S has not stood still. As the economic situation slowly improved in the latter part of the year, we felt the time was right to refresh our marketing activity and invest in a new look across our advertising to better reflect our customers' growing confidence.

This year we decided to take M&S Food back into the heart of family life, with a lighter, brighter campaign, fronted by actress Caroline Quentin. The campaign wraps up all of our core values in a single story, capturing all the reasons why customers turn to M&S – quality, innovative products, provenance or simply good value – in our new strap line – 'Just because'.

As consumers showed greater willingness to invest in their wardrobes, our clothing campaign demonstrated the versatility of the M&S range, encouraging customers to 'make your wardrobe earn its keep'.

Delivering

Our brand communications extend beyond advertising – from our in-store promotions through to our website they help us show customers that we are in tune with their changing needs. Investment in our marketing activity delivers tangible benefits across the business, with our internal measures pointing to a direct correlation between improved consumer perception of the M&S brand and positive sales and profit growth.

Trust

M&S occupies a special place with the British public and is repeatedly voted as one of the UK's most trusted brands. This is demonstrated in the success of M&S Money – which is celebrating 25 years. It continues to perform strongly as consumers turn to trusted brands like M&S for their financial services. This year we launched our Premium Club, which offers shopping and travel benefits to M&S credit card holders.

Looking ahead

The strength of the M&S brand has enabled us to weather the recession and as we move into 2010/11 we will continue to communicate with our customers, delivering engaging, relevant campaigns that bring our core values to life.

Steven Sharp Executive Director, Marketing

PLAN A: DOING THE RIGHT THING

In Summer 2009 we reflected our status as one of Britain's most trusted brands through our Plan A campaign – 'Doing the right thing'. Launched with a 'manifesto' setting out our commitment to the highest ethical credentials, the campaign included a series of ads displaying no nonsense user friendly expressions of why we do what we do.

For more information visit marksandspencer.com/plana

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New faces This year, Twiggy was joined by a new line-up of celebrity faces – popstar VV Brown, joins X-Factor judge Dannii Minogue, Capital FM presenter Lisa Snowdon, and Brazilian supermodel Ana Beatriz Barros (featured). Customers responded well to the upbeat, energetic feel of the new ad and said it demonstrates how M&S is in touch with fashion for women of all ages.

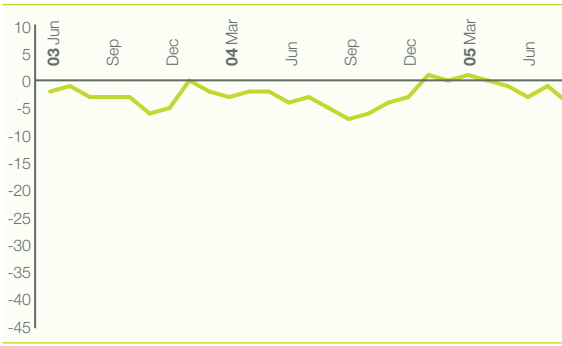
YOUR M&S

Find out more at marksandspencer.com

Our marketplace

And how we have responded

CONSUMER CONFIDENCE INDEX



Source: CFK Consumer Confidence Index March 2010.

Customers are the heart of our business so it's essential we understand what they want from M&S. Our Customer Insight Unit (CIU) makes sure we are listening to our customers, understanding what they think and how they behave. Through a combination of market data analysis, research and customer feedback, our CIU identifies emerging trends and how external factors are impacting consumer behaviour. This ensures our customers' needs are always recognised in business decisions.

M&S CLOTHING RESPONSE

Our 'good', 'better', 'best' pricing structure caters for 'clever spending', allowing consumers to trade up or down to suit their priorities. We've encouraged customers to trade up by focusing on detailing and quality fabrics in brands such as Autograph and have extended Portfolio across footwear and accessories so customers can update their wardrobe and experiment with new trends.

M&S HOME RESPONSE

The style credentials of M&S clothing have been translated into our soft furnishings offer to appeal to customers looking to spruce up their home. We have focused on providing great value, co-ordinated homeware so customers can easily build an updated look.

This section sets out some of the key trends of the last year and outlines how M&S has responded to them.

2009/10 MARKET OVERVIEW

Though Britain has returned to low levels of economic growth, concerns about the economy meant uncertainty continued to be the main characteristic of the marketplace.

Consumer sentiment is that they've 'weathered the storm' and adapted well in a difficult economic climate. As a result consumer confidence levels have doubled over the last 12 months, though as illustrated in the index above they remain in negative territory.

However, increasing confidence has not marked a return to frivolous spending. Consumers remain cautious and have adopted a trend for 'clever spending', flexing their budget according to personal priorities. Put simply, they are willing to spend more, but only on the things that matter to them.

CLOTHING MARKET TRENDS

Improving consumer confidence has seen the clothing market return to growth this year.

Price remains one of the main drivers for purchases, resulting in the continued growth of the value market. However, after a year of economising consumers have moved beyond a wardrobe made up of cheaper staples and started to invest in quality versatile pieces, this trend is particularly strong among the over 45s.

A greater appetite for investment pieces has translated into growth in the mid-priced clothing market and a strengthening position in premium clothing.

Customers have sought easy, affordable ways to experiment with key trends, such as footwear and accessories.

In 2008/09 the lingerie market suffered as women deemed luxurious underwear an unnecessary extravagance and stuck to basics, but this year women started to treat themselves again.

HOME MARKET TRENDS

Mortgage lending remained broadly flat for the year, providing little improvement to the housing market.

Sales of large furniture and white goods declined, as homeowners opted to stay put and improve their existing home rather than move.

In a slow market, consumers wanted to 'individualise' their home to give it a distinctive stylish look – mixing and matching a range of soft furnishings and accessories.

Shifting household demographics have resulted in more people in their 20s living with their parents, along with a rise in older single households. This change has seen greater demand for furniture offering flexible living solutions, such as combined bedroom/living and work space

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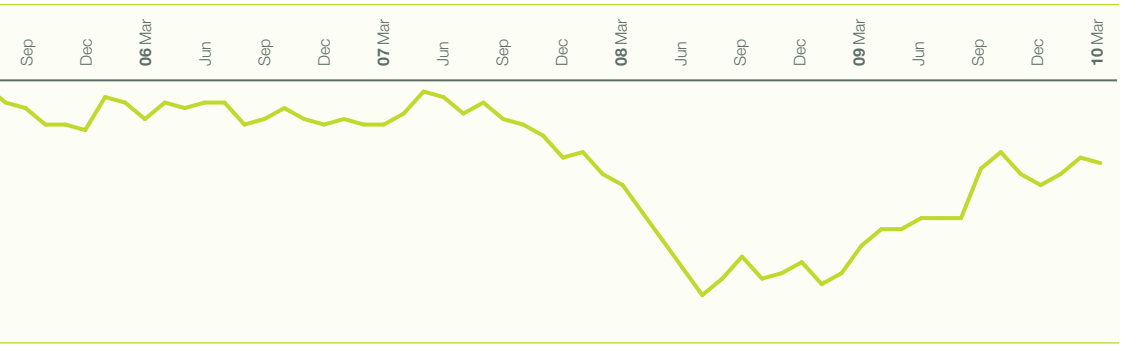

M&S FOOD RESPONSE

In 2008/09 a demand for value saw many food retailers attempt to reposition themselves as low cost providers. However, we invested in margins to provide customers with better value, without compromising quality. This has served us well as customers began to trade up. Quality remains the point of difference between our 'Dine In' promotion and market imitations. To keep the promotion fresh we regularly include our newest products, mainly from our Cook! range.

M&S ONLINE RESPONSE

M&S is committed to becoming a multi-channel retailer, integrating its online business with other shopping channels. We launched 'Shop Your Way', to offer customers more flexible purchasing and delivery options. We have also appointed a Director of Multi-channel Development to help us exploit the opportunity in this area.

shop your way

FOOD MARKET TRENDS

Over the year price inflation has worked its way out of the market to the point of deflation, with falling food prices masking the fact UK customers were buying more.

Deals continued to be a key driver, with 30% of the market sold on promotion. However, copycat deals across the market meant consumers responded well where quality and innovation were the point of difference, as they looked for deals that offered something new and/or special.

As confidence improved consumers started to trade up to an alternative supermarket or switched to better, premium ranges within their supermarket of choice.

Consumers also began to treat themselves again, resulting in growth in confectionery and bakery markets. They also adopted a sense of nostalgia, creating a revival in retro products with a modern update.

ONLINE MARKET TRENDS

Online market growth remains strong at around 20%, but the rate of growth has begun to stabilise as the market matures.

Consumers now expect a more engaging experience from online shopping, as retailers add more editorial, interactive content to sites.

Developing technologies have meant consumers expect greater flexibility and tailored choices in both purchase and delivery options.

The strongest opportunity for growth lies with retailers that can integrate an online offer with other shopping channels, such as stores and call centres, to provide a multi-channel service.

FUTURE TRENDS

As we move into 2010/11, macro-economic conditions will continue to influence consumer behaviour. However, our current research suggests the following trends are likely:

The pace of mobile technology and growing acceptance of its 'intrusion' into everyday lives, means consumers will expect brands to be ready to interact when they want, requiring brands to be 'on' 24/7.

Retailers that allow consumers to have input into product development will be well placed in the future. Increasingly consumers want to personalise purchases, through colour, style and functionality, as well as providing feedback to both retailers and peers about how they believe products and services could be enhanced.

Changes to family dynamics mean UK consumers are looking for alternative communities, either 'real' or 'virtual' to achieve a sense of belonging. In the retail space, this may lead to more brands setting up community pages or forums.

TRUST

Above: Share your views
To provide a more interactive experience we increased the prominence of customer product reviews on our website. Customers have responded well to the peer-to-peer feedback and conversion rates have increased as a result.

Average customer rating

★★★★☆

Governance report

Board of directors

Chairman's overview

1

We have one of the most trusted brands on the high street, a clear plan, strong leadership and motivated employees, who are all focused on offering our customers great products at great value and great service.

We want our governance to be meaningful, relevant and focused on improving our business:

– promoting our strong brand values;
– driving the business supported by sound plans;
– providing strong leadership and accountability;
– getting the best from our people by developing and motivating them;
– keeping our customers happy and giving them what they want; and
– running the business with effective risk management and appropriate controls.

The Board needs a clear view of the Company's leadership and the day-to-day activities of the Group, including current trading, key risks and mitigation. Directors also have a duty to take into account the long term, employees, relationships with suppliers, customers and others, local communities, the environment and how business is conducted. Therefore, the Management Board, operational committees and functions support the Board in reviewing strategy and performance whilst taking these wider interests into account.

The Board is also responsible for maintaining our values, supporting Plan A, monitoring our code of ethics and protecting our heritage.

While we try to make sure we are in line with best practice the Board took a difficult decision in 2008 to combine the roles of Chairman and Chief Executive. The Board believed this to be in the best interests of the Company at the time to provide for appropriate succession. We have delivered the first phase of our transition back to best practice with Marc Bolland's appointment as Chief Executive. By the end of July we will have separated the roles, and by March 2011 at the latest we will have appointed an independent Chairman.

Sir Stuart Rose Chairman

Deputy Chairman's overview

2

At M&S, governance is about doing the right thing, the right way. The Board seeks to ensure that the right balances and accountabilities are in place by:

– demonstrating independence to bring fresh perspectives and hold management to account;
– seeking full information to form views, question management and take strategic decisions; and
– acting responsibly to make sure we meet our accountabilities to shareholders and wider stakeholders.

This year we assessed our progress against these three requirements and also against the actions developed from last year's performance review.

During the coming year we want to improve the understanding of governance and its relevance to the business and our people, whatever part they play in serving our customers – in stores, online, in the UK and overseas. We will do this through our

Board of directors

★ Independent
● Audit Committee
■ Remuneration Committee
♦ Nomination & Governance Committee

3

4

5

6

7

1 Sir Stuart Rose Chairman ♦
Appointed in May 2004. Age 61. Stuart will step down as Executive Chairman on 31 July 2010 when he will become Chairman. He will leave the Company by March 2011. Stuart is Chairman of Business in the Community and a non-executive director of Land Securities plc. Stuart began his career in retail at Marks & Spencer in 1971 where he remained until 1989, before going on to become Chief Executive at a number of well known UK retailers, including Argos plc, Booker plc and Arcadia Group plc.

2 Sir David Michels Deputy Chairman ★●■♦ (Chairman)
Appointed in March 2006. Age 63. David is Deputy Chairman, Chairman of the Nomination & Governance Committee and Senior Independent Director. He is Chairman of Paramount Restaurants, Deputy Chairman of easyJet plc, a non-executive director of Strategic Hotels & Resorts and Jumeriah Group, Dubai. David was previously Senior Independent Director of The British Land Company plc, non-executive director of Arcadia Group and Chief Executive of Hilton Group plc.

3 Marc Bolland Chief Executive ♦
Appointed on 1 May 2010. Age 51. Marc joined Marks & Spencer from Morrison Supermarkets plc, where he had been Chief Executive since 2006. Prior to this, Marc worked for 20 years at Heineken NV in a variety of management and marketing roles. He went on to become an Executive Board member and Chief Operating Officer. He is a non-executive director of Manpower inc.

4 Ian Dyson Group Finance and Operations Director
Appointed in June 2005. Age 47. Ian joined Marks & Spencer as Group Finance Director, becoming Group Finance and Operations Director in March 2008. Ian was appointed a non-executive director of Betfair Group Limited in February 2010. Previously, Ian was Finance Director of The Rank Group plc and Group Financial Controller of Hilton Group plc. Ian was a non-executive director of Misys plc until September 2005.

We announced Ian's resignation on 5 May 2010 and have commenced our search for a new finance director. Ian will step down from the Board on 14 July and will leave the Company on 31 August 2010.

5 Kate Bostock Executive Director, General Merchandise
Appointed in March 2008. Age 53. Kate joined Marks & Spencer in October 2004. Previously, Kate was Product Director for Childrenswear at Next from 1994, before joining Asda in 2001 as Product Director for the George Global Brand. She was responsible for the launch of the standalone George concept and the launch of the George brand globally.

6 John Dixon Executive Director, Food
Appointed on 9 September 2009. Age 42. John joined Marks & Spencer over 20 years ago as a store management trainee. He has worked across the business in a variety of senior roles, from Executive Assistant to the Chief Executive, to Director of Home and M&S Direct. John was Director of Food from July 2008 until his appointment to the Board.

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Business Involvement Groups across stores and head office and with a specific article in our employee magazine.

We believe better communication of governance can help support business performance and define behaviours.

We have made further progress with our governance with the appointment of Marc Bolland as Chief Executive. The Nomination & Governance Committee conducted a thorough process for Marc's appointment and is applying the same approach to the search for a new Chairman.

Each year the Board tracks its progress against an action plan to ensure that what it does continues to meet the needs of the business. This year it has been influenced by our Board and Committee performance reviews, which I have led as Deputy Chairman.

I am satisfied that we have taken a rigorous approach to looking at our effectiveness and throughout the year encouraged independent challenge to the executive at all levels.

Sir David Michels Deputy Chairman

Our governance structure

Group Secretary

8

7 Steven Sharp Executive Director, Marketing
Appointed in November 2005. Age 59. Steven joined Marks & Spencer in May 2004. He is a non-executive director of Adnams plc and an elected member of the Tate Members' Council. Steven was previously Marketing Director at Asda, the Burton Group, Booker plc and Arcadia Group plc.

8 Jeremy Darroch Non-Executive Director ★♦● (Chairman)
Appointed in February 2006. Age 47. Jeremy is Chairman of the Audit Committee. He is Chief Executive of British Sky Broadcasting Plc, having been the company's Chief Financial Officer. Jeremy was previously Group Finance Director and Retail Finance Director at Dixons Group plc.

9

9 Martha Lane Fox Non-Executive Director ★♦●■
Appointed in June 2007. Age 37. Martha is the UK's Digital Champion and a non-executive director of Channel 4 Television. She is founder and Chairman of Lucky Voice, and of her own grant giving foundation, Antigone. Martha was a co-founder of lastminute.com.

10

10 Steven Holliday Non-Executive Director ★♦●■ (Chairman)
Appointed in July 2004. Age 53. Steve is Chairman of the Remuneration Committee. He is Group CEO of National Grid plc, having been responsible for the UK Electricity and Gas businesses. Previously he was on the Board of British Borneo Oil and Gas and held senior positions with the Exxon Group. He has also developed business opportunities in countries such as China, Australia, West Africa and Brazil.

11

11 Louise Patten Non-Executive Director ★♦●■
Appointed in February 2006. Age 56. Louise is a senior adviser to Bain & Co and a non-executive director of Bradford & Bingley. She was formerly Chairman of Brixton plc, and a non-executive director of Hilton Group plc, GUS plc, Somerfield plc and Harveys Furnishings plc.

12

12 Jan du Plessis Non-Executive Director ★♦●■
Appointed in November 2008. Age 56. Jan is Chairman of Rio Tinto plc. He was Chairman of British American Tobacco plc until October 2009 and a non-executive director of Lloyds Banking Group plc until April 2009. He was also Chairman of RHM plc from 2005 to 2007. Jan was previously Group Finance Director of Richemont, the Swiss luxury goods group until 2004.

13

13 Amanda Mellor Group Secretary and Head of GovernanceAge 46. Appointed on 8 July 2009. Amanda joined Marks & Spencer in 2004 as Head of Investor Relations. Her previous roles include Director of Corporate Relations at Arcadia Group plc, and over 10 years working in investment banking.

Consolidated income statement

	53 weeks ended 3 April 2010 £m	52 weeks ended 28 March 2009 £m
Revenue	**9,536.6**	9,062.1
Operating profit	**852.0**	870.7
Finance income	**12.9**	50.0
Finance costs	**(162.2)**	(214.5)
Profit on ordinary activities before taxation	**702.7**	706.2
Analysed between:		
Before property disposals and exceptional items	**694.6**	604.4
Profit on property disposals	**8.1**	6.4
Exceptional costs	**–**	(135.9)
Exceptional pension credit	**–**	231.3
Income tax expense	**(179.7)**	(199.4)
Profit for the year	**523.0**	506.8
Attributable to:		
Equity shareholders of the Company	**526.3**	508.0
Minority interests	**(3.3)**	(1.2)
	523.0	506.8
Basic earnings per share	**33.5p**	32.3p
Diluted earnings per share	**33.2p**	32.3p
Non-GAAP measure:		
Adjusted profit before taxation (£m)	**694.6**	604.4
Adjusted basic earnings per share	**33.0p**	28.0p
Adjusted diluted earnings per share	**32.7p**	28.0p

Consolidated statement of financial position

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	As at 3 April 2010 £m	Restated As at 28 March 2009 £m
Assets		
Non-current assets		
Intangible assets	**452.8**	400.3
Property, plant and equipment	**4,722.0**	4,834.0
Investment property	**22.4**	24.8
Investment in joint ventures	**11.5**	13.8
Other financial assets	**3.0**	3.0
Trade and other receivables	**287.7**	336.8
Derivative financial instruments	**132.9**	254.0
Deferred tax assets	**0.7**	1.6
	5,633.0	5,868.3
Current assets		
Inventories	**613.2**	536.0
Other financial assets	**171.7**	53.1
Trade and other receivables	**281.4**	285.2
Derivative financial instruments	**48.1**	92.6
Cash and cash equivalents	**405.8**	422.9
	1,520.2	1,389.8
Total assets	**7,153.2**	7,258.1
Liabilities		
Current liabilities		
Trade and other payables	**1,153.8**	1,073.5
Borrowings and other financial liabilities	**482.9**	942.8
Partnership liability to the Marks & Spencer UK Pension Scheme	**71.9**	71.9
Derivative financial instruments	**27.1**	76.2
Provisions	**25.6**	63.6
Current tax liabilities	**129.2**	78.9
	1,890.5	2,306.9
Non-current liabilities		
Retirement benefit deficit	**366.5**	152.2
Trade and other payables	**280.3**	243.8
Borrowings and other financial liabilities	**2,278.0**	2,117.9
Partnership liability to the Marks & Spencer UK Pension Scheme	**–**	68.0
Derivative financial instruments	**–**	3.0
Provisions	**25.5**	40.2
Deferred tax liabilities	**126.5**	225.5
	3,076.8	2,850.6
Total liabilities	**4,967.3**	5,157.5
Net assets	**2,185.9**	2,100.6
Equity		
Called-up share capital – equity	**395.5**	394.4
Share premium account	**247.5**	236.2
Capital redemption reserve	**2,202.6**	2,202.6
Hedging reserve	**11.6**	62.6
Other reserve	**(5,970.5)**	(5,970.5)
Retained earnings	**5,281.9**	5,156.4
Total shareholders' equity	**2,168.6**	2,081.7
Minority interests in equity	**17.3**	18.9
Total equity	**2,185.9**	2,100.6

Approved by the Board on 24 May 2010.

Stuart Rose
Chairman

Ian Dyson
Group Finance and Operations Director

Consolidated cash flow information

	53 weeks ended 3 April 2010 £m	52 weeks ended 28 March 2009 £m
Summary statement of cash flows		
Operating activities		
Operating profit	**852.0**	870.7
Increase in inventories	**(74.3)**	(46.0)
Decrease in receivables	**25.3**	55.0
Payments to acquire leasehold properties	**–**	(14.1)
Increase in payables	**132.5**	212.2
Exceptional operating cash outflow	**(34.1)**	(27.4)
Depreciation and amortisation	**427.9**	409.0
Share-based payments	**28.5**	14.3
Profit on property disposals	**(8.1)**	(6.4)
Exceptional costs	**–**	135.9
Exceptional pension credit	**–**	(231.3)
Cash generated from operations	**1,349.7**	1,371.9
Tax paid	**(120.7)**	(81.3)
Net cash inflow from operating activities	**1,229.0**	1,290.6
Acquisition of subsidiary, net of cash acquired	**(5.4)**	–
Capital expenditure and financial investment	**(526.9)**	(609.6)
Net interest paid	**(160.7)**	(184.4)
Other debt financing	**(386.9)**	66.2
Equity dividends paid	**(236.0)**	(354.6)
Other equity financing	**(6.6)**	(35.6)
Net cash (outflow)/inflow from activities	**(93.5)**	172.6
Effects of exchange rate changes	**(2.1)**	7.8
Opening net cash	**298.3**	117.9
Closing net cash	**202.7**	298.3

	53 weeks ended 3 April 2010 £m	52 weeks ended 28 March 2009 £m
Reconciliation of net cash flow to movement in net debt		
Opening net debt	**(2,490.8)**	(3,077.7)
Net cash (outflow)/inflow from activities	**(93.5)**	172.6
Increase in current financial assets	**118.3**	1.1
Decrease/(increase) in debt financing	**386.9**	(66.2)
Partnership liability to the Marks & Spencer UK Pension Scheme (non-cash)	**–**	539.6
Exchange and other non-cash movements	**10.7**	(60.2)
Movement in net debt	**422.4**	586.9
Closing net debt	**(2,068.4)**	(2,490.8)

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Group financial record

	2010 53 weeks £m	2009 52 weeks £m	2008 52 weeks £m	2007 52 weeks £m	2006 52 weeks £m
Revenue – continuing operations					
UK	**8,567.9**	8,164.3	8,309.1	7,977.5	7,275.0
International	**968.7**	897.8	712.9	610.6	522.7
Operating profit – continuing operations					
UK	**701.1**	755.0	1,095.9	956.7	784.5
International	**150.9**	115.7	115.4	89.2	65.6
Profit before taxation – continuing operations					
Before property disposals and exceptional items	**694.6**	604.4	1,007.1	965.2	751.4
After property disposals and exceptional items	**702.7**	706.2	1,129.1	936.7	745.7
Basic earnings per share from continuing operations (pence)	**33.5**	32.3	49.2	39.1	31.3
Adjusted basic earnings per share from continuing operations (pence)[1]	**33.0**	28.0	43.6	40.4	31.4
Dividend per share declared in respect of the year (pence)	**15.0**	17.8	22.5	18.3	14.0
Balance sheet					
Net assets (including retirement benefit asset/deficit)	**2,185.9**	2,100.6	1,964.0	1,648.2	1,203.7
Net debt	**2,068.4**	2,490.8	3,077.7	1,949.5	1,729.3
Capital expenditure	**389.3**	652.0	1,054.5	792.4	337.7
Staffing (full-time equivalent)					
UK Retail	**48,722**	50,614	49,703	50,355	44,883
International Retail	**4,272**	3,539	2,573	2,315	2,106

1 Adjusted for property disposals and exceptional items.

Auditors' statement

Independent auditors' statement to the members of Marks and Spencer Group plc

We have examined the summary financial statements which comprise the Consolidated income statement, Consolidated statement of financial position, Consolidated cash flow information, Group financial record and Summary remuneration report.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Review in accordance with United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the Annual Review with the Annual report and financial statements, the Directors' report and the Remuneration report, and its compliance with the relevant requirements of section 428 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the Annual Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements. The other information comprises pages 1 to 17.

This statement, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 428 of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Bulletin 2008/3, issued by the Auditing Practices Board for use in the United Kingdom. Our report on the Group's Annual report and financial statements describes the basis of our audit opinion on those financial statements, the Directors' report and the Remuneration report.

Opinion

In our opinion the summary financial statements are consistent with the full Annual report and financial statements, the Directors' report and the Remuneration report of Marks and Spencer Group plc for the year ended 3 April 2010 and comply with the applicable requirements of section 428 of the Companies Act 2006 and the regulations made thereunder.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, London
24 May 2010

Summary reports

The information contained in the Annual Review, the Summary remuneration report and the Summary Group Directors' report is only a summary of the information contained in the Annual report and financial statements 2010. The aim is to provide shareholders with the key financial information in a clear and concise manner. For this reason, the Annual Review does not contain all the information to give a full understanding of the results of the Group and state of affairs of the Company and the Group. Copies may be obtained free of charge from the Company as noted on the inside back cover of this booklet.

Summary Group Directors' report

Principal activities

Marks and Spencer Group plc is the holding company of the Marks & Spencer Group of companies (the 'Group'). We are one of the UK's leading retailers with over 21 million customers visiting our stores every week. We sell high quality, great value clothing and home products and outstanding quality food. We source our products responsibly from 2,000 suppliers around the world, 76,000 people work for M&S both in the UK and in 41 countries overseas where we have a growing international business.

Profit and dividends

The profit for the financial year, after taxation, amounts to £526.3m (last year £508.0m). The directors have declared dividends as follows:

Ordinary shares	£m
Paid interim dividend of 5.5p per share (last year 8.3p per share)	**86.4**
Proposed final dividend of 9.5p per share (last year 9.5p per share)	**150.4**
Total ordinary dividend, 15.0p per share (last year 17.8p per share)	**236.8**

The final ordinary dividend will be paid on 16 July 2010 to shareholders whose names are on the Register of Members at the close of business on 4 June 2010.

Board of directors

The membership of the Board and biographical details of the directors are shown on pages 16 to 17, together with details of the committees they sit on.

Disclosure of information to auditors

The information contained in the Summary financial statement does not constitute the Group's statutory accounts for the year ended 3 April 2010, but is derived from those accounts. The auditors have reported on those accounts; their report was unqualified. Each director confirms that, so far as he (she) is aware, there is no relevant audit information of which the Company's auditors are unaware and that each director has taken all the steps that he (she) ought to have taken as a director to make himself (herself) aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Resolutions to reappoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Audit Committee to determine their remuneration will be proposed at the 2010 AGM.

Summary Governance Overview

The governance rules which apply to UK companies listed on the London Stock Exchange are found in the Combined Code on Corporate Governance 2008 (the 'Code').

Governance helps us do the right thing, the right way – for our shareholders, employees, suppliers, local communities and the environment. Our governance is focused on how to get it right, not only in the boardroom but also across the business.

Throughout the year ended 3 April 2010 the Company complied with all Code provisions with the exception that from 1 June 2008 the role of Chairman and Chief Executive has been exercised by the same individual, Sir Stuart Rose. We recognise that this has been out of line with best practice. We understand the concerns of shareholders but believe that we have maintained robust governance while at the same time benefiting from having Stuart at the helm.

On 1 May 2010 Marc Bolland joined us as Chief Executive. On 31 July 2010 Stuart will step down as Executive Chairman, remaining as Chairman until we conclude our search for an independent Chairman to succeed him, no later than March 2011.

The Governance report explaining our governance policies and practices can be found in the Annual Report. A detailed account of how we comply with the Code's principles can be found at **marksandspencer.com/investorrelations**, together with the matters reserved to the Board and terms of reference of the Nomination & Governance, Audit and Remuneration Committees.

Annual General Meeting

The AGM of Marks and Spencer Group plc will be held at the Royal Festival Hall, London on 14 July 2010. The Notice of Meeting is given, together with explanatory notes, in the booklet which accompanies this report.

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Summary remuneration report

This Summary remuneration report has been prepared on behalf of the Board by the Remuneration Committee. The Committee adopts the principles of good governance as set out in the Combined Code on Corporate Governance 2008 and complies with the Listing Rules of the Financial Services Authority and the relevant schedules of the Companies Act 2006 and the Directors' Remuneration Report Regulations 2002.

PART 1: UNAUDITED INFORMATION

Remuneration Committee

Who are the members of the Remuneration Committee?

The following independent non-executive directors were members of the Committee during 2009/10 and continue to be members:

	Period	
Member	From	To
Steven Holliday (Chairman since 8 September 2009)	15 July 2004	To date
Martha Lane Fox	1 June 2007	To date
Louise Patten (Chairman until 8 September 2009)	1 February 2006	To date
Sir David Michels	26 May 2006	To date
Jan du Plessis	8 September 2009	To date

The Committee met 10 times during the year under review.

What is the remit of the Remuneration Committee?

The remit of the Committee covers the total remuneration of executive directors and other senior managers. The full terms of reference for the Committee can be found on the Company's website, with the key responsibilities summarised as follows:

- setting a senior remuneration strategy that ensures the most talented leaders are recruited, retained and motivated to deliver results;
- ensuring that the remuneration for executive directors and senior managers reflects both their individual performance and their contribution to the overall Company results;
- determining the terms of employment and remuneration for executive directors and senior managers, including recruitment and termination terms;
- approving the design and targets for any annual incentive schemes that include executive directors and senior managers;
- agreeing the design and targets, where applicable, of all share incentive plans requiring shareholder approval;
- assessing the appropriateness and subsequent achievement of the performance targets related to any share incentive plans; and
- selecting and appointing the external advisors to the Committee.

The Committee continued to retain the services of Hewitt New Bridge Street as independent external advisors. It also seeks internal support from the Executive Chairman, Group Secretary, Director of Human Resources and Head of Employee Relations and Reward. They attend the Committee meetings by invitation but are not present for any discussions that relate directly to their own remuneration.

The Committee also regularly reviews external data produced through several surveys and bespoke benchmarking data, including those published by Hewitt New Bridge Street, Monks PwC, and Towers Watson.

What are the key elements of remuneration for executive directors?

The key elements of remuneration are:

- salary and benefits;
- Annual Bonus Scheme with compulsory deferred shares; and
- Performance Share Plan (PSP), the Company's long-term incentive plan.

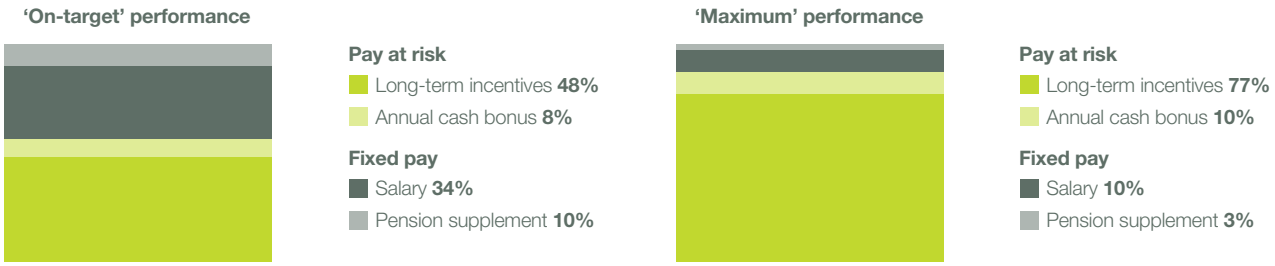
The Committee considers these components in total to ensure there is the right balance between reward for short-term success and long-term growth.

Summary remuneration report

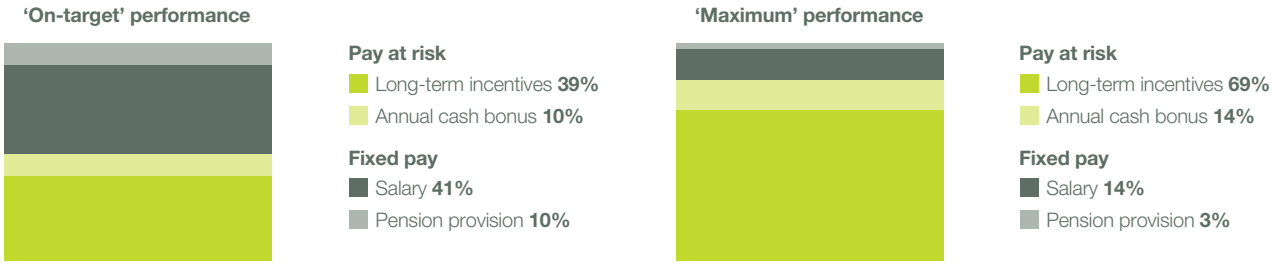
What is the expected value of future annual remuneration package for executive directors?

The following charts show the total remuneration package split between pay at risk and fixed pay for 'on-target' and 'maximum' performance.

MARC BOLLAND



KATE BOSTOCK, JOHN DIXON, STEVEN SHARP



The charts exclude:

– all recruitment awards
– Sir Stuart Rose, as his remuneration will change during the year to reflect his new role as Chairman. He will not receive an award under the Company's long-term incentive scheme in 2010
– Ian Dyson, due to his resignation on 5 May 2010

The value placed on long-term incentives compromises the expected cash value to executive directors after three years, discounted back to its present value, of (i) bonus compulsorily deferred into shares and (ii) performance shares awarded under the Performance Share Plan.

What are the pay and benefits received by the Board?

Executive directors' remuneration

Salary

In setting salary levels for 2010, the Committee considered current market conditions, the Company's performance in 2009/10 and the general salary increase applying to the rest of the organisation. It also took into account that no salary increases were awarded to executive directors in 2009. Following this review, the Committee agreed an increase of approximately 2.5% to executive director salaries from January 2010.

The Committee also approved salary adjustments of approximately 12% in July 2009 for both Kate Bostock, to reflect her new role as Executive Director, General Merchandise with an extended remit covering per una and the Home business, and for Steven Sharp, to reflect the continuing importance of the branding and marketing of M&S.

Benefits

Where applicable, current executive directors receive a 25% salary supplement in lieu of membership of the Group Pension Scheme, with life assurance provided through a separate policy. Each executive director also receives a car or car cash allowance and is offered the benefit of a driver. Employee product discount is also received but no specific value is placed on this all-employee benefit.

Pension provision

Employees with a permanent employment date prior to 1 April 2002 are eligible to participate in the Company's Defined Benefit Pension Scheme. The scheme is non-contributory and subject of an Independent Trust. John Dixon is the only executive director who is a member of this scheme. In addition, he receives a 25% salary supplement on a portion of his non-pensionable salary.

Deputy Chairman

The fee for the Deputy Chairman reflects the level of commitment and responsibility of the role and is determined by the Executive Chairman and executive directors. It is paid monthly in cash, and is inclusive of all committee memberships and Sir David Michels' continuing role as Senior Independent Director. The fee has not increased since his appointment to the role in June 2008. The fee is not performance related or pensionable, and there are no other benefits other than employee product discount.

Non-executive directors' remuneration

The fees for non-executive directors are determined by the Executive Chairman, Deputy Chairman and executive directors. Fees are set at a level that ensures the Company can attract and retain individuals with the required skills, experience and knowledge so that the Board is able to effectively carry out its duties.

The fees recognise the responsibility of the role and the time commitments required, and are not performance related or pensionable. They are paid monthly in cash and there are no other benefits other than employee product discount.

The current fees are as follows:

basic annual fee:	£55,000
Committee Chairman:	£12,000*
Committee member:	£6,000*

* Audit and Remuneration Committee only.

What are the current short-term and long-term incentive schemes?

Annual Bonus Scheme – short-term incentive
Deferred Share Bonus Plan – long-term incentive

The Annual Bonus Scheme is reviewed annually and is designed to drive individual performance and profitability across the whole organisation. The bonus potential for executive directors is up to 250% of salary for 'maximum' performance. For all senior managers, there is a compulsory deferral into shares.

Bonus scheme outcome for 2009/10

75% of the executive directors' bonus for 2009/10 was based on Profit Before Tax (PBT) performance. The Committee, in line with best practice, has used the same methodology for a number of years for setting PBT targets, namely stretching targets set by reference to the operating plan, believing it is appropriate to maintain a consistent application of the scheme.

For 2009/10, the PBT targets set by the Committee were again highly demanding by reference to the internal operating plan, analysts' profit forecasts and external forecasts for the retail sector. Higher levels of bonus payments required very significant stretch above plan. Actual PBT performance of £694.6m was in excess of the stretch target set for full payment and therefore the Committee approved maximum bonus payments under this measure for 2009/10.

The remaining 25% of the executive directors' bonus for 2009/10 was based on individual director objectives aligned to business strategy. The personal performance by each director against these individual objectives for the year has been reviewed by the Committee, and the agreed level of achievement is reflected in the payments made.

Bonus scheme for 2010/11

The scheme will have the same 'maximum' bonus potential as in 2009/10 of 250% of salary. PBT will continue to be the main target. 75% of the executive directors' bonus will be based on this measure with the exception of Sir Stuart Rose, who will have 60% of his bonus based on this measure, reflecting his change in role during the year. The remaining bonus potential will be based on pre-set individual director objectives aligned to the Company's strategic priorities. However, no individual element can be earned unless a threshold PBT target has been achieved.

The PBT targets have again been set based on Company's own internal operating plan, external forecasts for the retail sector and analysts' profit forecasts. For there to be any payment under the PBT measure in 2010/11 there is a requirement for both year on year PBT growth and out-performance of the operating plan. Very significant out-performance of the operating plan will be required for higher bonus payments.

Performance Share Plan (PSP) – long-term incentive

This continues to be the primary long-term incentive for executive directors and senior managers in the Company. The plan normally allows awards up to 200% of salary, although up to 400% of salary may be awarded to recognise exceptional performance or to address key recruitment and retention issues. The performance targets are currently based on adjusted earnings per share (EPS) over a three-year period.

Performance Share Plan Outcome 2009/10

The minimum EPS target of RPI+4% over the three-year performance period for awards made in 2007 has not been achieved and so no shares under this PSP award will vest in June 2010.

Performance Share Plan Awards 2010/11

The Committee has again reviewed alternative performance measures for this scheme for this year, considering in each case the current economic climate and their alignment to business strategy. The Committee concluded that EPS is still the most effective measure of management performance.

The Committee intends to undertake a full strategic review of the long-term incentive plan and assess the relevance of the associated performance criteria, including the use of a sole metric such as EPS. The Committee felt it advisable to undertake this review once Marc Bolland has had a chance to assess the Company's strategy.

For the 2010 award, the Committee has decided that 20% of the award will vest if EPS growth is equal to RPI plus 3% p.a., rising on a straight-line basis so that 100% vests for growth of RPI plus 9% p.a. This will be the target applying to all awards up to 200% of salary. For the element of awards over 200% of salary, 20% of the award will vest if EPS growth is equal to RPI plus 4% p.a., increasing on a straight-line basis so that 100% vests for growth of RPI plus 12%.

The Committee considers that these targets are challenging and at least as demanding in the circumstances as targets set in previous years.

The targets for all awards are:

	Average Annual EPS Growth in excess of inflation (RPI)		
Award	20% vesting[1]	100% vesting[1]	Adjusted EPS for start of scheme
2007	4%	10%	
	4%	12%	40.4p
2008	3%	6%	
	3%	8%	43.6p
2009	3%	6%	
	3%	8%	28.0p
2010	3%	9%	
	4%	12%	30.0p[2]

1 The lower range is for awards up to 200% of salary and the upper range is for awards between 200% and 400% of salary.
2 The adjusted EPS for the start of the 2010 scheme is based on 52 week result, ensuring a like-for-like measure.

Executive Share Option Scheme – long-term incentive

The scheme was adopted at the 2005 AGM, but there is currently no intention to use the scheme on a regular basis. No grants have been awarded under the Executive Share Option Scheme for 2009/10. The Committee will continue to review the use of the scheme and may grant awards if appropriate.

All-Employee Share Schemes – long-term incentive

Executive directors can participate in Sharesave, the Company's Save As You Earn (SAYE) scheme which is open to all employees. The current scheme was approved by shareholders for a 10-year period at the 2007 AGM.

Appointment of new Chief Executive

Marc Bolland was appointed Chief Executive from 1 May 2010. His ongoing remuneration package is consistent with the standard structure for executive directors previously outlined. He has a starting salary of £975,000, a 30% salary supplement in lieu of membership of the Group Pension Scheme, will participate in the Annual Bonus Scheme and will receive an annual award of shares under the Performance Share Plan. In addition, he will receive relocation payments under the normal terms of the Company's relocation policy for new recruits.

In order to facilitate his recruitment, the Committee agreed to compensate Marc Bolland for outstanding incentive awards, the expected levels of which reflected the turnaround of his previous employer's performance during his tenure. In determining the level and form of compensation, the Committee took into account the extent to which the performance conditions applying to these

Summary remuneration report continued

awards had been met or were likely to be met, mindful of the Committee's duty not to pay more than was necessary to secure his recruitment.

The Committee's assessment was that there was significant value in all of his outstanding awards. Where an entitlement to incentives existed and were due to be paid this year had Marc Bolland remained in employment, the Committee agreed to pay the value of these awards on joining. However, a proportion of awards that had a certainty of vesting with his previous employer were exchanged for awards that will be 'at risk' due to performance conditions attached to the M&S incentive schemes.

Having undertaken this assessment, the Committee agreed one-off awards to be made in June 2010. These compensatory awards have only be granted without performance conditions where the Committee was satisfied that Marc Bolland's outstanding awards from his previous employer due to vest in 2010 and 2011 had already satisfied or were likely to satisfy their performance conditions in full, or to a significant degree. The Committee therefore agreed:

– As compensation for bonus and share awards that would have vested in 2010 had he remained with his previous employer, £1.6m in cash and £1m in shares, both subject to Income Tax and National Insurance. These shares vest immediately but must be retained in accordance with the Company's shareholding policy;
– As compensation for share awards that were on track and likely to vest in 2011 and 2012 had he remained with his previous employer, the Committee agreed awards that remain 'at risk' through:
  (i) a restricted share award worth £1m. These shares will vest in two tranches in December 2011 and June 2012, subject to continued employment until the vesting date. He will also receive the value of any dividends occurring on the awarded shares between grant and vesting; and
  (ii) a performance share award worth £3.9m (equivalent to 400% of salary). These shares will vest in June 2012 subject normally to continued employment until the vesting date and subject to satisfaction of a performance condition. This is based on EPS growth targets equivalent to those applying to awards granted under the PSP during 2009. To the extent that the performance shares vest, he will also receive the value of any dividends occurring on the shares between grant and vesting.

The restricted share and performance share awards, which are not pensionable, were granted to facilitate Marc Bolland's recruitment on 1 May 2010 under the terms of the Listing Rules 9.4.2R(2).

Contracts

What are the current service contracts and terms of employment for directors?

Executive directors

All executive directors and senior managers have service contracts that can be terminated by the Company giving 12 months' notice and by the employee giving six months' notice.

The Company retains the right to terminate the contract of any executive director summarily, in accordance with the terms of their service agreement, on payment of a sum equal to the contractual notice entitlement of 12 months' salary and specified benefits. For all current executive directors, the Company reserves the right on termination to make phased payments which are paid in monthly instalments and subject to mitigation. Entitlement to participate in share schemes ceases on termination.

Deputy Chairman

Sir David Michels has an agreement for service which requires six months' notice by either party.

Non-executive directors

Non-executive directors have agreements for service with the Company for an initial three-year term, which can be terminated on three months' notice by either party.

Contract terms and current annual salaries/fees for all members of the Board during the financial year

Name	Date of appointment	Notice period/ unexpired term	Basic salary/fee £000	Committee member fee £000	Committee chair/SID fee £000	**Current annual salary/fee £000**
Executive Chairman						
Sir Stuart Rose[1]	31/05/2004	12 mths/6 mths	1,160	–	–	**1,160**
Deputy Chairman						
Sir David Michels	01/03/2006	6 mths/6 mths	245	–	–	**245**
Executive directors						
Kate Bostock	10/03/2008	12 mths/6 mths	575	–	–	**575**
John Dixon	09/09/2009	12 mths/6 mths	512	–	–	**512**
Ian Dyson[2]	27/06/2005	12 mths/6 mths	692	–	–	**692**
Steven Sharp	08/11/2005	12 mths/6 mths	640	–	–	**640**
Non-executive directors						
Jeremy Darroch	01/02/2006	3 mths/3 mths	55	6	12	**73**
Martha Lane Fox	01/06/2007	3 mths/3 mths	55	12	–	**67**
Steven Holliday	15/07/2004	3 mths/3 mths	55	12	12	**79**
Louise Patten	01/02/2006	3 mths/3 mths	55	12	–	**67**
Jan du Plessis	01/11/2008	3 mths/3 mths	55	12	–	**67**

1 The Company gave Sir Stuart Rose 12 months' notice of termination of his contract on 18 March 2010. Sir Stuart Rose has agreed to reduce his salary from £1,160,000 to £875,000 with effect from 31 July 2010 until the end of his notice period as recognition of his altered role once the new Chief Executive has been integrated into the Company. Sir Stuart Rose's maximum bonus potential for 2010/11 will be calculated by reference to the higher salary until 31 July 2010 and by reference to the reduced salary from 1 August 2010.

2 Ian Dyson resigned on 5 May 2010. His agreed leaving date is 31 August 2010.

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What are the executive directors' external board appointments?

The Company recognises that executive directors may be invited to become non-executive directors of other companies and that these appointments can broaden their knowledge and experience to the benefit of M&S. The individual director retains the fee, the details of which are shown below for this financial year:

	Company	Fee £000
Sir Stuart Rose	Land Securities Group plc	**57**
Ian Dyson	Betfair Group Ltd	**11**
Steven Sharp	Adnams plc	**27**

Directors' interests

What are the directors' interests in the Company?

The beneficial interests of the directors and connected persons in the shares of the Company are shown below.

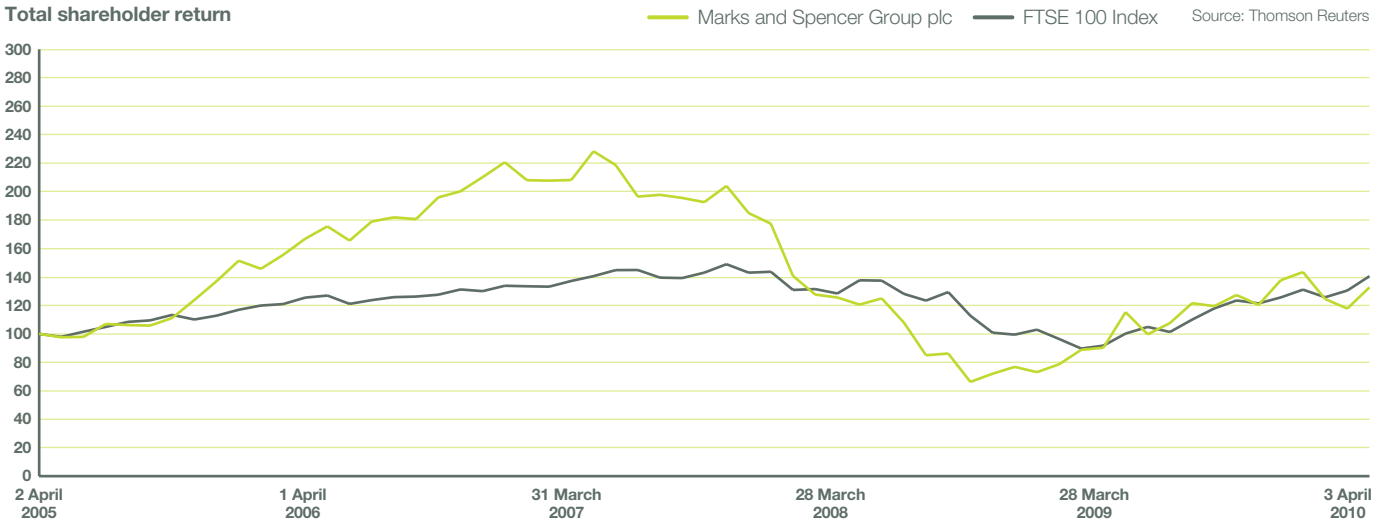
There have been no changes in the directors' interests in shares or options granted by the Company and its subsidiaries between the end of the financial year and 24 May 2010. No director had an interest in any of the Company's subsidiaries at the beginning or end of the year.

	Ordinary shares as at 29 March 2009 or date of appointment	Ordinary shares as at 3 April 2010
Sir Stuart Rose	1,224,284	**1,265,873**
Sir David Michels	113,984	**113,984**
Kate Bostock	140,039	**165,443**
John Dixon	70,405	**71,434**
Ian Dyson	237,906	**286,485**
Steven Sharp	238,210	**299,538**
Jeremy Darroch	2,000	**2,000**
Martha Lane Fox	20,100	**20,100**
Steven Holliday	2,500	**2,500**
Louise Patten	8,000	**8,000**
Jan du Plessis	20,000	**20,000**

Total shareholder return

Performance graph

The graph illustrates the performance of the Company against the FTSE 100 over the past five years. The FTSE 100 has been chosen as it is a recognised broad equity market index of which the Company has been a member throughout the period.



The above graph looks at the value, at 3 April 2010, of £100 invested in Marks and Spencer Group plc on 2 April 2005 compared with the value of £100 invested in the FTSE 100 Index over the same period. The other points plotted are the intervening monthly values.

Summary remuneration report continued

PART 2: AUDITED INFORMATION

Directors' emoluments

	Salary/fee £000	Cash allowance[6] £000	Benefits[6] £000	Dividend equivalents[7] £000	Bonus[8] £000	Termination payments £000	**Total 2010 £000**	Total 2009 £000
Executive Chairman								
Sir Stuart Rose[1]	1,138	304	39	–	1,125	–	**2,606**	1,765
Deputy Chairman								
Sir David Michels	245	–	–	–	–	–	**245**	217
Executive directors								
Kate Bostock[2]	549	188	37	31	807	–	**1,612**	892
John Dixon[3]	294	39	–	25	296	–	**654**	–
Ian Dyson[4]	679	187	6	88	554	–	**1,514**	1,009
Steven Sharp[5]	614	155	25	–	608	–	**1,402**	882
Non-executive directors								
Jeremy Darroch	73	–	–	–	–	–	**73**	73
Martha Lane Fox	67	–	–	–	–	–	**67**	67
Steven Holliday	73	–	–	–	–	–	**73**	67
Louise Patten	70	–	–	–	–	–	**70**	73
Jan du Plessis	64	–	–	–	–	–	**64**	25
Former directors[9]	–	–	6	–	–	181	**187**	1,170
Total	3,866	873	113	144	3,390	181	**8,567**	6,240

1 Sir Stuart Rose received a salary increase from £1,130,000 to £1,160,000 effective 1 January 2010. His bonus earned in 2009/10 was £2,813,000.
2 Kate Bostock received a salary increase from £500,000 to £560,000 on 1 July 2009, and from £560,000 to £575,000 on 1 January 2010. Her cash allowance includes a relocation payment of £51,000. Her bonus earned in 2009/10 under the Annual Bonus Scheme was £1,380,000. In addition, £255,000 was earned, which was the third and final payment under a three-year cash retention arrangement.
3 John Dixon was promoted to the Board on 9 September 2009 on a salary of £500,000. He received a salary increase of £12,500 effective from 1 January 2010. His bonus earned in 2009/10 was £1,268,438 of which £739,922 was earned as an executive director.
4 Ian Dyson received a salary increase from £675,000 to £692,000 effective 1 January 2010. His bonus earned in 2009/10 was £553,600.
5 Steven Sharp received a salary increase from £565,000 to £625,000 on 1 July 2009, and from £625,000 to £640,000 on 1 January 2010. His bonus earned in 2009/10 was £1,520,000.
6 The elements included in the Cash allowance and Benefits columns of the table are described in detail in the Benefits section on page 24 and have been audited.
7 Dividend equivalents were accrued over the vesting period for the 2006 and 2007 Deferred Share Bonus Plan. For John Dixon these also include dividend equivalents accrued for shares awarded in 2008 and 2009 under the Restricted Share Plan that vested during 2009/10.
8 For all executive directors, 40% of the total bonus earned is paid in cash as shown in the table, and 60% paid in shares as part of the Deferred Share Bonus Plan, as described under the Annual Cash Bonus Scheme on page 25. The Deferred Share Bonus Plan awards will be granted in June 2010.
9 Steven Esom retired from the Board on 1 July 2008, and under the terms of his service contract, the termination payments are phased, made on monthly basis. The amounts shown in the table above comprise of the final three month's payments and benefits in line with this contract provision.

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Shareholder information

Managing your shares

The Company's register of shareholders is maintained by our Registrar, Equiniti. Shareholders with queries relating to their shareholding should contact Equiniti directly using the details below.

Duplicate documents

Around 10,000 shareholders still receive duplicate documentation and split dividend payments from having more than one account on the share register. If you think you fall into this group and would like to combine your accounts, please contact Equiniti.

Dividends

Paid in January and July each year. We encourage shareholders to have dividends paid directly into their bank account to ensure efficient payment and cleared funds on the payment date. Those selecting this payment method receive an annual consolidated tax voucher in January, showing both payments in the respective tax year. However, we are able to send a tax voucher with each payment, if preferred.

To change how you receive your dividends either log on to **shareview.co.uk** or contact Equiniti.

ShareGift

Do you have a small shareholding which is uneconomical to sell? You may want to consider donating it to ShareGift (Registered charity no. 1052686) Find out more at **sharegift.org** or call +44 (0)20 930 3737.

Electronic Shareholder Communication

In 2007 we mailed 20,000 full Annual Reports (102 page document) and 240,000 Annual Reviews (45 page document) to shareholders. Since then, legislation has helped us reduce this distribution to 5,000 copies of our Annual Report and 40,000 copies of our Annual Review. A huge saving, both environmentally and financially, but we need our shareholders to help us reduce these numbers further.

The change in legislation provided greater flexibility and efficiencies when communicating with shareholders, allowing companies to use their website as the primary method of communicating messages. We call this 'Electronic Shareholder Communication' and it allows global distribution of messages in an instant.

Shareholders who register for this are more informed, receiving emails notifying them when our results are released. Paper versions of these results are not mailed to shareholders unless they have specifically requested them, even then it's only our year end results which we mail.

Communicating with shareholders electronically provides clear savings. Therefore, as a thank you to those who register, we will give a **voucher for 10% off when shopping online at marksandspencer.com**

Registering for electronic communication is very straight forward, and is done via Shareview. Shareview is an internet based platform provided by Equiniti, our Registrar, that allows you to manage your shares online.

Go to **marksandspencer.com/annualreport2010** to find out more and to read the terms and conditions.

Key dates for your diary

2 June 2010	Ex-dividend date – Final dividend
4 June 2010	Record date to be eligible for the final dividend
7 July 2010	Results – Quarter 1 Interim Management Statement†
14 July 2010	Annual General Meeting
16 July 2010	Final dividend payment date for the year to 3 April 2010
6 October 2010	Results – Quarter 2 Trading update†
9 November 2010	Results – Half Year†
17 November 2010*	Ex-dividend date – Interim dividend
19 November 2010*	Record date to be eligible for the interim dividend
14 January 2011*	Interim dividend payment date

* Provisional dates.

†Those registered for news alerts at **marksandspencer.com/thecompany** will receive notification by email when this is available.

How to get in touch

Registered office and Head office

Waterside House, 35 North Wharf Road, London W2 1NW
Telephone +44 (0)20 7935 4422
Registered in England and Wales (no. 4256886)

Registrars

Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone 0845 609 0810. Outside the UK +44 (0) 121 415 7071

Group Secretary and Head of Corporate Governance

Amanda Mellor

Additional documents

For both the Annual Report or Annual Review go to **marksandspencer.com/thecompany**

Alternatively, call 0800 591 697

Please note, students are advised to source information from our website where possible.

Contact us

email us at **chairman@marks-and-spencer.com**

Customer queries: 0845 302 1234

Shareholder queries: 0845 609 0810

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Read our online Annual Report and How We Do Business Report at **marksandspencer.com/annualreport2010**

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