Marks and Spencer plc financial statements 2010

REGISTERED NUMBER
00214436

Group directors' report continued

Business review and principal activities

Marks and Spencer plc (the 'Company') is the main trading company of the Marks & Spencer group of companies The Company and its subsidiaries (the 'Group') are one of the UK's leading retailers of clothing, food and home products We employ over 76,000 people and have around 1,000 stores including Simply Food franchised stores We also trade in wholly-owned stores in the Republic of Ireland, Hong Kong and China and have partly-owned stores in a number of European countries

Further information that fulfils the Business review requirements of the Companies Act 2006 and includes analysis using financial key performance indicators can be found in the following sections of the Marks and Spencer Group plc Annual Report

- Chairman's overview on pages 1 – 5
- Financial review on pages 8 – 9 and 42 - 43
- Operating review on pages 16 - 35
- Environmental, Social and Community matters on pages 36 - 39 and Employees on pages 40 – 41

Marks and Spencer plc is incorporated and domiciled in England and Wales The Company's registered office is Waterside House, 35 North Wharf Road, London W2 1NW

	2010 £m	2009 £m
Summary of Group results		
Revenue	**9,536.6**	9,062 1
Operating profit before property disposals and exceptional items	**843 9**	768 9
Net finance costs	**(149 3)**	(164 5)
Adjusted profit before tax	**694 6**	604 4
Profit on property disposals	**8 1**	6 4
Exceptional costs	-	(135 9)
Exceptional pension credit	-	231 3
Profit before tax	**702.7**	706 2

Revenue increased by 5 2% to £9,536 6m Operating profit (before property disposals and exceptional items) decreased by 9 8% to £843 9m

Net finance costs, were £149 3m compared with £164 5m last year The average interest rate of borrowings during the period was 5 9% (last year 6 5%) Profit before tax was £702 7m compared with £706 2m last year

Profit and dividends

The profit for the financial year, after taxation, amounts to £523 0m (last year £506 8m) The directors have declared dividends as follows

	2010 £m	2009 £m
Ordinary shares		
Paid interim dividend 3 1p (last year 4 6p)	**88 4**	131 1
Proposed final dividend 5 3p (last year 5 3p)	**151 0**	151 0
Total ordinary dividend 8.4p per share (last year 9 9p)	**239 4**	282 1

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are considered to relate to competition from other retailers, the economic environment, employee retention, new stores and the modernisation of the existing portfolio The directors manage these risks at a Marks and Spencer Group plc level and they are discussed on pages 56 to 57 of that Group's annual report which does not form part of this report, but is still considered up to date in this respect Copies of the Marks and Spencer Group plc consolidated financial statements can be obtained from the Company Secretary at Waterside House, 35 North Wharf Road, London W2 1NW

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows

Stuart Rose	resigned 31 July 2010
Ian Dyson	resigned 14 July 2010
Steven Sharp	
Amanda Mellor	appointed 17 July 2009
Graham Oakley	resigned 31 July 2009
Marc Bolland	appointed 14 July 2010

Group directors' report continued

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors confirm that, to the best of their knowledge

- the Group and Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company, and
- the Business review contained in the Marks and Spencer Group plc Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces

Audit information

Each director confirms that, so far as he 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 ought to have taken as a director to make himself aware of any relevant audit information and to ensure that the Company's auditors are aware of that information

Directors' indemnities

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors The Company has also granted indemnities to each of its directors to the extent permitted by law

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 3 April 2010 and remain in force, in relation to certain losses and liabilities which the directors may incur to third parties in the course of acting as directors or employees of the Company or of any associated company

Employee involvement

We have maintained our commitment to employee involvement throughout the business

Employees are kept well informed of the performance and objectives of the Group through personal briefings, regular meetings, email and Chairman broadcasts at key points in the year to all head office employees and store management In addition many of our store colleagues can join the briefings by telephone to hear directly from the Board These types of communication are supplemented by our employee publications including, 'Your M&S' magazine and DVD presentations More than 3,500 employees were elected onto Business Involvement Groups ('BIGs') across every store and head office location to represent their colleagues in two-way communication and consultation with the Company They have continued to play a key role in a wide variety of business changes, in what has been a very challenging year

The fourteenth meeting of the European Works Council ('EWC') (established in 1995) took place in August 2009 This council provides an additional forum for informing, consulting and involving employee representatives from the countries in the European Community The EWC will include observers attending from our subsidiary companies established in the Czech Republic and Greece

Directors and senior management regularly visit stores and discuss with employees matters of current interest and concern to them and the business through listening groups, meetings with BIG members and informal discussion

Share schemes are a long-established part of our total reward package, encouraging and supporting employee share ownership In particular, over 26,000 employees currently participate in Sharesave, the Company's all employee Save As You Earn scheme Further information on the Save As You Earn scheme can be found on pages 95 to 97 of the Marks and Spencer Group plc Annual Report

We maintain contact with retired staff through communications from the Company and the Pension Trust Member-nominated trustees have been elected to the Pension Trust Board, including employees and pensioners We continue to produce a regular Pensions Update newsletter for members of our final salary pension scheme and the M&S Retirement Plan

Group directors' report continued

Equal opportunities

The Group is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development, appraisal and promotion, to retirement

It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of age, gender, gender reassignment, colour, ethnic or national origin, disability, hours of work, nationality, religion or belief, marital or civil partnership status, disfigurement, political opinions or sexual orientation All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit

The Group is responsive to the needs of its employees, customers and the community at large and we are an organisation that endeavours to use everyone's talents and abilities and where diversity is valued

Employees with disabilities

It is our policy that people with disabilities should have full and fair consideration for all vacancies During the year, we continued to demonstrate our commitment to interviewing those people with disabilities who fulfil the minimum criteria for employment, and endeavoured to retain employees in the workforce if they become disabled during employment We will actively retrain and adjust their environment where possible to allow them to maximise their potential

We continue to work with external organisations to provide workplace opportunities through our innovative Marks & Start scheme and by working closely with JobCentrePlus

Essential contracts or arrangements

The Company is required to disclose any contractual or other arrangements which it considers are essential to its business We have a wide range of suppliers for the production and distribution of products to our customers Whilst the loss of or disruption to certain of these arrangements could temporarily affect the operations of the Group, none are considered to be essential, with the exception of certain warehouse operators and the provider of the Company's e-commerce platform

Creditor payment policy

For all trade creditors, it is the Group's policy to

- agree the terms of payment at the start of business with that supplier,
- ensure that suppliers are aware of the terms of payment, and
- pay in accordance with its contractual and other legal obligations

Marks and Spencer plc has a policy concerning the payment of trade creditors as follows

- general merchandise payments are received between 19 and 26 days after the stock was delivered,
- food payments are received between 18 and 25 days after the stock was delivered and
- distribution suppliers are paid monthly for costs incurred in that month, based on estimates, and payments are adjusted quarterly to reflect any variations to estimate

Market value of properties

The last formal valuation of the Group's properties was carried out in September 2006 Taking into account movements in the Group's property portfolio since that date, the directors are of the opinion that the market value of the Group's fixed assets and leasehold properties, at 3 April 2010, exceeded their net book value (including prepayments in respect of leasehold land) by approximately £0 8bn

Charitable donations

In line with our Plan A commitments, during the year, the Group made charitable donations to support the community of £13 2m (last year £12 2m), excluding management costs and memberships These principally consisted of cash donations of £5 2m (last year £5 2m) which included Breakthrough Breast Cancer, The Prostate Cancer Charity, Groundwork, WWF, Shelter, our Marks & Start programme and local community donations We also donated £1 6m (last year £1 3m) of employee time, principally on fundraising, Marks & Start and school work experience programmes, and stock donations of £6 3m (last year £5 7m) to a variety of charities including Oxfam, Newlife Foundation for Disabled Children and Shelter

We also had a particularly successful year supporting the raising of extra funds of £7 7m (last year £4 8m) for our charity partners This principally consisted of cash raised through the fundraising activities of our 125 Year Anniversary and by generating funds for our charity partners such as Groundwork and funds raised through the sale of stock donations to Oxfam from The Clothing Exchange

Political donations

It is our policy not to make donations to any political party Accordingly neither the Company nor its subsidiaries made any donation to any registered party or other EU political organisation, or incurred any EU political expenditure during the year As defined in the Political Parties, Elections and Referendums Act 2000 ('PPERA')

The PPERA gives wide definitions of what constitutes political donations and expenditure Accordingly, as a precautionary measure, to protect the Company, should the Company inadvertently reach the legislation, by making a payment which could be classified as a political donation, approval was granted at the 2006 AGM for the Company and its five principal employing companies to make donations to political organisations and to incur political expenditure up to a maximum of £100,000 per year This authority will expire at the 2010 AGM

Group directors' report continued

Significant agreements – change of control

There are a number of agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid Details of the significant agreements of this kind are as follows

- the £267m Medium Term Notes (MTNs) issued by the Company on 28 March 2007 and £400m MTNs issued by the Company on 30 November 2009 both to various institutions under the Group's £3bn Euro Medium Term Note (EMTN) programme contain an option such that, upon a change of control event, combined with a credit ratings downgrade to below sub-investment level, any holder of an MTN may require the Company to prepay the principal amount of that MTN,
- the £250m puttable and callable reset notes issued by the Company to various institutions on 11 December 2007 under the Group's £3bn EMTN programme contain an option such that, upon a change of control event, combined with a credit ratings downgrade to below sub-investment level, any holder of an MTN may require the Company to prepay the principal amount of that MTN,
- the $500m US Notes issued by the Company to various institutions on 6 December 2007 under section 144a of the US Securities Act contain an option such that, upon a change of control event, combined with a credit ratings downgrade to below sub-investment level, any holder of such a US Note may require the Company to prepay the principal amount of that US Note,
- the $300m US Notes issued by the Company to various institutions on 6 December 2007 under section 144a of the US Securities Act contain an option such that, upon a change of control event, combined with a credit ratings downgrade to below sub-investment level, any holder of such a US Note may require the Company to prepay the principal amount of that US Note,
- the £1 2bn Credit Agreement dated 13 August 2004 and the £400m Credit Facility Agreement dated 3 February 2008 between the Company and various banks both contain a provision such that, upon a change of control event, unless new terms are agreed within 60 days, the facilities under these agreements will be cancelled with all outstanding amounts becoming immediately payable with interest,
- the agreement between HSBC and the Company relating to M&S Money dated 9 November 2004 (as amended and restated on 1 March 2005) contains a clause such that, upon a change of control of the Company, any new owner would be obliged to give undertakings to HSBC in respect of the continuation of the agreement, negotiate revised terms or terminate the agreement, and
- the agreement between Marks and Spencer plc and Marks and Spencer Pension Trust Limited (as trustee of The Marks and Spencer Pension Scheme) (the 'Pension Fund') dated 25 March 2009 relating to Marks and Spencer Scottish Limited Partnership (the 'Partnership') contains a clause such that, upon a change of control of the Company, Marks and Spencer plc shall elect either to cause the Partnership to surrender its discretion over the payment of annual distributions to the Pension Fund or to increase the rate at which compensatory interest accrues on any annual payments that Marks and Spencer plc has elected to defer

Post balance sheet event

On 12 May 2010 Marks and Spencer Group plc announced a £800m funding plan for its UK Defined Benefit Pension Scheme The funding plan includes the following contributions from Marks & Spencer

- 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 Marks and Spencer Scottish Limited Partnership 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
- £124m of value through the transfer of assets from existing US$ debt hedge contracts held by Marks and Spencer plc

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The effect of the changes to be enacted by the Finance (No 2) Act 2010 is currently being assessed by management

Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as out on pages 1 to 43 of the Marks and Spencer Group plc Annual Report as well as the Group's principal risks and uncertainties as set out on pages 56 and 57 of the Marks and Spencer Group plc Annual Report Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future For this reason the Group continues to adopt the going concern basis in preparing its financial statements

Independent auditors

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

By order of the Board

Amanda Mellor, Executive Director

London

1 September 2010

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

We have audited the group and parent company financial statements (the "financial statements") of Marks and Spencer plc for the 53 weeks ended 3 April 2010 which comprise the Consolidated and Company Statement of financial position, the Consolidated income statement, the Consolidated and Company Statement of comprehensive income, the Consolidated and Company Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 3 April 2010 and of the Group's profit and Group's and parent company's profit and cash flows for the 53 weeks then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

S Watson

Stuart Watson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

2 September 2010

Consolidated income statement

	Notes	53 weeks ended 3 Apnl 2010 £m	52 weeks ended 28 March 2009 £m
Revenue	2, 3	**9,536 6**	9,062 1
Operatıng profit	2, 3	**852.0**	870 7
Finance ıncome	6	**12.9**	50 0
Fınance costs	6	**(162.2)**	(214 5)
Profit on ordınary actıvıtıes before taxatıon	4	**702.7**	706 2
Analysed between			
Before property dısposals and exceptıonal ıtems		**694 6**	604 4
Profit on property dısposals	2, 3	**8 1**	6 4
Exceptıonal costs	5	**-**	(135 9)
Exceptıonal pensıon credıt	5,10	**-**	231 3
Income tax expense	7	**(179.7)**	(199 4)
Profit for the year		**523 0**	506 8
Attnbutable to·			
Equıty shareholders of the Company		**526 3**	508 0
Mınonty ınterests		**(3 3)**	(1 2)
		523 0	506 8

Consolidated statement of comprehensive income

	53 weeks ended 3 Apnl 2010 £m	52 weeks ended 28 March 2009 £m
Profıt for the year	**523.0**	506 8
Other comprehensıve ıncome.		
Foreıgn currency translatıon dıfferences	**(17.4)**	33 1
Actuanal losses on retırement benefit schemes	**(251.6)**	(927 1)
Deferred tax on retırement benefit scheme	**71.7**	254 9
Faır value movement ın equıty of avaılable-for-sale assets	**(3.0)**	(48 9)
Cash flow and net ınvestment hedges		
– faır value movements ın equıty	**52.1**	304 8
– reclassıfied and reported ın net profit	**(119 8)**	(206 8)
– amount recognısed ın ınventones	**4 8**	(8 6)
Tax on cash flow hedges and faır value hedges	**25 9**	(29 3)
Other comprehensıve ıncome for the year, net of tax	**(237.3)**	(627 9)
Total comprehensıve ıncome/(loss) for the year	**285.7**	(121 1)
Attnbutable to		
Equıty shareholders of the Company	**289 0**	(119 9)
Mınonty ınterests	**(3.3)**	(1 2)
	285 7	(121 1)

Consolidated statement of financial position

	Note	As at 3 April 2010 £m	Restated As at 28 March 2009 £m
Assets			
Non-current assets			
Intangible assets	12	**452 8**	400 3
Property, plant and equipment	13	**4,722 0**	4,834 0
Investment property	14	**22.4**	24 8
Investment in joint ventures	15	**11.5**	13 8
Other financial assets	16	**30 1**	14 1
Trade and other receivables	17	**287.7**	336 8
Derivative financial instruments	21	**132 9**	254 0
Deferred tax assets	23	**0.7**	1 6
		5,660.1	5,879 4
Current assets			
Inventories		**613.2**	536 0
Other financial assets	16	**2,775 2**	2,672 4
Trade and other receivables	17	**281 4**	285 2
Derivative financial instruments	21	**48 1**	92 6
Cash and cash equivalents	18	**405 8**	422 9
		4,123 7	4,009 1
Total assets		**9,783.8**	9,888 5
Liabilities			
Current liabilities			
Trade and other payables	19	**1,153.8**	1,073 5
Borrowings and other financial liabilities	20	**482.9**	942 8
Partnership liability to the Marks & Spencer UK Pension Scheme	20	**71.9**	71 9
Derivative financial instruments	21	**27 1**	76 2
Provisions	22	**25.6**	63 6
Current tax liabilities		**129 2**	78 9
		1,890 5	2,306 9
Non-current liabilities			
Retirement benefit deficit	10	**366 5**	152 2
Trade and other payables	19	**280 3**	243 8
Borrowings and other financial liabilities	20	**2,278 0**	2,117 9
Partnership liability to the Marks & Spencer UK Pension Scheme	20	**-**	68 0
Derivative financial instruments	21	**-**	3 0
Provisions	22	**25.5**	40 2
Deferred tax liabilities	23	**126 5**	225 5
		3,076.8	2,850 6
Total liabilities		**4,967.3**	5,157 5
Net assets		**4,816.5**	4,731 0
Equity			
Called-up share capital – equity	24	**712.5**	712 5
Share premium account		**386.1**	386 1
Capital redemption reserve		**8.0**	8 0
Hedging reserve		**11 6**	62 6
Other reserve		**571 7**	571 7
Retained earnings		**3,109 3**	2,971 2
Total shareholders' equity		**4,799.2**	4,712 1
Minority interests in equity		**17.3**	18 9
Total equity		**4,816.5**	4,731 0

The financial statements were approved by the Board and authorised for issue on 1 September 2010 The financial statements also comprise the notes on pages 10 to 39

Marc Bolland
Chief Executive

Consolidated statement of changes in equity

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Other reserve[1] £m	Retained earnings[2] £m	Total £m	Minority interest £m	Total £m
At 30 March 2008	712 5	386 1	8 0	(36 9)	–	3,532 4	4,602 1	7 3	4,609 4
Profit/(loss) for the year	–	–	–	–	–	508 0	508 0	(1 2)	506 8
Other comprehensive income									
Foreign currency translation	–	–	–	(0 8)	–	33 9	33 1	–	33 1
Actuarial losses on retirement benefit schemes	–	–	–	–	–	(927 1)	(927 1)	–	(927 1)
Fair value movement in equity of available-for-sale assets	–	–	–	–	–	(48 9)	(48 9)	–	(48 9)
Cash flow and net investment hedges									
– fair value movement in equity	–	–	–	317 2	–	(12 4)	304 8	–	304 8
– reclassified and reported in net profit[3]	–	–	–	(206 8)	–	–	(206 8)	–	(206 8)
– amount recognised in inventories	–	–	–	(8 6)	–	–	(8 6)	–	(8 6)
Tax on items taken directly to equity	–	–	–	(29 3)		254 9	225 6	–	225 6
Total comprehensive income	–	–	–	71 7	–	(191 6)	(119 9)	(1 2)	(121 1)
Transactions with owners									
Dividends	–	–	–	–	–	(356 3)	(356 3)	(0 2)	(356 5)
Derecognition of financial liability[4]	–	–	–	–	571 7	–	571 7	–	571 7
Transactions with minority shareholders	–	–	–	–	–	–	–	13 0	13 0
Transfer of exchange on net investment hedges	–	–	–	27 8	–	(27 8)	–	–	–
Charge for share-based payments	–	–	–	–	–	14 3	14 3	–	14 3
Deferred tax on share schemes	–	–	–	–	–	0 2	0 2	–	0 2
At 28 March 2009	712 5	386 1	8 0	62 6	571 7	2,971 2	4,712 1	18 9	4,731 0
At 29 March 2009	**712.5**	**386 1**	**8 0**	**62.6**	**571 7**	**2,971 2**	**4,712.1**	**18 9**	**4,731.0**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**526 3**	**526 3**	**(3 3)**	**523.0**
Other comprehensive income									
Foreign currency translation	**–**	**–**	**–**	**0 1**	**–**	**(17.5)**	**(17 4)**	**–**	**(17 4)**
Fair value movement in equity of available-for-sale assets	**–**	**–**	**–**	**–**	**–**	**(3 0)**	**(3 0)**	**–**	**(3 0)**
Actuarial losses on retirement benefit schemes	**–**	**–**	**–**	**–**	**–**	**(251 6)**	**(251 6)**	**–**	**(251 6)**
Cash flow and net investment hedges									
– fair value movement in equity	**–**	**–**	**–**	**38.0**	**–**	**14 1**	**52.1**	**–**	**52.1**
– reclassified and reported in net profit[3]	**–**	**–**	**–**	**(119 8)**	**–**	**–**	**(119 8)**	**–**	**(119 8)**
– amount recognised in inventories	**–**	**–**	**–**	**4 8**	**–**	**–**	**4 8**	**–**	**4 8**
Tax on items taken directly to equity	**–**	**–**	**–**	**25 9**	**–**	**71.7**	**97.6**	**–**	**97.6**
Total comprehensive income	**–**	**–**	**–**	**(51.0)**	**–**	**340.0**	**289.0**	**(3 3)**	**285 7**
Transactions with owners									
Dividends	**–**	**–**	**–**	**–**	**–**	**(239 4)**	**(239.4)**	**–**	**(239.4)**
Transactions with minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1 7**	**1 7**
Charge for share-based payments	**–**	**–**	**–**	**–**	**–**	**28 5**	**28 5**	**–**	**28 5**
Deferred tax on share schemes	**–**	**–**	**–**	**–**	**–**	**9 0**	**9.0**	**–**	**9 0**
At 3 April 2010	**712.5**	**386 1**	**8.0**	**11 6**	**571 7**	**3,109 3**	**4,799.2**	**17.3**	**4,816.5**

1 The "Other reserve" includes discretionary distributions to the Marks and Spencer UK Pension Scheme (see footnote 4)

2 Includes a cumulative £34 8m gain (last year £52 3m gain) in the currency reserve

3 Amounts reclassified and reported in net profit have all been recorded in cost of sales

4 The amounts derecognised as a financial liability relate to the amendments of the Scottish Limited Partnership agreement on 25 March 2009 In line with emerging best practice for similar transactions by other companies this has been reclassified to other reserves See note 24 for further details

Consolidated cash flow information

	Notes	53 weeks ended 3 April 2010 £m	52 weeks ended 28 March 2009 £m
Consolidated statement of cash flows			
Cash flows from operating activities			
Cash generated from operations	27	**1,349.7**	1,372 7
Tax paid		**(120.7)**	(81 3)
Net cash inflow from operating activities		**1,229.0**	1,291 4
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**(5.4)**	–
Purchase of property, plant and equipment		**(352.0)**	(540 8)
Proceeds from sale of property, plant and equipment		**20 9**	58 3
Purchase of intangible assets		**(77.5)**	(121 6)
Purchase of non-current financial assets		**–**	(4 4)
Net purchase of shares held in employee trusts		**(19.0)**	–
Purchase of current financial assets		**(118 3)**	(1 1)
Interest received		**2 7**	12 7
Net cash outflow from investing activities		**(548 6)**	(596 9)
Cash flows from financing activities			
Interest paid		**(163 4)**	(197 1)
Cash inflow/(outflow) from borrowings		**30.7**	(25 8)
(Repayment)/drawdown of syndicated bank facility		**(529 4)**	108 1
Decrease/(increase) in parent company loan		**15.8**	(34 7)
Issue of medium-term notes		**397.2**	–
Redemption of medium-term notes		**(200.4)**	–
Payment of liability to the Marks & Spencer UK Pension Scheme		**(68.0)**	(15 1)
Decrease in obligations under finance leases		**(17.0)**	(1 0)
Equity dividends paid		**(239.4)**	(356 3)
Net cash outflow from financing activities		**(773.9)**	(521 9)
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	28	**202.7**	298 3

	Notes	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		**128 5**	(493 1)
Net cash (outflow)/inflow from activities		**(93 5)**	172 6
Increase in current financial assets		**118 3**	1 1
Decrease/(increase) in debt financing		**371.1**	(31 5)
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		**406.6**	621 6
Closing net debt	28	**535.1**	128 5

Notes to the financial statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as set out on pages 1 to 43 of the Marks and Spencer Group plc Annual Report as well as the Group's principal risks and uncertainties as set out on pages 56 to 57 of the Marks and Spencer Group plc Annual Report Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future For this reason the Group continues to adopt the going concern basis in preparing its financial statements

The following IFRSs, IFRIC interpretations and amendments have been adopted in the financial statements for the first time in this financial period

- IFRS 8 – 'Operating Segments' replaces IAS 14 – 'Segmental Reporting' and requires operating segments to be disclosed on the same basis as that used for internal reporting It has been implemented by the Group from 29 March 2009, and has had no impact on the results or net assets of the Group but has resulted in revised disclosures
- IAS 1 (Revised) – 'Presentation of Financial Statements' is effective for the year ended 3 April 2010 The standard requires a change in the format and presentation of the Group's primary statements but has had no impact on reported profits or equity
- IFRS 7 – 'Finance Instruments – Disclosures' (amendment) is effective for the year ended 3 April 2010 The amendment requires enhanced disclosures about fair value measurement and liquidity risk
- Amendment to IAS 23 – 'Borrowing Costs' removes the option of immediately expensing borrowing costs that are directly attributable to a qualifying asset and requires such costs to be capitalised It has been adopted by the Group from 29 March 2009, and has had no impact on the results or net assets of the Group

The following IFRSs, IFRIC interpretations and amendments have been issued but are not yet effective and have not been early adopted by the Group

- IFRS 3 (Revised) – 'Business Combinations' was issued in January 2008 It will affect the accounting for any acquisitions made by the Group after March 2010 Acquisitions made prior to that date will not be affected
- IFRIC 17 – 'Distributions of Non-Cash Assets to Owners' was issued in November 2008 It is effective for annual periods beginning on or after 1 July 2009 This is not currently applicable to the Group, as it has not made any non-cash distributions
- IFRIC 18 – 'Transfers of Assets from Customers' was issued in January 2009 It is effective for transfer of assets received on or after 1 July 2009 This is not relevant to the Group, as it has not received any assets from customers

A summary of the Company's and the Group's accounting policies is given below

Accounting convention

The financial statements are drawn up on the historical cost basis of accounting, except as disclosed in the accounting policies set out below

Basis of consolidation

The Group financial statements incorporate the financial statements of Marks and Spencer plc and all its subsidiaries made up to the year end date Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights Subsidiary undertakings acquired during the year are recorded using the acquisition method of accounting and their results included from the date of acquisition

The separable net assets, both tangible and intangible, of the newly acquired subsidiary undertakings are incorporated into the financial statements on the basis of the fair value as at the effective date of control

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated

Revenue

Revenue comprises sales of goods to customers outside the Group less an appropriate deduction for actual and expected returns, discounts and loyalty scheme vouchers, and is stated net of value added tax and other sales taxes Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer Sales of furniture and online sales are recorded on delivery to the customer

Exceptional items

Exceptional income and charges are those items that are one-off in nature and create significant volatility in reported earnings and are therefore reported separately in the income statement This includes costs relating to strategy changes that are not regular running costs of the underlying business and pension credits arising on changes to the UK defined benefit scheme

Dividends

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders Interim dividends are recorded in the period in which they are approved and paid

Pensions

Funded pension plans are in place for the Group's UK employees and some employees overseas The assets of these pension plans include a property partnership interest and various equities and bonds The equities and bonds are managed by third-party investment managers and are held separately in trust

Regular valuations are prepared by independent professionally qualified actuaries in respect of the defined benefit schemes using the projected unit credit method These determine the level of contribution required to fund the benefits set out in the rules of the plans and allow for the periodic increase of pensions in payment The service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, is charged to operating profit in the year

Notes to the financial statements

1 Accounting policies continued

A credit representing the expected return on the assets of the retirement benefit schemes during the year is included within finance income This is based on the market value of the assets of the schemes at the start of the financial year

A charge is also made within finance income representing the expected increase in the liabilities of the retirement benefit schemes during the year This arises from the liabilities of the schemes being one year closer to payment

The difference between the market value of the assets and the present value of accrued pension liabilities is shown as an asset or liability in the statement of financial position Assets are only recognised if they are recoverable Actuarial gains and losses are recognised immediately in the statement of comprehensive income

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due

Intangible assets
Goodwill arising on consolidation represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of the acquisition Goodwill is recognised as an asset and assessed for impairment at least annually Any impairment is recognised immediately in the income statement

Acquired brand values are held on the statement of financial position at cost and amortised on a straight-line basis over their estimated useful lives Any impairment in value is recognised immediately in the income statement

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset Capitalised software costs include external direct costs of material and services and the payroll and payroll-related costs for employees who are directly associated with the project

Capitalised software development costs are amortised on a straight-line basis over their expected economic lives, normally between three to ten years Computer software under development is held at cost less any recognised impairment loss

Property, plant and equipment
The Group's policy is to state property, plant and equipment at cost less accumulated depreciation and any recognised impairment loss Assets in the course of construction are held at cost less any recognised impairment loss Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy

The Group's policy is not to revalue property for accounting purposes

Depreciation is provided to write off the cost of tangible non-current assets (including investment properties), less estimated residual values, by equal annual instalments as follows

- freehold land – not depreciated,
- freehold and leasehold buildings with a remaining lease term over 50 years – depreciated to their residual value over their estimated remaining economic lives,
- leasehold buildings with a remaining lease term of less than 50 years – over the remaining period of the lease, and
- fixtures, fittings and equipment – 3 to 25 years according to the estimated life of the asset

Residual values and useful economic lives are reviewed annually Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal
Any impairment in value is charged to the income statement

Where assets are financed by leasing agreements where the risks and rewards are substantially transferred to the Group (finance leases) the assets are treated as if they had been purchased outright, and the corresponding liability to the leasing company is included as an obligation under finance leases Depreciation on leased assets is charged to the income statement on the same basis as owned assets Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement

All other leases are operating leases and the costs in respect of operating leases are charged on a straight-line basis over the lease term The value of any lease incentive received to take on an operating lease (for example, rent-free periods) is recognised as deferred income and is released over the life of the lease

Investment properties
Investment properties are properties held to earn rentals and/or for capital appreciation Investment properties are recorded at cost less accumulated depreciation and any recognised impairment loss

Leasehold prepayments
Payments made to acquire leasehold land are included in prepayments at cost and are amortised over the life of the lease

Inventories
Inventories are valued at the lower of cost and net realisable value using the retail method, which is computed on the basis of selling price less the appropriate trading margin All inventories are finished goods

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material

Share-based payments
The Group issues equity-settled share-based payments to certain employees A fair value for the equity-settled share awards is measured at the date of grant The Group measures the fair value of each award using the Black-Scholes model where appropriate

The fair value of each award is recognised as an expense over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest The level of vesting is reviewed annually, and the charge is adjusted to reflect actual and estimated levels of vesting

Foreign currencies
The results of overseas subsidiaries are translated at the weighted average of monthly exchange rates for sales and profits The balance sheets of overseas subsidiaries are translated at year end exchange rates The resulting exchange differences are dealt with through reserves and reported in the consolidated statement of comprehensive income

Notes to the financial statements

1 Accounting policies continued

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction Foreign currency assets and liabilities held at the balance sheet date are translated at the closing balance sheet rate The resulting exchange gain or loss is recognised within the income statement

Taxation
The tax charge comprises current tax payable and deferred tax

The current tax charge represents an estimate of the amounts payable to tax authorities in respect of the Group's taxable profits and is based on an interpretation of existing tax laws

Deferred tax is recognised on temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base at tax rates that are expected to apply when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is not recognised in respect of

- the initial recognition of goodwill that is not tax deductible, and
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction does not affect accounting or taxable profits

Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised

Deferred tax liabilities are not provided in respect of undistributed profits of non-UK resident subsidiaries where (i) the Group is able to control the timing of distribution of such profits, and (ii) it is not probable that a taxable distribution will be made in the foreseeable future

Financial instruments
Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument

A Trade receivables Trade receivables recorded initially at fair value and subsequently measured at amortised cost Generally, this results in their recognition at nominal value less any allowance for any doubtful debts

B Investments and other financial assets Investments and other financial assets are classified as either 'available for sale' or 'fair value through profit or loss' They are initially measured at fair value, including transaction costs, with the exception of 'fair value through profit and loss' Financial assets held at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed

Where securities are designated as 'fair value through profit or loss', gains and losses arising from changes in fair value are included in net profit or loss for the period For 'available for sale' investments, gains or losses arising from changes in fair value are recognised directly in comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in comprehensive income is included in the net profit or loss for the period Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by other means are held at cost

Investments in subsidiaries are held at cost less impairment Dividends received from the pre-acquisition profits of subsidiaries are deducted from the cost of investment

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities

Interest-bearing bank loans and overdrafts are initially recorded at the fair value, which equals the proceeds received, net of direct issue costs Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Loan notes Long-term loans are initially measured at fair value and are subsequently held at amortised cost unless the loan is hedged by a derivative financial instrument in which case hedge accounting treatment will apply

Trade payables Trade payables are recorded initially at fair value and subsequently measured at amortised cost Generally this results in their recognition at their nominal value

Equity instruments Equity instruments issued by the Company are recorded at the consideration received, net of direct issue costs

Derivative financial instruments and hedging activities
The Group primarily uses interest rate swaps and forward foreign currency contracts to manage its exposures to fluctuating interest and foreign exchange rates These instruments are initially recognised at fair value on the trade date and are subsequently remeasured at their fair value at the balance sheet date The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument and the nature of the item being hedged

The Group designates certain hedging derivatives as either

- a hedge of a highly probable forecast transaction or change in the cash flows of a recognised asset or liability (a cash flow hedge),
- a hedge of the exposure to change in the fair value of a recognised asset or liability (a fair value hedge), or
- a hedge of the exposure on the translation of net investments in foreign entities (a net investment hedge)

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention of materially curtailing the scale of its operations

For those of the Group's derivative instruments stated at fair value, the fair value will be determined by the Group applying discounted cash flow analysis using quoted market rates as an input into the valuation model

In determining the fair value of a derivative, the appropriate quoted market price for an asset held is the bid price, and for a liability issued is the offer price

At inception of a hedging relationship, the hedging instrument and the hedged item are documented and prospective effectiveness testing is performed During the life of the hedging relationship, effectiveness testing is continued to ensure the instrument remains an effective hedge of the transaction

Notes to the financial statements

1 Accounting policies continued

In order to qualify for hedge accounting, the following conditions must be met

- formal designation and documentation at inception of the hedging relationship, detailing the risk management objective and strategy for undertaking the hedge,
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk,
- for a cash flow hedge, a forecast transaction that is the subject of the hedge must be highly probable,
- the effectiveness of the hedge can be reliably measured, and
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout its life

[illegible] Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in comprehensive income and any ineffective portion is recognised immediately in the income statement If the firm commitment or forecast transaction that is the subject of a cash flow hedge results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in comprehensive income are included in the initial measurement of the asset or liability For hedges that do not result in the recognition of an asset or a liability, amounts deferred in comprehensive income are recognised in the income statement in the same period in which the hedged items affect net profit or loss

B Fair value hedges For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss Gains and losses from remeasuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in profit or loss

[illegible] Changes in the fair value of derivative or non-derivative financial instruments that are designated and effective as hedges of the net investments are recognised directly in comprehensive income and any ineffective portion is recognised immediately in the income statement

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting At that time, any cumulative gain or loss on the hedging instrument recognised in comprehensive income is retained in equity until the forecast transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period

The Group does not use derivatives to hedge income statement translation exposures

Critical accounting estimates and judgements

The preparation of consolidated financial statements requires the Group to make estimates and assumptions that affect the application of policies and reported amounts Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances Actual results may differ from these estimates The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below

[illegible] The Group is required to test, at least annually, whether goodwill has suffered any impairment The recoverable amount is determined based on value in use calculations The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows Actual outcomes could vary from those calculated See note 12 for further details

B Impairment of property, plant and equipment and computer software Property, plant and equipment and computer software are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates See notes 12 and 13 for further details

C Depreciation of property plant and equipment and amortisation of computer software Depreciation and amortisation is provided so as to write down the assets to their residual values over their estimated useful lives as set out above The selection of these residual values and estimated lives requires the exercise of management judgement See notes 12 and 13 for further details

D Post-retirement benefits The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth, mortality and expected return on scheme assets Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods See note 10 for further details

E Refunds and loyalty scheme accruals Accruals for sales returns and loyalty scheme redemption are estimated on the basis of historical returns and redemptions and these are recorded so as to allocate them to the same period as the original revenue is recorded These accruals are reviewed regularly and updated to reflect management's latest best estimates, however, actual returns and redemptions could vary from these estimates

Notes to the financial statements

2 Segmental information

The Group has adopted IFRS 8 – 'Operating Segments' with effect from 29 March 2009 IFRS 8 requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance In contrast, the predecessor Standard (IAS 14 – 'Segment Reporting') required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments

The chief operating decision maker has been identified as the executive directors The executive directors review the Group's internal reporting in order to assess performance and allocate resources The operating segments are UK and International which are reported in a manner consistent with the internal reporting to the executive directors

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

The executive directors assess the performance of the operating segments based on a measure of operating profit This measurement basis excludes the effects of exceptional items from the operating segments as well as gains or losses on the disposal of assets Central costs are all classified as UK costs and presented within UK operating profit The executive directors also monitor revenue within the segments To increase transparency, the Group has decided to include an additional voluntary disclosure analysing revenue within the reportable segments

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

	53 weeks ended 3 April 2010			52 weeks ended 28 March 2009		
	Management £m	**Adjustment[2] £m**	**Statutory £m**	Management £m	Adjustment[2] £m	Statutory £m
General merchandise	**4,186.2**	**(34.2)**	**4,152.0**	3,944 4	(26 1)	3,918 3
Food	**4,455 5**	**(39.6)**	**4,415.9**	4,282 3	(36 3)	4,246 0
UK revenue	**8,641 7**	**(73 8)**	**8,567.9**	8,226 7	(62 4)	8,164 3
Wholesale	**297.7**	**–**	**297.7**	272 3	–	272 3
Retail	**673.1**	**(2.1)**	**671.0**	627 2	(1 7)	625 5
International revenue	**970.8**	**(2.1)**	**968.7**	899 5	(1 7)	897 8
Group revenue	**9,612.5**	**(75 9)**	**9,536.6**	9,126 2	(64 1)	9,062 1
UK operating profit[1]	**701.2**	**–**	**701 2**	652 8	–	652 8
International operating profit	**142.7**	**–**	**142.7**	116 1	–	116 1
Group operating profit (adjusted)	**843.9**	**–**	**843 9**	768 9	–	768 9
Profit on property disposals			**8.1**			6 4
Exceptional costs			**–**			(135 9)
Exceptional pension credit			**–**			231 3
Group operating profit			**852 0**			870 7
Finance income			**12.9**			50 0
Finance costs			**(162.2)**			(214 5)
Profit before tax			**702.7**			706 2

1 UK operating profit includes a contribution of £30 4m (last year £24 8m) in respect of fees received from HSBC in relation to M&S Money

2 Adjustments relate to revenue items recognised in cost of sales for management accounting purposes

Other segmental information

			2010			2009
	UK £m	**International £m**	**Total £m**	UK £m	International £m	Total £m
Additions to tangible and intangible assets (excluding goodwill)	**360.0**	**29 3**	**389.3**	611 8	40 2	652 0
Depreciation and amortisation	**398 7**	**29.2**	**427.9**	384 4	24 6	409 0
Assets	**8,873.3**	**910 5**	**9,783 8**	9,161 2	727 3	9,888 5

Notes to the financial statements

3 Expense analysis

	2010			2009		
	Before property disposals and exceptional items £m	Property disposals and exceptional items £m	Total £m	Before property disposals and exceptional items £m	Property disposals and exceptional items £m	Total £m
Revenue	9,536.6	–	9,536 6	9,062 1	–	9,062 1
Cost of sales	(5,918.1)	–	(5,918 1)	(5,690 2)	–	(5,690 2)
Gross profit	3,618.5	–	3,618 5	3,371 9	–	3,371 9
Selling and marketing expenses	(2,216.6)	–	(2,216 6)	(2,074 4)	–	(2,074 4)
Administrative expenses	(614.9)	–	(614 9)	(570 1)	–	(570 1)
Other operating income	56.9	–	56 9	41 5	–	41 5
Profit on property disposals	–	8.1	8 1	–	6 4	6 4
Exceptional costs (see note 5)	–	–	–	–	(135 9)	(135 9)
Exceptional pension credit (see note 5)	–	–	–	–	231 3	231 3
Operating profit	843.9	8.1	852.0	768 9	101 8	870 7

The selling and marketing expenses and administrative expenses in the table above are further analysed in the table below

	2010			2009		
	Selling and marketing expenses £m	Administrative expenses £m	Total £m	Selling and marketing expenses £m	Administrative expenses £m	Total £m
Employee costs (see note 9A)	1,007 5	251.3	1,258.8	923 2	230 5	1,153 7
Occupancy costs	463 2	81.7	544 9	439 2	77 5	516 7
Repairs, renewals and maintenance of property	88.3	22.1	110 4	76 6	19 1	95 7
Depreciation	354 8	39.4	394.2	343 5	38 2	381 7
Amortisation	30 3	3.4	33.7	24 6	2 7	27 3
Other costs	272.5	217.0	489 5	267 3	202 1	469 4
Operating expenses	2,216 6	614.9	2,831.5	2,074 4	570 1	2,644 5

4 Profit on ordinary activities before taxation

The following items have been included in arriving at profit before taxation

	2010 £m	2009 £m
Net foreign exchange (gains)/losses	(2.9)	3 6
Cost of inventories recognised as an expense	5,683.5	5,426 7
Depreciation of property, plant, and equipment		
– owned assets	380 4	371 5
– under finance leases	13.8	10 2
Amortisation of intangibles	33.7	27 3
Profit on property disposals	(8.1)	(6 4)
Operating lease rentals payable		
– property	220.7	200 5
– fixtures, fittings and equipment	10 8	10 1
Exceptional costs (see note 5)	–	135 9
Exceptional pension credit (see notes 5 and 10)	–	(231 3)

Notes to the financial statements

4 Profit on ordinary activities before taxation continued

Included in administrative expenses is the auditors' remuneration, including expenses for audit and non-audit services, payable to the Company's auditors PricewaterhouseCoopers LLP and its associates as follows

	2010 £m	2009 £m
Statutory audit services		
Annual audit of the Company and the consolidated accounts	**1.0**	0 9
	1 0	0 9
Non-audit-related services		
Other services pursuant to legislation	**0.1**	0 1
Tax advisory services	**0.6**	0 3
Other services	**0.1**	0 2
	0.8	0 6

5 Exceptional items

The exceptional costs in 2008/09 related to a strategic restructure and are not regular running costs of the underlying business These included £92 5m property-related costs including onerous lease provisions, property, plant and equipment disposals, leasehold premium write-offs and decommissioning costs, £32 3m costs related to the rationalisation of IT and logistics networks, and £11 1m redundancy costs

The exceptional pension credit in 2008/09 arose due to changes in the UK defined benefit pension plan relating to how members' benefits build up In January 2009 the Group announced that it had made changes to the scheme by capping employees' annual increases in pensionable pay to 1% and changing the early retirement benefits for members who joined the scheme before 1996 There was a credit to the income statement to reflect the impact of adjusting employees' projected final pensionable salaries

There are no exceptional costs arising in the current year

6 Finance income/costs

	2010 £m	2009 £m
Bank and other interest receivable	**2.1**	14 6
Pension finance income (net) (see note 10E)	**10 8**	35 4
Finance income	**12 9**	50 0
One-off premium on repurchase of debt (see note 20)	**13 5**	–
Interest on bank borrowings	**7 1**	6 2
Interest payable on syndicated bank facility	**5 9**	41 0
Interest payable on medium-term notes	**117.9**	113 9
Interest payable on finance leases	**5.3**	4 9
Fair value movements on financial instruments designated as fair value through profit and loss	**8.5**	10 5
Unwinding of discount on partnership liability to the Marks & Spencer UK Pension Scheme	**4 0**	38 0
Finance costs	**162.2**	214 5
Net finance costs	**149.3**	164 5

Notes to the financial statements

7 Income tax expense

A Taxation charge

	2010 £m	2009 £m
Current tax		
UK corporation tax at 28% (last year 28%)		
– current year	**170 3**	127 4
– prior years	**(5 2)**	(10 7)
	165 1	116 7
Overseas current taxation	**6 1**	5 1
Total current taxation	**171.2**	121 8
Deferred tax (see note 23)		
– current year	**5.4**	70 1
– prior years	**3.1**	7 5
Total deferred taxation	**8.5**	77 6
Total income tax expense	**179.7**	199 4

B Taxation reconciliation

	2010 £m	2009 £m
Profit before tax	**702 7**	706 2
Taxation at the standard UK corporation tax rate of 28% (last year 28%)	**196 8**	197 7
Depreciation, charges and other amounts on non-qualifying fixed assets	**1 4**	(4 0)
Other income and expenses not taxable or deductible	**(10 1)**	2 9
Exceptional costs	**–**	7 5
Overseas profits taxed at lower rates	**(6 3)**	(1 5)
Adjustments to tax charge in respect of prior periods	**(2.1)**	(3 2)
Total income tax expense	**179 7**	199 4

The post-exceptional effective tax rate was 25 6% (last year 28 2%) and the pre-exceptional effective tax rate was 25 6% (last year 27 0%)

8 Dividends

	2010 per share	2009 per share	2010 £m	2009 £m
Dividends on equity ordinary shares				
Paid final dividend	**5 3p**	7 9p	**151.0**	225 2
Paid interim dividend	**3 1p**	4 6p	**88 4**	131 1
	8 4p	12 5p	**239 4**	356 3

In addition, the directors have proposed a final dividend in respect of the year ended 3 April 2010 of 5 3p per share amounting to a dividend of £151 0m In line with the requirements of IAS 10 – 'Events after the Balance Sheet Date', this dividend has not been recognised within these results

Notes to the financial statements

9 Employees

A. Aggregate remuneration
The aggregate remuneration and associated costs of Group employees were

	2010 Total £m	2009 Total £m
Wages and salaries	**1,079.7**	978 2
Social security costs	**73.2**	69 1
Pension costs (see note 10)	**57 3**	67 2
Share-based payments (see note 11)	**28 5**	14 3
Employee welfare and other personnel costs	**36.2**	37 8
Ex-gratia costs	**3.6**	8 4
Capitalised staff costs[1]	**(19 7)**	(21 3)
Aggregate remuneration	**1,258.8**	1,153 7
Exceptional redundancy costs (see note 5)	**-**	11 1
Exceptional pension credit (see note 5)	**-**	(231 3)
Total	**1,258 8**	933 5

1 Staff costs are capitalised in the development of intangible assets – see note 1

Details of key management compensation are given in note 29

B Average number of employees

	2010	2009
UK stores		
– management and supervisory categories	**5,396**	5,528
– other	**61,946**	63,969
UK head office		
– management and supervisory categories	**2,389**	2,577
– other	**912**	1,036
Overseas	**5,624**	4,754
Total average number of employees	**76,267**	77,864

If the number of hours worked was converted on the basis of a normal working week, the equivalent average number of full-time employees would have been 52,994 (last year 54,153)

C. Directors' emoluments
Emoluments of directors of the Company are summarised below Further details are given in the Marks and Spencer Group plc Annual report Remuneration report on pages 58 to 71

	2010 £000	2009 £000
Highest paid director	**2,606**	1,765
Aggregate emoluments	**4,721**	2,409

One director (last year one) accrued retirement benefits under a defined benefit scheme

The highest paid director has not exercised any share options during the current and prior years

The highest paid director was awarded 1,191,364 performance shares (last year 1,184,486) in relation to the Group's long-term incentive plan

Notes to the financial statements

10 Retirement benefits

The Group provides pension arrangements for the benefit of its UK employees through the Marks & Spencer UK Pension Scheme This has a defined benefit section, which was closed to new entrants with effect from 1 April 2002, and a defined contribution section which has been open to new members with effect from 1 April 2003

The defined benefit section operates on a final salary basis and at the year end had some 15,000 active members (last year 21,000), 56,000 deferred members (last year 57,000) and 47,000 pensioners (last year 42,000) At the year end, the defined contribution section had some 8,000 active members (last year 8,000) and some 1,000 deferred members (last year 1,000)

The Group also operates a small funded defined benefit pension scheme in the Republic of Ireland Retirement benefits also include a UK post-retirement healthcare scheme and unfunded retirement benefits

Within the total Group retirement benefit cost, excluding the exceptional pension credit, of £46 5m (last year £31 8m), £27 0 (last year £14 0m) relates to the UK defined benefit section, £12 3m (last year £13 0m) to the UK defined contribution section and £7 2m (last year £4 8m) to other retirement benefit schemes

A. Pensions and other post-retirement liabilities

	2010 £m	2009 £m
Total market value of assets	**4,948 6**	3,977 0
Present value of scheme liabilities	**(5,298.6)**	(4,112 4)
Net funded pension plan deficit	**(350 0)**	(135 4)
Unfunded retirement benefits	**(0 9)**	(1 0)
Post-retirement healthcare	**(15 6)**	(15 8)
Net retirement benefit deficit	**(366 5)**	(152 2)

B Financial assumptions

A full actuarial valuation of the UK Defined Benefit Pension Scheme was carried out at 31 March 2009 and showed a deficit of £1 3bn A funding plan of £800m has been agreed with the Trustees The difference between the valuation and the funding plan is expected to be met by investment returns on the existing assets of the pension scheme The financial assumptions for the UK scheme and the most recent actuarial valuations of the other post-retirement schemes have been updated by independent qualified actuaries to take account of the requirements of IAS 19 – 'Retirement Benefits' in order to assess the liabilities of the schemes

	2010 %	2009 %
Rate of increase in salaries	**1.0**	1 0
Rate of increase in pensions in payment for service		
– pre-April 1997	**2.7**	2 6
– between April 1997 and July 2005	**3.5**	2 9
– post-July 2005	**2.3**	2 3
Discount rate	**5 5**	6 8
Inflation rate	**3.6**	2 9
Long-term healthcare cost increases	**8.6**	7 9

The amount of the deficit varies if the main financial assumptions change, particularly the discount rate If the discount rate increased/ decreased by 0 1% the IAS 19 deficit would decrease/increase by c £90m

C Demographic assumptions

The demographic assumptions are in line with those adopted for the last formal actuarial valuation of the scheme (31 March 2009) One of the most significant demographic assumptions underlying the valuation is mortality The post-retirement mortality assumptions are based on an analysis of the pensioner mortality trends under the scheme for the period to March 2009 updated to allow for anticipated longevity improvements over the subsequent years The specific mortality rates used are based on the SAPS tables, adjusted to allow for the experience of scheme pensioners The life expectancies underlying the valuation are as follows

		2010 years	2009 years
Current pensioners (at age 65)	– males	**21 9**	21 2
	– females	**23 3**	23 6
Future pensioners (at age 65)	– males	**23 1**	22 0
	– females	**24 2**	24 3

Notes to the financial statements

10 Retirement benefits continued

D. Analysis of assets and expected rates of return
The major categories of assets as a percentage of total plan assets are

	2010 £m	2009 £m	2010 %	2009 %
Property partnership interest	**631.7**	529 8	**13**	13
UK equities	**415.7**	480 8	**8**	12
Overseas equities	**1,283.4**	644 3	**26**	16
Government bonds	**53.9**	127 2	**1**	3
Corporate bonds	**2,520.8**	2,278 0	**51**	58
Swaps[1]	**(245 1)**	(214 9)	**(5)**	(5)
Cash and other	**288.2**	131 8	**6**	3
	4,948.6	3,977 0	**100**	100

1 The swaps hedge interest and inflation rate exposures within the scheme s liabilities

The expected long-term rates of return are

	2010 %	2009 %
Property partnership interest	**5 1**	7 1
UK equities	**8 4**	8 0
Overseas equities	**8 4**	8 0
Government bonds	**4 5**	4 2
Corporate bonds	**5 5**	6 8
Swaps	**4.5**	4 2
Cash and other	**4 4**	4 2
Overall expected return	**6 5**	7 2

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes The expected return for each asset class reflects a combination of historical performance analysis, the forward-looking views of financial markets (as suggested by the yields available) and the views of investment organisations Consideration is also given to the rate of return expected to be available for reinvestment

At year end, the UK scheme indirectly held 232,042 (last year 369,793) ordinary shares in the Company through its investment in an Aquila Life UK Equity Index Fund

E Analysis of amount charged against profits

	2010 £m	2009 £m
Operating cost		
Current service cost	**56.3**	72 2
Curtailment charge/(gain)	**1.0**	(5 0)
Exceptional pension credit (see note 5)	**–**	(231 3)
	57.3	(164 1)
Finance cost		
Expected return on plan assets	**(281.4)**	(334 6)
Interest on scheme liabilities	**270 6**	299 2
Net finance income	**(10.8)**	(35 4)
Total	**46 5**	(199 5)

Notes to the financial statements

10 Retirement benefits continued

F Scheme assets

Changes in the fair value of the scheme assets are as follows

	2010 £m	2009 £m
Fair value of scheme assets at start of year	**3,977.0**	5,045 5
Expected return on scheme assets[1]	**281 4**	334 6
Employer contributions[2]	**82.7**	92 1
Contributions from scheme members	**-**	2 0
Benefits paid	**(257 0)**	(226 5)
Actuarial gain/(loss)	**867 7**	(1,280 3)
Exchange movement	**(3 2)**	9 6
Fair value of scheme assets at end of year	**4,948 6**	3,977 0

1 The actual return on scheme assets was £1 149 1m (last year loss of £945 7m)

2 In 2007/08 the Group agreed to pre fund £200 0m of its annual contribution to the UK Defined Benefit Pension Scheme for the next three years The prepayment is in respect of annual contributions to the UK scheme at the rate of 23 2% of pensionable salaries up to 30 September 2010 and then 22 9% up to the next financial year It is estimated that approximately £55 0m of the prepayment will relate to the year ended 2 April 2011

G Retirement benefit obligations

Changes in the present value of retirement benefit obligations are as follows

	2010 £m	2009 £m
Present value of obligation at start of year	**4,129 2**	4,562 0
Current service cost	**56.3**	72 2
Curtailment charge/(gain)	**1.0**	(5 0)
Exceptional pension credit	**-**	(231 3)
Interest cost	**270.6**	299 2
Contributions from scheme members	**-**	2 0
Benefits paid	**(257 0)**	(226 5)
Actuarial loss/(gain)	**1,119 3**	(353 2)
Exchange movement	**(4 3)**	9 8
Present value of obligation at end of year	**5,315 1**	4,129 2
Analysed as		
Present value of pension scheme liabilities	**5,298 6**	4,112 4
Unfunded pension plans	**0.9**	1 0
Post-retirement healthcare	**15 6**	15 8
Present value of obligation at end of year	**5,315 1**	4,129 2

H Cumulative actuarial gains and losses recognised in equity

	2010 £m	2009 £m
Loss at start of year	**(1,257.3)**	(330 2)
Net actuarial losses recognised in the year	**(251.6)**	(927 1)
Loss at end of year	**(1,508 9)**	(1,257 3)

I History of experience gains and losses

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Experience adjustments arising on scheme assets	**867.7**	(1,280 3)	(422 6)	(80 4)	454 3
Experience gains/(losses) arising on scheme liabilities	**36.2**	81 2	(61 5)	18 8	20 0
Changes in assumptions underlying the present value of scheme liabilities	**(1,155 5)**	272 0	1,089 5	53 0	(643 6)
Actuarial (losses)/gains recognised in equity	**(251 6)**	(927 1)	605 4	(8 6)	(169 3)

Fair value of scheme assets	**4,948 6**	3,977 0	5,045 5	5,227 5	4,606 2
Present value of scheme liabilities	**(5,298 6)**	(4,112 4)	(4,542 3)	(5,487 0)	(5,381 3)
Pension scheme (deficit)/asset	**(350.0)**	(135 4)	503 2	(259 5)	(775 1)

Notes to the financial statements

11 Share-based payments

The charge for share-based payments for the year was £28 5m (last year £14 3m) Further details of the option and share schemes that the Group operates are provided in the Remuneration report on pages 58 to 71 of the Marks and Spencer Group plc Annual Report

A Save As You Earn Share Option Scheme
Under the terms of the scheme, the Board may offer options to purchase ordinary shares in the Company once in each financial year to those employees who enter into an HM Revenue & Customs (HMRC) approved Save As You Earn (SAYE) savings contract HMRC rules limit the maximum amount saved to £250 per month The price at which options may be offered is 80% of the average mid-market price for three consecutive dealing days preceding the offer date The options may normally be exercised during the period of six months after the completion of the SAYE contract, either three or five years after entering the scheme

	2010		2009	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of the period	**57,863,061**	**252.2p**	28,444,760	403 1p
Granted	**8,566,762**	**292.0p**	42,551,459	203 0p
Exercised	**(3,544,310)**	**260 9p**	(2,075,204)	232 7p
Forfeited	**(5,052,662)**	**277.6p**	(10,958,637)	456 4p
Expired	**(5,272,290)**	**309.8p**	(99,317)	261 8p
Outstanding at end of the period	**52,560,561**	**249.9p**	57,863,061	252 2p
Exercisable at end of period	**1,705,532**	**486.7p**	6,169,324	296 9p

For SAYE share options exercised during the period, the weighted average share price at the date of exercise was 360 4p (last year 296 2p)

The fair values of the options granted during the year have been calculated using the Black-Scholes model assuming the inputs shown below

	2010	2009	
	3-year plan	3 year plan	5 year plan
Grant date	**Nov 09**	Nov 08	Nov 08
Share price at grant date	**365p**	253p	253p
Exercise price	**292p**	203p	203p
Option life in years	**3 years**	3 years	5 years
Risk-free rate	**1.6%**	2 9%	3 2%
Expected volatility	**44.1%**	39 2%	33 4%
Expected dividend yield	**4.1%**	8 9%	8 9%
Fair value of option	**113p**	54 6p	43 9p

Volatility has been estimated by taking the historic volatility in the Company's share price over a three or five year period

The resulting fair value is expensed over the service period of three or five years on the assumption that 20% of options will lapse over the service period as employees leave the Group

Outstanding options granted under the UK Employees' SAYE Scheme are as follows

	Number of options		Weighted average remaining contractual life (years)		
Options granted	**2010**	2009	**2010**	2009	Option price
January 2004	**-**	2,748,699	**-**	0 3	228p
January 2005	**312,805**	2,705,890	**0.2**	1 3	280p
January 2006	**1,471,579**	5,089,994	**1.2**	0 9	349p
January 2007	**2,016,402**	2,381,588	**0 9**	2 0	559p
January 2008	**2,440,739**	3,114,069	**2.0**	3 0	517p
January 2009	**38,009,851**	41,822,821	**3 0**	4 0	203p
January 2010	**8,309,185**	-	**3 2**	-	292p
	52,560,561	57,863,061	**2.9**	3 3	250p

Notes to the financial statements

11 Share-based payments continued

B Executive Share Option Scheme

Under the terms of the Executive Share Option Scheme, last approved by shareholders in 2005, the Board may offer options to purchase ordinary shares in Marks and Spencer Group plc to executive directors and senior managers at the market price on a date to be determined prior to the date of the offer No further options may be granted under any schemes other than the 2005 scheme No awards have been made under the 2005 scheme Further details are set out in the Remuneration report on page 64 of the Marks and Spencer Group plc Annual Report

Performance targets are assessed over a three year period from the date of grant with no ability to retest any grants Once options have vested they can be exercised during the period up to 10 years from grant date

	2010		2009	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of the period	**8,632,783**	**336.8p**	9,623,518	341 0p
Exercised	**(977,352)**	**328.0p**	(142,559)	343 9p
Forfeited	**(1,159,290)**	**345 0p**	(678,888)	340 7p
Expired	**(98,880)**	**358 0p**	(169,288)	550 3p
Outstanding at end of the period	**6,397,261**	**336.8p**	8,632,783	336 8p
Exercisable at end of period	**6,397,261**	**336.8p**	8,632,783	336 8p

For executive share options exercised during the period, the weighted average share price at the date of exercise was 370 8p (last year 395 3p)

Outstanding options granted under all Executive Share Option Schemes are as follows

	Number of options		Weighted average remaining contractual life (years)		
Options granted	**2010**	2009	**2010**	2009	Option price
1997 Scheme					
June 1999	**-**	98,880	**-**	0 3	358p
2000 Scheme					
September 2000	**-**	232	**-**	1 5	215p
June 2001	**65,581**	135,989	**1.3**	2 3	256p
December 2001	**18,087**	18,087	**1.8**	2 8	350p
2002 Scheme					
June 2002	**421,031**	579,237	**2 3**	3 3	350p
November 2002	**14,042**	47,150	**2.7**	3 7	353p
June 2003	**1,103,230**	1,398,584	**3 3**	4 3	297p
November 2003	**11,390**	36,109	**3 7**	4 7	270p
February 2004	**33,111**	33,111	**3 9**	4 9	270p
July 2004	**3,443,824**	4,417,613	**4 3**	5 3	347p
November 2004	**533,164**	806,193	**4 7**	5 7	337p
June 2005	**753,801**	1,061,598	**5 3**	6 3	352p
	6,397,261	8,632,783	**4.1**	5 0	337p

C Performance Share Plan

The Performance Share Plan is the primary long-term incentive plan for approximately 100 of the most senior managers and was first approved by shareholders in 2005 Under the plan, annual awards, based on a percentage of salary, may be offered The extent to which the awards vest is based on adjusted earnings per share growth over three years The value of any dividends earned on the vested shares during the three years will also be paid on vesting Further details are set out in the Remuneration report on page 63 of the Marks and Spencer Group plc Annual Report Awards under this scheme have been made in each year since 2005

During the year, 7,617,094 shares (last year 6,835,938) were awarded under the plan The weighted average fair value of the shares awarded was 290 8p (last year 368 9p)

Notes to the financial statements

11 Share-based payments continued

D Deferred Share Bonus Plan
The Deferred Share Bonus Plan was introduced in 2005/06 as part of the Annual Bonus Scheme for approximately 450 of the most senior managers As part of the scheme, the managers are required to defer a proportion of any bonus paid into shares which will be held for three years There are no further performance conditions on these shares, other than continued employment, and the value of any dividends earned during the deferred period will be paid on vesting

During the year, 98,515 shares (last year 288,656) have been awarded under the plan in relation to the annual bonus The fair value of the shares awarded was 286 1p (last year 381 6p) As at 3 April 2010, 307,309 shares (last year 3,084,935) were outstanding under the scheme

E Restricted Share Plan
The Restricted Share Plan was established in 2000 as part of the reward strategy for retention and recruitment of senior managers who are vital to the success of the business The plan operates for senior managers below executive director level Awards under the plan are made as part of ongoing reviews of reward packages, and for recruitment The shares are held in trust for a period of between one and three years, at which point they are released to the employee, subject to them still being in employment The value of any dividends earned during the restricted period will also be paid at the time of vesting

During the year, 342,600 shares (last year 1,755,667) have been awarded under the plan The weighted average fair value of the shares awarded was 348 6p (last year 337 8p)

F United Kingdom Share Incentive Plan
The Share Incentive Plan is a discretionary, all-employee plan, approved by HMRC, under which Freeshares may be allocated by the Company The last award was made in June 2003, which vested in June 2008

G Share Matching Deal Plan
The Share Matching Deal Plan was introduced in 2006 for those employees who were eligible to receive a cash-only bonus The scheme was not open to those employees who participated in the Deferred Share Bonus Plan The plan allows employees to invest a proportion of their bonus in shares of the Company These investment shares must be held by the participant for three years, during which time they will receive dividends At the end of the three year holding period, if the participant is still in employment with the Company, and still holds the investment shares, they will receive one matching share for every four that they bought

No shares were awarded under the Share Matching Deal Plan during the year As at 3 April 2010, 22,000 shares (last year 53,000) were outstanding under the scheme

H Republic of Ireland Save As You Earn Scheme
Sharesave, the Company's Save As You Earn Scheme was introduced in 2009 to all employees in the Republic of Ireland for a 10 year period, after approval by shareholders at the 2009 AGM The scheme is subject to Irish Revenue rules which limit the maximum monthly saving to €500 per month The Company chose in 2009 to set a monthly savings cap of €320 per month to align the maximum savings amount allowed within the UK scheme When the savings contract is started, options are granted to acquire the number of shares that the total savings will buy when the contract matures, at a discounted price set at the start of the scheme The price at which the options may be offered is 80% of the average mid-market price for three consecutive days preceding the offer date Options cannot normally be exercised until a minimum of three years has elapsed

During the year, 287,235 options were granted, at a fair value of 113 1p

I. Marks and Spencer Employee Benefit Trust
The Marks and Spencer Employee Benefit Trust (the Trust) holds 7,299,755 (last year 4,203,250) shares with a book value of £24 1m (last year £27 8m) and a market value of £27 1m (last year £11 1m) These shares were acquired by the Trust in the market The Trust used funds provided by Marks and Spencer plc to meet the Group's obligations Awards are granted to employees at the discretion of Marks and Spencer plc and shares awarded to employees by the Trust in accordance with the wishes of Marks and Spencer plc under senior executive share schemes, including the Restricted Share Plan Dividends are waived on all of these plans except for the Deferred Bonus Share Plan and Restricted Share Plan where dividends are paid via a Dividend Reinvestment Plan for awards made in the form of forfeitable shares

Notes to the financial statements

12 Intangible assets

	Goodwill £m	Brands £m	Computer software £m	Computer software under development £m	Total £m
At 29 March 2008					
Cost or valuation	117 9	80 0	82 9	78 0	358 8
Accumulated amortisation	–	(18 7)	(34 6)	–	(53 3)
Net book value	117 9	61 3	48 3	78 0	305 5
Year ended 28 March 2009					
Opening net book value	117 9	61 3	48 3	78 0	305 5
Additions	1 3	–	1 9	118 8	122 0
Transfers	–	–	18 0	(18 0)	–
Exchange difference	–	–	0 1	–	0 1
Amortisation charge	–	(5 3)	(22 0)	–	(27 3)
Closing net book value	119 2	56 0	46 3	178 8	400 3
At 28 March 2009					
Cost or valuation	119 2	80 0	102 9	178 8	480 9
Accumulated amortisation	–	(24 0)	(56 6)	–	(80 6)
Net book value	119 2	56 0	46 3	178 8	400 3
Year ended 3 April 2010					
Opening net book value	**119 2**	**56 0**	**46.3**	**178 8**	**400.3**
Additions	**8 3**	**–**	**20.6**	**56 9**	**85 8**
Transfers	**–**	**–**	**115 7**	**(115.7)**	**–**
Exchange difference	**0.4**	**–**	**–**	**–**	**0 4**
Amortisation charge	**–**	**(5 3)**	**(28 4)**	**–**	**(33 7)**
Closing net book value	**127.9**	**50 7**	**154 2**	**120.0**	**452.8**
At 3 April 2010					
Cost or valuation	**127.9**	**80 0**	**239.2**	**120.0**	**567 1**
Accumulated amortisation	**–**	**(29 3)**	**(85.0)**	**–**	**(114 3)**
Net book value	**127 9**	**50.7**	**154 2**	**120.0**	**452.8**

Goodwill relates to the following business units

	per una £m	Marks and Spencer Marinopoulos B V £m	Marks and Spencer Czech Republic a s £m	Supreme Tradelinks Private Limited £m	Total £m
Cost and net book value at 28 March 2009	69 5	34 4	15 3	–	119 2
Additions	–	–	0 1	8 2	8 3
Exchange difference	–	–	0 2	0 2	0 4
Cost and net book value at 3 April 2010	**69.5**	**34 4**	**15 6**	**8 4**	**127 9**

Goodwill is not amortised, but tested annually for impairment with the recoverable amount being determined from value in use calculations The key assumptions for the value in use calculations are those regarding the discount rate, growth rates and changes in income and costs

The Group prepares discounted cash flow forecasts based on financial forecasts approved by management covering a three year period, which takes account of both past performance and expectations for future market developments Cash flows beyond this three year period are extrapolated using a growth rate of 2%, which does not exceed the long-term average growth rate for the Group's retail businesses
The Group's pre-tax weighted average cost of capital is used to discount the future cash flows A risk adjustment is then made for the countries in which the business unit operates per una discount rate 8 6% (last year 10 2%), Marks and Spencer Marinopoulos B V 12 9% (last year 12 2%), Marks and Spencer Czech Republic a s 10 2% (last year 13 2%) and Supreme Tradelinks Private Limited 12 6% Based on the discounted cash flows the valuations indicate sufficient headroom that any reasonably possible change in the assumptions is unlikely to result in an impairment

Brands consist of the per una brand which is being amortised on a straight-line basis over a period of 15 years

Notes to the financial statements

13 Property, plant and equipment

	Land and buildings £m	Fixtures fittings and equipment £m	Assets in the course of construction £m	Total £m
At 29 March 2008				
Cost	2,525 2	4,473 3	186 3	7,184 8
Accumulated depreciation	(103 8)	(2,377 0)	–	(2,480 8)
Net book value	2,421 4	2,096 3	186 3	4,704 0
Year ended 28 March 2009				
Opening net book value	2,421 4	2,096 3	186 3	4,704 0
Exchange difference	26 3	21 4	8 4	56 1
Additions	45 7	395 2	90 4	531 3
Transfers	32 2	142 4	(174 6)	–
Disposals	(58 4)	(17 3)	–	(75 7)
Depreciation charge	(9 2)	(372 5)	–	(381 7)
Closing net book value	2,458 0	2,265 5	110 5	4,834 0
At 28 March 2009				
Cost	2,566 6	4,811 9	110 5	7,489 0
Accumulated depreciation	(108 6)	(2,546 4)	–	(2,655 0)
Net book value	2,458 0	2,265 5	110 5	4,834 0
Year ended 3 April 2010				
Opening net book value	**2,458.0**	**2,265.5**	**110.5**	**4,834 0**
Exchange difference	**(9.8)**	**(7.5)**	**0.4**	**(16 9)**
Additions	**14 6**	**244.3**	**52.9**	**311.8**
Acquisition of subsidiary	**-**	**0.9**	**-**	**0.9**
Reclassification from investment property	**2.4**	**-**	**-**	**2.4**
Transfers	**6.3**	**36.3**	**(42.6)**	**-**
Disposals	**(4.2)**	**(11 8)**	**-**	**(16 0)**
Depreciation charge	**(9.6)**	**(384 6)**	**-**	**(394.2)**
Closing net book value	**2,457.7**	**2,143.1**	**121.2**	**4,722 0**
At 3 April 2010				
Cost	**2,576.4**	**5,043.9**	**121 2**	**7,741.5**
Accumulated depreciation	**(118 7)**	**(2,900.8)**	**-**	**(3,019.5)**
Net book value	**2,457 7**	**2,143 1**	**121.2**	**4,722 0**

The net book value above includes land and buildings of £38 2m (last year £45 4m) and equipment of £45 4m (last year £58 7m) where the Group is a lessee under a finance lease

Additions to property, plant and equipment during the year amounting to £0 1m (last year £32 8m) were financed by new finance leases

Notes to the financial statements

14 Investment property

	2010 £m	2009 £m
Cost		
At start of year	**25.3**	25 3
Reclassification to property, plant and equipment	**(2.4)**	–
At end of year	**22 9**	25 3
Accumulated depreciation		
At start of year	**(0 5)**	(0 3)
Reclassification to property, plant and equipment	**0 1**	–
Depreciation charge	**(0 1)**	(0 2)
At end of year	**(0 5)**	(0 5)
Net book value	**22 4**	24 8

The investment properties were valued at £24 8m (last year £23 1m) as at 3 April 2010 by qualified professional valuers working for CB Richard Ellis, Chartered Surveyors, acting in the capacity of external valuers All such valuers are chartered surveyors, being members of the Royal Institution of Chartered Surveyors (RICS) The properties were valued on the basis of market value (calculated based on subleases in place at the year end) All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards As the investment properties are held at depreciated historical cost, this valuation has not been reflected in the carrying value of the assets No impairment was recognised on the one property which was carried at a higher value than its market value at 28 March 2009 The Group has reoccupied the property during 2009/10 (and has subsequently been reclassified to property, plant and equipment) at which point its value in use exceeded the net book value The Group received rental income of £0 9m (last year £1 2m) in respect of these investment properties

15 Investment in joint ventures

	2010 £m	2009 £m
At start of year	**13.8**	9 6
Investment in new joint venture	–	4 4
Dividend from joint venture	**(2.0)**	–
Share of loss	**(0.3)**	(0 2)
At end of year	**11 5**	13 8

The joint ventures represent a 50% equity interest in Hedge End Park Limited, a property investment company incorporated in Great Britain, and a 50% equity interest in Lima (Bradford) S a r l, a property investment company incorporated in Luxembourg The partner in the Hedge End Park Limited joint venture is J Sainsbury plc and the partner in the Lima (Bradford) S a r l joint venture is ProLogis UK Holdings S A

In relation to the Group's interest in joint ventures, the assets and liabilities are shown below

	2010 £m	2009 £m
Non-current assets	**5.5**	4 9
Current assets	**6 1**	9 1
Current liabilities	**(0.1)**	(0 2)
Net assets	**11.5**	13 8

16 Other financial assets

	2010 £m	2009 £m
Non-current		
Unlisted investments	**3 0**	3 0
Other investments[1]	**27.1**	11 1
	30.1	14 1
Current		
Amounts owed by parent company	**2,603 5**	2,619 3
Short-term investments[2]	**165 0**	47 1
Unlisted investments	**6 7**	6 0
	2,775.2	2,672 4

1 Other investments are the shares in Marks and Spencer Group plc held for employee share schemes

2 Includes £132 8m of money market deposits held by the Marks and Spencer Scottish Limited Partnership

Non-current unlisted investments are carried as available-for-sale assets Other financial assets are measured at fair value with changes in their value taken to the income statement

Notes to the financial statements

17 Trade and other receivables

	2010 £m	2009 £m
Non-current		
Other receivables	**34 6**	27 1
Prepaid pension contributions	**8.0**	60 7
Prepaid leasehold premiums	**244 7**	247 6
Other prepayments and accrued income	**0.4**	1 4
	287 7	336 8

	2010 £m	2009 £m
Current		
Trade receivables	**93 2**	87 7
Less Provision for impairment of receivables	**(4.7)**	(4 2)
Trade receivables – net	**88 5**	83 5
Other receivables	**27 3**	37 0
Prepaid pension contributions	**55 3**	65 7
Prepaid leasehold premiums	**8 5**	10 6
Other prepayments and accrued income	**101 8**	88 4
	281.4	285 2

Trade receivables that were past due but not impaired amounted to £0 7m (last year £9 9m) and are mainly sterling denominated The directors consider that the carrying amount of trade and other receivables approximates their fair value

18 Cash and cash equivalents

Cash and cash equivalents includes short-term deposits with banks and other financial institutions, with an initial maturity of three months or less and credit card payment received within 48 hours The carrying amount of these assets approximates their fair value

The effective interest rate on short-term bank deposits is 0 29% (last year 0 33%), these deposits have an average maturity of five days (last year three days)

19 Trade and other payables

	2010 £m	2009 £m
Current		
Trade and other payables	**792 2**	783 6
Social security and other taxes	**79 4**	40 4
Accruals and deferred income	**282.2**	249 5
	1,153.8	1,073 5
Non-current		
Other payables[1]	**280 3**	243 8

1 Includes the fair value of the put option over the 49% minority interest in the share capital of Marks and Spencer Czech Republic a s £63 5m (last year £56 3m) exercisable on 4 April 2013

Notes to the financial statements

20 Borrowings and other financial liabilities

	2010 £m	2009 £m
Current		
Bank loans and overdrafts[1]	**249.5**	147 9
Syndicated bank facility[2]	**219.8**	781 2
Finance lease liabilities	**13 6**	13 7
	482 9	942 8
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 24)	**71 9**	71 9
	554 8	1,014 7
Non-current		
Bank loans	**17 9**	11 2
6 375% £308m (last year £375m) medium-term notes 2011[3]	**314 6**	382 6
5 875% £267m (last year £400m) medium-term notes 2012[3]	**279 9**	417 9
5 625% £400m medium-term notes 2014[3]	**399 5**	399 0
6 250% US$500m medium-term notes 2017[4]	**333 8**	354 4
6 125% £400m medium-term notes 2019[3]	**403 5**	–
7 125% US$300m medium-term notes 2037[4]	**199 6**	212 0
6 875% £250m puttable callable reset medium-term notes 2037[3,5]	**253.0**	252 6
Finance lease liabilities	**76.2**	88 2
	2,278.0	2,117 9
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 24)	**–**	68 0
	2,278 0	2,185 9
Total	**2,832.8**	3,200 6

1 Bank loans and overdrafts includes a £5 0m (last year £5 0m) loan from the Hedge End Park Limited joint venture (see notes 15 and 29)

2 Relates to a £1 2bn committed bank revolving credit facility set to mature on 26 March 2013

3 These notes are issued under Marks and Spencer plc s £3bn European Medium Term Note Programme and all pay interest annually

4 Interest on these bonds is payable semi annually

5 These notes include an investor put and issuer call option exercisable in December 2012

On 25 November the Group announced the successful tender offer for £67 4m of the November 2011 medium-term notes and £132 6m of the May 2012 medium-term notes incurring a one-off premium of £13 5m on the buy-back In conjunction, new medium-term notes were issued totalling £400m at a coupon rate of 6 125%, of which £200m have been swapped to floating rate and designated in a fair value hedge relationship

Finance leases

The minimum lease payments under finance leases fall due as shown in the table on the following page It is the Group's policy to lease certain of its properties and equipment under finance leases The average lease term for equipment is six years and 125 years for property Interest rates are fixed at the contract rate All leases are on a fixed repayment basis and no arrangements have been entered into for contingent payments The Group's obligations under finance leases are secured by the lessors' charges over the leased assets

21 Financial instruments

Treasury policy and financial risk management

The Group operates a centralised treasury function to manage the Group's funding requirements and financial risks in line with the Board approved treasury policies and procedures, and their delegated authorities

The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items, such as trade debtors and trade creditors, that arise directly from its operations The main purpose of these financial instruments is to finance the Group's operations

Group treasury also enters into derivative transactions, principally interest rate and currency swaps and forward currency contracts The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's operations and financing

It remains the Group's policy not to hold or issue financial instruments for trading purposes, except where financial constraints necessitate the need to liquidate any outstanding investments The treasury function is managed as a cost centre and does not engage in speculative trading

The principal financial risks faced by the Group are liquidity/funding, interest rate, foreign currency and counterparty risks The policies and strategies for managing these risks are summarised as follows

Notes to the financial statements

21 Financial instruments continued

(a) Liquidity/funding risk

The risk that the Group could be unable to settle or meet its obligations as they fall due at a reasonable price

- The Group's funding strategy ensures a mix of funding sources offering flexibility and cost effectiveness to match the requirements of the Group
- Operating subsidiaries are financed by a combination of retained profits, bank borrowings, medium-term notes and committed syndicated bank facilities

At year end, the Group had a committed syndicated bank revolving credit facility of £1 2bn set to mature on 26 March 2013 This facility contains only one financial covenant being the ratio of earnings before interest, tax, depreciation, amortisation and rents payable, to interest plus rents payable The covenant is measured semi-annually The Group also has a number of undrawn uncommitted facilities available to it At year end, these amounted to £105m (last year £105m), all of which are due to be reviewed within a year At the balance sheet date a sterling equivalent of £220m (last year £764m) was drawn under the committed facilities and £nil (last year £nil) was drawn under the uncommitted facilities

In addition to the existing borrowings, the Group has a euro medium-term note programme of £3bn, of which £1 6bn (last year £1 4bn) was in issuance as at the balance sheet date

The contractual maturity of the Group's non-derivative financial liabilities and derivatives is as follows

	Bank loans and overdrafts £m	Syndicated bank facility £m	Medium term notes £m	Finance lease liabilities £m	Partnership liability to the M&S UK Pension Scheme £m	Total £m	Derivative assets £m	Derivative liabilities £m	Total £m
Timing of cash flows									
Within one year	(147 9)	(781 2)	(123 8)	(18 3)	(71 9)	(1,143 1)	949 4	(919 8)	29 6
Between one and two years	(11 2)	–	(123 8)	(16 9)	(71 9)	(223 8)	70 4	(63 6)	6 8
Between two and five years	–	–	(1,476 8)	(34 4)	–	(1,511 2)	114 0	(83 2)	30 8
More than five years	–	–	(1,706 2)	(209 4)	–	(1,915 6)	1,003 8	(708 9)	294 9
	(159 1)	(781 2)	(3,430 6)	(279 0)	(143 8)	(4,793 7)	2,137 6	(1,775 5)	362 1
Effect of discounting and foreign exchange	–	–	1,412 1	177 1	3 9	1,593 1			
At 28 March 2009	(159 1)	(781 2)	(2,018 5)	(101 9)	(139 9)	(3,200 6)			
Timing of cash flows									
Within one year	**(249.5)**	**(219 8)**	**(134.1)**	**(17 9)**	**(71 9)**	**(693.2)**	**970 1**	**(941 5)**	**28 6**
Between one and two years	**(17.9)**	**–**	**(441.7)**	**(13 4)**	**–**	**(473.0)**	**51.1**	**(37 6)**	**13 5**
Between two and five years	**–**	**–**	**(960 1)**	**(25 1)**	**–**	**(985.2)**	**106.7**	**(84 4)**	**22.3**
More than five years	**–**	**–**	**(2,115.5)**	**(204 4)**	**–**	**(2,319.9)**	**909.5**	**(693.2)**	**216 3**
	(267.4)	**(219 8)**	**(3,651 4)**	**(260.8)**	**(71 9)**	**(4,471.3)**	**2,037 4**	**(1,756 7)**	**280.7**
Effect of discounting and foreign exchange	**–**	**–**	**1,467 5**	**171 0**	**–**	**1,638.5**			
At 3 April 2010	**(267 4)**	**(219 8)**	**(2,183 9)**	**(89 8)**	**(71.9)**	**(2,832.8)**			

This table does not include trade and other payables (see note 19) due to the low associated liquidity risk

The present value of finance lease liabilities is as follows

	2010 £m	2009 £m
Within one year	**(13 6)**	(13 7)
Later than one year and not later than five years	**(26.7)**	(36 5)
Later than five years	**(49 5)**	(51 7)
Total	**(89 8)**	(101 9)

(b) Counterparty risk

Counterparty risk exists where the Group can suffer financial loss through default or non-performance by financial institutions

Exposures are managed through Group treasury policy which limits the value that can be placed with each approved counterparty to minimise the risk of loss The counterparties are limited to the approved institutions with secure long-term credit ratings A+/A1 or better assigned by Moody's and Standard & Poor's respectively, unless approved on an exception basis by a Board director Limits are reviewed regularly by senior management The credit risk of these financial instruments is estimated as the fair value of the assets resulting from the contracts

Notes to the financial statements

21 Financial instruments continued

The table below analyses the Group's short-term investments and derivative assets by credit exposure excluding bank balances, store cash and cash in transit

	Credit rating of counterparty[4]						
	AAAm £m	AAA £m	AA £m	AA- £m	A+ £m	A[3] £m	Total
Short-term investments[1]	–	4.8	119.8	25.3	29.9	0.5	180.3
Derivative assets[2]	–	105.4	53.6	–	150.8	9.8	319.6
At 28 March 2009	–	110.2	173.4	25.3	180.7	10.3	499.9

	AAAm £m	**AAA £m**	**AA £m**	**AA- £m**	**A+ £m**	**A[3] £m**	**Total**
Short-term investments[1]	**132.9**	**1.5**	**16.7**	**20.6**	**22.1**	**1.3**	**195.1**
Derivative assets[2]	**–**	**50.8**	**31.1**	**–**	**76.8**	**8.0**	**166.7**
At 3 April 2010	**132.9**	**52.3**	**47.8**	**20.6**	**98.9**	**9.3**	**361.8**

1 Includes cash on deposit in M&S Scottish Limited Partnership Marks & Spencer plc and Marks and Spencer General Insurance LP

2 Excludes derivative asset option which is embedded within the £250m puttable callable reset medium term notes due 2037

3 Exposure to a counterparty approved as an exception to treasury policy

4 Standard & Poor's equivalent rating shown as reference to the lowest credit rating of the counterparty from either Standard & Poor's or Moody's

The Group has very low retail credit risk due to transactions being principally of a high volume, low value and short maturity

The maximum exposure to credit risk at the balance sheet date was as follows trade receivables £89m (last year £84m), other receivables £62m (last year £64m), cash and cash equivalents £406m (last year £423m) and derivatives £181m (last year £347m)

c) Foreign currency risk

Transactional foreign currency exposures arise from both the export of goods from the UK to overseas subsidiaries, and from the import of materials and goods directly sourced from overseas suppliers

Group treasury hedge these exposures principally using forward foreign exchange contracts progressively covering up to 100% out to 18 months Where appropriate hedge cover can be taken out longer than 18 months, with Board approval The Group is primarily exposed to foreign exchange risk in relation to sterling against movements in US dollar and euro

Forward foreign exchange contracts in relation to the Group's forecast currency requirements are designated as cash flow hedges with fair value movements recognised directly in comprehensive income To the extent that these hedges cover actual currency payables or receivables then associated fair value movements previously recognised in comprehensive income are recorded in the income statement in conjunction with the corresponding asset or liability As at the balance sheet date the gross notional value in sterling terms of forward foreign exchange sell or buy contracts amounted to £865m (last year £768m) with a weighted average maturity date of five months (last year six months)

Gains and losses in equity on forward foreign exchange contracts as at 3 April 2010 will be released to the income statement at various dates over the following 13 months (last year 14 months) from the balance sheet date

At the balance sheet date the Group did not hold any derivatives to hedge balance sheet and profit and loss translation exposures However, the translation exposures arising on the overseas net assets are hedged with foreign currency debt As at the balance sheet date, €231m (last year €276m) and HK$180m (last year HK$178m) currency debt was hedging overseas net assets

The Group also hedges foreign currency intercompany loans where these exist Forward foreign exchange contracts in relation to the hedging of the Group's foreign currency intercompany loans are designated as held for trading with fair value movements being recognised in the income statement The corresponding fair value movement of the intercompany loan balance results in an overall nil impact on the income statement As at the balance sheet date, the gross notional value of intercompany loan hedges was £155m (last year £108m)

After taking into account the hedging derivatives entered into by the Group, the currency and interest rate exposure of the Group's financial liabilities is as set out below excluding short-term payables and the Marks and Spencer Czech Republic a s put option

	2010			2009		
	Fixed rate £m	**Floating rate £m**	**Total £m**	Fixed rate £m	Floating rate £m	Total £m
Currency						
Sterling	**2,136.4**	**410.0**	**2,546.4**	2,252.4	629.9	2,882.3
Euro	**8.6**	**232.8**	**241.4**	7.6	286.1	293.7
Hong Kong dollar	**–**	**15.2**	**15.2**	–	16.4	16.4
Other	**3.3**	**26.5**	**29.8**	0.3	7.9	8.2
	2,148.3	**684.5**	**2,832.8**	2,260.3	940.3	3,200.6

Notes to the financial statements

21 Financial instruments continued

The floating rate sterling and euro borrowings are linked to interest rates related to LIBOR These rates are for periods between one and three months

As at the balance sheet date and excluding finance leases, the fixed rate sterling borrowings are at an average rate of 5 9% (last year 6 0%) and the weighted average time for which the rate is fixed is 10 years (last year nine years)

(d) Interest rate risk
The Group is exposed to interest rate risk in relation to the sterling, US dollar, euro and Hong Kong dollar variable rate financial assets and liabilities

The Group's policy is to use derivative contracts where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk The structure and maturity of these derivatives correspond to the underlying borrowings and are accounted for as fair value or cash flow hedges as appropriate

At the balance sheet date fixed rate borrowings amounted to £2,148 3m (last year £2,260 3m) representing the public bond issues and finance leases, and amounting to 76% (last year 71%) of the Group's gross borrowings

The effective interest rates at the balance sheet date were as follows

	2010 %	2009 %
Committed and uncommitted borrowings	**0 6**	4 0
Medium-term notes	**5.9**	6 2
Finance leases	**4.7**	4 8
Partnership liability to the Marks & Spencer UK Pension Scheme	**-**	5 7

Derivative financial instruments

		2010 Assets £m	**2010 Liabilities £m**	2009 Assets £m	2009 Liabilities £m
Current					
Options	– held for trading	**14.3**	**(14.3)**	27 0	(27 0)
Commodity swap	– cash flow hedge	**-**	**(2.1)**	–	(16 7)
Forward foreign exchange contracts	– cash flow hedges	**30 1**	**(5.0)**	59 9	(27 4)
	– held for trading	**3 7**	**(1.4)**	5 7	(0 4)
Interest rate swaps	– held for trading	**-**	**(4.3)**	–	(4 7)
		48.1	**(27.1)**	92 6	(76 2)
Non-current					
Commodity swap	– cash flow hedge	**-**	**-**	–	(1 5)
Cross currency swaps	– cash flow hedges	**132.8**	**-**	253 9	–
Forward foreign exchange contracts	– cash flow hedges	**0.1**	**-**	0 1	(1 5)
		132.9	**-**	254 0	(3 0)

At the balance sheet date, the Group held a number of cross currency swaps to redesignate its fixed rate US dollar debt to fixed rate sterling debt The attributes of these derivatives match the characteristics of the underlying debt hedged with rates of 7 034% (2017 bond) and 7 238% (2037 bond) The amounts reported as options held for trading in derivative assets and liabilities represent the fair value of the call option with the puttable callable reset notes mirrored by the fair value of the sold option to have this call assigned During the year the Group entered into a number of interest rate swaps to redesignate sterling fixed debt to floating debt These swaps are accounted for as fair value hedges The ineffective portion recognised in the profit or loss that arises from fair value hedges amounts to a loss of £0 4m (last year £nil)
as the gain on the hedged item was £1 5m (last year £nil) and the loss on the hedging instrument was £1 9m (last year £nil) There was no ineffectiveness on cash flow hedging or net investment hedging

Notes to the financial statements

21 Financial instruments continued

Sensitivity analysis
The table below illustrates the estimated impact on the income statement and equity as a result of market movements in foreign exchange and interest rates in relation to all of the Group's financial instruments The Group considers that a 2% +/- movement in interest rates and a 20% weakening or strengthening in sterling represents reasonable possible changes However, this analysis is for illustrative purposes only

The impact in the income statement due to changes in interest rates reflects the effect on the Group's floating rate debt as at the balance sheet date The impact in equity reflects the fair value movement in relation to the Group's cross currency swaps

The impact in the income statements from foreign exchange movements reflects the change in the fair value of the Group's transactional foreign exchange cash flow hedges and the net investment hedges at the balance sheet date The equity impact shown for foreign exchange sensitivity relates to derivative and non-derivative financial instruments hedging net investments This value is expected to be fully offset by the retranslation of the hedged foreign currency net assets leaving a net equity impact of zero

The table excludes financial instruments that expose the Group to interest rate and foreign exchange risk where such risk is fully hedged with another financial instrument Also excluded are trade receivables and payables as these are either sterling denominated or the foreign exchange risk is hedged

	2% decrease in interest rates £m	2% increase in interest rates £m	20% weakening in sterling £m	20% strengthening in sterling £m
At 28 March 2009				
Impact on income statement gain/(loss)	13 6	(15 1)	(15 2)	10 2
Impact on equity gain/(loss)	74 5	(38 6)	(11 1)	7 4
At 3 April 2010				
Impact on income statement gain/(loss)	**(8 3)**	**2 5**	**(15.9)**	**10 6**
Impact on equity gain/(loss)	**33 0**	**(24.7)**	**29.2**	**(19 5)**

Fair value hierarchy

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

- Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
- Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data Unlisted equity investments are included in Level 3 The fair value of the embedded derivative is determined using the present value of the estimated future cash flows based on financial forecasts

As at 3 April 2010, the Group held the following financial instruments measured at fair value

				2010				2009
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value								
Financial assets at fair value through profit or loss								
- Trading derivatives	**-**	**18 0**	**-**	**18.0**	-	32 7	-	32 7
Derivatives used for hedging	**-**	**163 0**	**-**	**163.0**	-	313 9	-	313 9
Available-for-sale financial assets								
- equity securities	**-**	**-**	**3.0**	**3.0**	-	-	3 0	3 0
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss								
- Trading derivatives	**-**	**(19 6)**	**-**	**(19.6)**	-	(32 1)	-	(32 1)
Derivative used for hedging	**-**	**(7.5)**	**-**	**(7.5)**	-	(47 1)	-	(47 1)
Embedded derivatives	**-**	**-**	**(63.5)**	**(63 5)**	-	-	(56 3)	(56 3)

During the reporting period ending 3 April 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements

Notes to the financial statements

21 Financial instruments continued

The following table presents the changes in Level 3 instruments for the year ended 3 April 2010

	2010 £m	2009 £m
Opening balance	**(53 3)**	(49 2)
Gains and losses recognised in profit or loss	**(7 2)**	(4 1)
Closing balance	**(60.5)**	(53 3)

A reasonably possible change in assumptions is unlikely to result in a significant change in the fair value of the Level 3 instruments

Fair value of financial instruments
With the exception of the Group's fixed rate bond debt, there were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values as at the balance sheet date

The carrying value of the Group's fixed rate bond debt was £2,183 9m (last year £2,018 5m), the fair value of this debt was £2,107 7m (last year £1,616 6m)

Capital policy
The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide optimal returns for shareholders and to maintain an efficient capital structure to reduce the cost of capital

In doing so the Group's strategy is to maintain a capital structure commensurate with an investment grade credit rating and to retain appropriate levels of liquidity headroom to ensure financial stability and flexibility To achieve this strategy the Group regularly monitors key credit metrics such as the gearing ratio, cash flow to net debt (see note 29) and fixed charge cover to maintain this position In addition the Group ensures a combination of appropriate committed short-term liquidity headroom with a diverse and smooth long-term debt maturity profile

During the year the Group maintained an investment grade credit rating of Baa3 (stable) with Moody's and BBB- (stable) with Standard & Poor, and through the successful tender of £200m of existing short-dated bonds in conjunction with a new £400m 10 year bond issue extended the average fixed debt maturity by one year to ten years and increased short-term liquidity by £200m

In order to maintain or re-align the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt

22 Provisions

	UK restructuring £m	Overseas restructuring £m	Total £m
At 30 March 2008	18 2	7 5	25 7
Provided in the year	86 6	–	86 6
Released in the year	(0 7)	–	(0 7)
Utilised during the year	(8 5)	(0 6)	(9 1)
Exchange differences	–	1 3	1 3
At 28 March 2009	95 6	8 2	103 8
At 29 March 2009	**95.6**	**8 2**	**103.8**
Provided in the year	**5.1**	**–**	**5 1**
Released in the year	**(11.2)**	**(3.0)**	**(14.2)**
Utilised during the year	**(43.0)**	**(0 4)**	**(43 4)**
Exchange differences	**–**	**(0.2)**	**(0.2)**
At 3 April 2010	**46 5**	**4.6**	**51.1**

Analysis of total provisions

	2010 £m	2009 £m
Current	**25.6**	63 6
Non-current	**25 5**	40 2
Total provisions	**51.1**	103 8

The provision for UK restructuring is comprised of exceptional costs related to the strategic restructure in 2008/09 (see note 5), including onerous leases and redundancies, as well as costs of closing Lifestore An element of the provision for closing Lifestore was released during the year The provision for overseas restructuring costs primarily relates to future closure costs in respect of discontinued operations in continental Europe

The current element of the provision primarily relates to costs relating to the rationalisation of IT and logistics networks

The non-current element of the provision relates to store closures, primarily onerous leases, and the closure costs of discontinued operations in continental Europe, and are expected to be utilised over a period of seven years

Notes to the financial statements

23 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (last year 28%) for UK differences and the local tax rates for overseas differences

The movements in deferred tax assets and liabilities (after the offsetting of balances within the same jurisdiction as permitted by IAS 12 – 'Income Taxes') during the period are shown below Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net

Deferred tax assets/(liabilities)

	Fixed assets temporary differences £m	Accelerated capital allowances £m	Pension temporary differences £m	Other short-term temporary differences £m	Total UK deferred tax £m	Overseas deferred tax £m	Total £m
At 30 March 2008	(76 9)	(144 6)	(139 4)	(6 1)	(367 0)	(5 1)	(372 1)
Credited/(charged) to the income statement	(2 0)	17 3	(87 0)	(5 7)	(77 4)	(0 2)	(77 6)
Credited/(charged) to equity	–	–	254 9	(29 5)	225 4	0 4	225 8
At 28 March 2009	(78 9)	(127 3)	28 5	(41 3)	(219 0)	(4 9)	(223 9)
At 29 March 2009	**(78 9)**	**(127.3)**	**28 5**	**(41.3)**	**(219 0)**	**(4 9)**	**(223 9)**
Credited/(charged) to the income statement	**4.6**	**3.6**	**(19 0)**	**(0 1)**	**(10 9)**	**2.4**	**(8 5)**
Credited/(charged) to equity	**–**	**–**	**71.7**	**38 2**	**109 9**	**(3.3)**	**106 6**
At 3 April 2010	**(74 3)**	**(123.7)**	**81 2**	**(3 2)**	**(120.0)**	**(5 8)**	**(125 8)**

In arriving at the deferred tax on fixed assets, credit has been taken for capital losses with a tax value of £65 5m (last year £60 5m) No deferred tax is recognised on the unremitted earnings of overseas subsidiaries As the earnings are continually reinvested by the Group, no tax is expected to be payable to them in the foreseeable future Undistributed profits of overseas subsidiaries amount to £396 5m (last year £380 6m)

The Group is claiming UK tax relief for losses incurred by some of its current and former European subsidiaries In light of continuing litigation, no asset has been recognised in respect of these claims

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The effect of the changes to be enacted by the Finance (No 2) Act 2010 is currently being assessed by management

24 Share capital and reserves

	2010 Shares	2010 £m	2009 Shares	2009 £m
Authorised ordinary shares of 25p each	**3,200,000,000**	**800.0**	3,200,000,000	800 0
Allotted, called up and fully paid ordinary shares of 25p each				
At start and end of year	**2,850,039,477**	**712.5**	2,850,039,477	712 5

Marks & Spencer UK Pension Scheme interest in the Scottish Limited Partnership

In previous years, a partnership liability was recorded relating to an amortising liability in respect of obligations of the Marks and Spencer Scottish Limited Partnership to the Marks and Spencer UK Pension Scheme On 25 March 2009 the terms of the Scottish Limited Partnership agreement were amended to make the payment of annual distributions to the Pension Scheme discretionary from 2010/11 onwards This discretion is exercisable if the Group does not pay a dividend or make any other form of return to its shareholders As a result, the distribution to the Pension Scheme in 2009 remained as a financial liability, while the remaining financial instrument became an equity interest The fair value of the equity interest on the date of transfer was £571 7m This amount has been reclassified to other reserves in the year to better reflect the substance of the Group's interest Under the amended agreement the value of total discretionary scheduled payments is approximately £862m

The Group's policy to grow dividends in line with adjusted earnings per share is explained in the Financial review on page 43 of the Marks and Spencer Group plc Annual Report

The agreement includes a clause such that, following a default event (including the appointment of an administrator, liquidator, receiver or similar officer in respect of Marks and Spencer plc or Marks and Spencer Group plc) or on a relevant change of law, the net present value of the outstanding distributions becomes payable to the Pension Scheme by the Scottish Limited Partnership at the option of the Pension Scheme On the basis of the expected cash flows associated with such an event, the related financial liability has been fair valued at nil

Notes to the financial statements

25 Business combinations

	£m
Net liabilities at fair value (100%)	**(2.4)**
Net liabilities acquired	**(1 2)**
Cash consideration	**6 1**
Transaction costs	**0.9**
Total consideration	**7 0**
Goodwill arising on acquisition	**8.2**

On 31 March 2009, Marks and Spencer Reliance India Pvt Limited, a 51% subsidiary of the Group, completed the acquisition of 100% of the issued share capital of Supreme Tradelinks Private Limited, which up until this date was the Group's franchisee in India, for cash consideration of £6 1m and transaction costs of £0 9m

The acquisition has contributed £8 3m to sales and a £0 2m loss to operating profit in the period since acquisition, which is the same contribution had the acquisition taken place on the first day of the financial period

Goodwill has arisen on the acquisition due to the opportunities to facilitate a faster rate of growth and greater operating efficiency that do not meet the criteria for recognition as an intangible asset at the date of acquisition

26 Contingencies and commitments

A Capital commitments

	2010 £m	2009 £m
Commitments in respect of properties in the course of construction	**69 0**	52 1

In respect of its interest in a joint venture (see note 16), the Group is committed to incur capital expenditure of £0 9m (last year £19 3m)

B Other material contracts

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

C Commitments under operating leases

The Group leases various stores, offices, warehouses and equipment under non-cancellable operating lease agreements The leases have varying terms, escalation clauses and renewal rights

	2010 £m	2009 £m
Total future minimum rentals payable under non-cancellable operating leases are as follows		
Within one year	**228 6**	215 1
Later than one year and not later than five years	**815 2**	778 1
Later than five years	**3,005 2**	3,173 1
Total	**4,049 0**	4,166 4

The total future sublease payments to be received are £51 9m (last year £64 9m)

Notes to the financial statements

27 Analysis of cash flows given in the cash flow statement

Cash flows from operating activities

	53 weeks ended 3 April 2010 £m	52 weeks ended 28 March 2009 £m
Profit on ordinary activities after taxation	**523.0**	506 8
Income tax expense	**179.7**	199 4
Finance costs	**162.2**	214 5
Finance income	**(12.9)**	(50 0)
Operating profit	**852.0**	870 7
Increase in inventories	**(74.3)**	(46 0)
Decrease in receivables	**25 3**	54 8
Payments to acquire leasehold properties	**-**	(14 1)
Increase in payables	**132.5**	213 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**	1,372 7

Exceptional operating cash outflows primarily relate to the utilisation of the provision for UK restructuring

28 Analysis of net debt

A. Reconciliation of movement in net debt

	At 28 March 2009 £m	Cash flow £m	Exchange and other non cash movements £m	At 3 April 2010 £m
Net cash				
Bank loans, overdrafts and syndicated bank facility (see note 20)	(923 3)	420 2	15 9	**(487 2)**
Less amounts treated as financing (see below)	798 7	(498 7)	(15 9)	**284 1**
	(124 6)	(78 5)	-	**(203.1)**
Cash and cash equivalents (see note 18)	422 9	(15 0)	(2 1)	**405.8**
Net cash per cash flow statement	298 3	(93 5)	(2 1)	**202.7**
Current financial assets (see note 16)	2,672 4	102 5	0 3	**2,775.2**
Debt financing				
Bank loans and overdrafts treated as financing (see above)	(34 5)	(30 7)	0 9	**(64 3)**
Syndicated bank facility (see note 20) (see above)	(764 2)	529 4	15 0	**(219 8)**
Medium-term notes (see note 20)	(1,801 7)	(196 8)	(2 5)	**(2,001 0)**
Finance lease liabilities (see note 20)	(101 9)	17 0	(4 9)	**(89 8)**
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 20)	(139 9)	68 0	4 0	**(67 9)**
Debt financing	(2,842 2)	386 9	12 5	**(2,442.8)**
Net debt	128 5	411 7	10 7	**535 1**

Notes to the financial statements

28 Analysis of net debt continued

B Reconciliation of net debt to statement of financial position

	2010 £m	2009 £m
Statement of financial position and related notes		
Cash and cash equivalents	**405.8**	422 9
Current financial assets (see note 16)	**2,775 2**	2,672 4
Bank loans and overdrafts (see note 20)	**(267.4)**	(159 1)
Syndicated bank facility (see note 20)	**(219 8)**	(781 2)
Medium-term notes (see note 20) – net of hedging derivatives	**(2,048 2)**	(1,848 1)
Finance lease liabilities (see note 20)	**(89 8)**	(101 9)
Partnership liability to the Marks & Spencer UK Pension Scheme (see note 20)	**(71 9)**	(139 9)
	483 9	65 1
Interest payable included within related borrowing	**51 2**	63 4
Total net debt	**535 1**	128 5

Notes to the financial statements

29 Related party transactions

A Parent company and subsidiaries
During the year, the Company paid dividends to its parent company, Marks and Spencer Group plc, of £239 4m (last year £356 3m) and decreased its loan to its parent company by £15 8m (last year increase of £34 7m)

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements

B Hedge End joint venture
A loan of £5 0m was received from the joint venture on 9 October 2002 It is repayable on five business days' notice and was renewed on 1 January 2010 Interest was charged on the loan at 2 0% until 31 December 2009 and 0 5% thereafter

C Lima (Bradford) joint venture
A loan facility was provided to the joint venture on 11 August 2008 At 3 April 2010, £25 4m (last year £13 6m) was drawn down on this facility Interest was charged on the loan at 1 1% above 3-month LIBOR

D Marks & Spencer Pension Scheme
Details of other transactions and balances held with the Marks & Spencer Pension Scheme are set out in notes 10 and 24

E Key management compensation

	2010 £m	2009 £m
Salaries and short-term benefits	**7.2**	4 7
Termination benefits	**1 0**	0 1
Share-based payments	**2.6**	1 9
Total	**10 8**	6 7

Key management is comprised of Marks and Spencer Group plc Board directors only Further information about the remuneration of individual directors is provided in the Remuneration report in the Marks and Spencer Group plc Annual Report During the year, key management have purchased goods at the Group's usual prices less a 20% discount This discount is available to all staff employed directly by the Group in the UK

F Other related party transactions
Supplier transactions occurred during the year between the Group and a company controlled by a close family member of Kate Bostock, an executive director of Marks and Spencer Group plc, the Company's parent company These transactions amounted to £6 5m during the year (last year £5 2m) with an outstanding trade payable of £0 4m at 3 April 2010 (last year £nil) The company was a supplier prior to Kate's employment by the Group

Supplier transactions occurred during the year between the Group and a company controlled by Martha Lane Fox's partner Martha is a non-executive director of the Marks and Spencer Group plc These transactions amounted to £1 7m during the year (last year £0 1m) with an outstanding trade payable of £0 8m at 3 April 2010 (last year £nil)

On 8 August 2008 Marks and Spencer Group plc made a loan of £0 5m to Graham Oakley, a director of Marks and Spencer plc This loan was repaid in full during the year The loan carried interest at 6% for the period from 8 August 2008 to 31 July 2009 From 1 August 2009 the loan carried interest at 3%

30 Subsequent events

On 12 May 2010, Marks and Spencer Group plc announced a £800m funding plan for its UK defined benefit pension scheme
The funding plan includes the following contributions from Marks and Spencer

- 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 Marks and Spencer Scottish Limited Partnership 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
- £124m of value through the transfer of assets from existing US$ debt hedge contracts held by Marks and Spencer plc

Company statement of comprehensive income

	Notes	53 weeks ended 3 April 2010 £m	52 weeks ended 28 March 2009 £m
Profit for the year		**243 6**	350 2
Other comprehensive income			
Actuarial losses on retirement benefit schemes	C3	**(256 0)**	(909 6)
Deferred tax on retirement benefit scheme		**71 7**	254 9
Fair value movement in equity of available-for-sale assets	C8	**(3 0)**	(48 9)
Cash flow and net investment hedges			
– fair value movements in equity		**41.0**	238 4
– recycled and reported in net profit		**(116.6)**	(176 4)
– amount recognised in inventories		**(0.3)**	(1 3)
Tax on cash flow hedges and net investment hedges		**20 9**	(17 5)
Other comprehensive income/(loss) for the year, net of tax		**(242 3)**	(660 4)
Total comprehensive income/(loss) for the year		**1.3**	(310 2)

The profit attributable to shareholders of the Company for the year is £243 6m (last year £350 2m)

Company statement of financial position

	Notes	As at 3 April 2010 £m	As at 28 March 2009 £m
Assets			
Non-current assets			
Intangible assets	C5	**271 3**	223 4
Property, plant and equipment	C6	**2,879 1**	2,952 8
Investment in joint ventures	C7	**10 5**	10 5
Investment in group undertakings	C7	**1,576 9**	1,579 7
Other financial assets	C8	**30 1**	14 1
Trade and other receivables	C9	**159.0**	218 2
Derivative financial instruments	C13	**132 9**	255 5
		5,059 8	5,254 2
Current assets			
Inventories		**479.2**	359 9
Trade and other receivables	C9	**5,558 5**	4,863 8
Derivative financial instruments	C13	**53 7**	125 6
Cash and cash equivalents	C10	**128.2**	112 8
		6,219.6	5,462 1
Total assets		**11,279.4**	10,716 3
Liabilities			
Current liabilities			
Trade and other payables	C11	**4,441.1**	3,409 0
Borrowings and other financial liabilities	C12	**441 5**	924 2
Derivative financial instruments	C13	**56 1**	137 1
Provisions	C14	**24 3**	61 5
Current tax liabilities		**51 8**	59 0
		5,014 8	4,590 8
Non-current liabilities			
Retirement benefit deficit	C3	**353 0**	133 6
Trade and other payables	C11	**277 3**	214 3
Borrowings and other financial liabilities	C12	**2,252.9**	2,099 1
Derivative financial instruments	C13	**-**	3 1
Provisions	C14	**21.3**	27 1
Deferred tax liabilities	C15	**69.7**	157 3
		2,974.2	2,634 5
Total liabilities		**7,989.0**	7,225 3
Net assets		**3,290.4**	3,491 0
Equity			
Called-up share capital	C16	**712 5**	712 5
Share premium account		**386 1**	386 1
Capital redemption reserve		**8 0**	8 0
Hedging reserve		**(6 7)**	48 3
Retained earnings		**2,190.5**	2,336 1
Total shareholder's equity		**3,290.4**	3,491 0

The financial statements were approved by the Board and authorised for issue on 1 September 2010 The financial statements also comprise the notes on pages 44 and 59

Marc Bolland Chief Executive

MARKS AND SPENCER PLC

REGISTERED NUMBER 00214436

Company statement of changes in equity

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 30 March 2008	712 5	386 1	8 0	5 1	3,031 3	4,143 0
Profit for the year attributable to shareholders	–	–	–	–	350 2	350 2
Other comprehensive income						
Actuarial loss on retirement benefit scheme	–	–	–	–	(909 6)	(909 6)
Deferred tax on retirement benefit scheme	–	–	–	–	254 9	254 9
Fair value movement in equity of available-for-sale assets	–	–	–	–	(48 9)	(48 9)
Cash flow and net investment hedges						
– losses deferred in equity	–	–	–	238 4	–	238 4
– reclassified and reported in net profit	–	–	–	(176 4)	–	(176 4)
– amount recognised in inventories	–	–	–	(1 3)	–	(1 3)
– tax on fair value gains	–	–	–	(17 5)	–	(17 5)
Total comprehensive income	–	–	–	43 2	(353 4)	(310 2)
Transactions with owners						
Dividends	–	–	–	–	(356 3)	(356 3)
Charge for share-based payments	–	–	–	–	14 3	14 3
Deferred tax on share schemes	–	–	–	–	0 2	0 2
At 28 March 2009	712 5	386 1	8 0	48 3	2,336 1	3,491 0
At 29 March 2009	**712 5**	**386.1**	**8.0**	**48 3**	**2,336.1**	**3,491.0**
Profit for the year attributable to shareholders	**–**	**–**	**–**	**–**	**243.6**	**243 6**
Other comprehensive income						
Actuarial loss on retirement benefit scheme	**–**	**–**	**–**	**–**	**(256.0)**	**(256 0)**
Deferred tax on retirement benefit scheme	**–**	**–**	**–**	**–**	**71.7**	**71 7**
Fair value movement in equity of available-for-sale assets	**–**	**–**	**–**	**–**	**(3 0)**	**(3.0)**
Cash flow and net investment hedges						
– fair value movement in equity	**–**	**–**	**–**	**41 0**	**–**	**41 0**
– reclassified and reported in net profit	**–**	**–**	**–**	**(116 6)**	**–**	**(116 6)**
– amount recognised in inventories	**–**	**–**	**–**	**(0 3)**	**–**	**(0.3)**
– tax on fair value gains	**–**	**–**	**–**	**20 9**	**–**	**20.9**
Total comprehensive income	**–**	**–**	**–**	**(55 0)**	**56 3**	**1 3**
Transactions with owners						
Dividends	**–**	**–**	**–**	**–**	**(239 4)**	**(239.4)**
Charge for share-based payments	**–**	**–**	**–**	**–**	**28 5**	**28.5**
Deferred tax on share schemes	**–**	**–**	**–**	**–**	**9 0**	**9 0**
At 3 April 2010	**712.5**	**386 1**	**8.0**	**(6 7)**	**2,190.5**	**3,290.4**

Company statement of cash flows

	Notes	53 weeks ended 3 April 2010 £m	52 weeks ended 28 March 2009 £m
Cash flows from operating activities			
Cash generated from operations	C18	**1,049.8**	1,160 0
Tax paid		**(115 8)**	(75 0)
Net cash inflow from operating activities		**934 0**	1,085 0
Cash flows from investing activities			
Purchase of investment in subsidiary company		**(0.1)**	(2 2)
Purchase of property, plant and equipment		**(319.7)**	(493 7)
Proceeds from sale of property, plant and equipment		**0.8**	57 0
Purchase of intangible assets		**(75 7)**	(119 9)
Purchase of non-current financial assets		**-**	(4 4)
Net purchase of shares held in employee trusts		**(19 0)**	–
Interest received		**11 0**	9 1
Net cash outflow from investing activities		**(402 7)**	(554 1)
Cash flows from financing activities			
Interest paid		**(175.2)**	(168 5)
Cash (outflow)/inflow from borrowings		**-**	(29 2)
(Repayment)/drawdown of syndicated bank facility		**(529.4)**	108 1
Issue of medium-term notes		**397.2**	-
Redemption of medium-term notes		**(200 4)**	-
Repayments under finance leases		**(16.5)**	(2 1)
Movement in intercompany loans treated as financing		**169 2**	19 6
Equity dividends paid		**(239 4)**	(356 3)
Net cash outflow from financing activities		**(594.5)**	(428 4)
Net cash (outflow)/inflow from activities		**(63 2)**	102 5
Opening net cash		**(11 8)**	(114 3)
Closing net cash	C10	**(75 0)**	(11 8)

Company notes to the financial statements

C1 Accounting policies

The Company's accounting policies are the same as those set out in note 1 of the Group financial statements, except as noted below

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment

Loans from other group undertakings and all other payables are initially recorded at fair value, which is generally the proceeds received They are then subsequently carried at amortised cost

The Group has adopted the exemption to apply Companies Act 2006, s408 A company income statement has not been produced

C2 Dividends

	2010 per share	2009 per share	2010 £m	2009 £m
Dividends on equity ordinary shares				
Paid final dividend	**5 3p**	7 9p	**151 0**	225 2
Paid interim dividend	**3.1p**	4 6p	**88 4**	131 1
	8.4p	12 5p	**239 4**	356 3

In addition, the directors have proposed a final dividend in respect of the year ended 3 April 2010 of 5 3p per share amounting to a dividend of £151 0m

C3 Retirement benefits

The Company provides pension arrangements for the benefit of its UK employees through the Marks & Spencer UK Pension Scheme This has a defined benefit section, which was closed to new entrants with effect from 1 April 2002, and a defined contribution section which has been open to new members with effect from 1 April 2003

The defined benefit section operates on a final salary basis and at the year end had some 15,000 active members (last year 21,000), 56,000 deferred members (last year 57,000) and 47,000 pensioners (last year 42,000) At the year end, the defined contribution section had some 8,000 active members (last year 8,000) and some 1,000 deferred members (last year 1,000)

Retirement benefits also include a UK post-retirement healthcare scheme and unfunded retirement benefits

Within the total retirement benefit cost, excluding the exceptional pension credits, of £40 3m (last year £26 1m), £27 0m (last year £14 0m) relates to the UK defined benefit section, £12 3m (last year £10 9m) to the UK defined contribution section and £1 0m (last year £1 2m) to other retirement benefit schemes

A. Pensions and other post-retirement liabilities

	2010 £m	2009 £m
Total market value of assets	**4,887.9**	3,931 6
Present value of scheme liabilities	**(5,224 9)**	(4,048 9)
Net funded pension plan deficit	**(337 0)**	(117 3)
Unfunded retirement benefits	**(0.4)**	(0 5)
Post-retirement healthcare	**(15 6)**	(15 8)
Net retirement benefit deficit	**(353 0)**	(133 6)

B. Financial assumptions

A full actuarial valuation of the UK defined benefit pension scheme was carried out at 31 March 2009 and showed a deficit of £1 3bn A funding plan of £800m has been agreed with the Trustees (see note 30) The difference between the valuation and the funding plan is expected to be met by investment returns on the existing assets of the pension scheme The financial assumptions for the UK scheme and the most recent actuarial valuations of the other post-retirement schemes have been updated by independent qualified actuaries to take account of the requirements of IAS 19 – 'Retirement Benefits' in order to assess the liabilities of the schemes

	2010 %	2009 %
Rate of increase in salaries	**1 0**	1 0
Rate of increase in pensions in payment for service		
– pre April 1997	**2.7**	2 6
– between April 1997 and July 2005	**3 5**	2 9
– post July 2005	**2.3**	2 3
Discount rate	**5.5**	6 8
Inflation rate	**3.6**	2 9
Long-term healthcare cost increases	**8.6**	7 9

The amount of the deficit varies if the main financial assumptions change, particularly the discount rate If the discount rate increased/ decreased by 0 1% the IAS 19 deficit would decrease/increase by c £90m

Company notes to the financial statements

C3 Retirement benefits continued

C Demographic assumptions

The demographic assumptions are in line with those adopted for the last formal actuarial valuation of the scheme (31 March 2009) One of the most significant demographic assumptions underlying the valuation is mortality The post-retirement mortality assumptions are based on an analysis of the pensioner mortality trends under the scheme for the period to March 2009 updated to allow for anticipated longevity improvements over the subsequent years The specific mortality rates used are based on the SAPS tables, adjusted to allow for the experience of scheme pensioners The life expectancies underlying the valuation are as follows

		2010 years	2009 years
Current pensioners (at age 65)	– males	**21.9**	21 2
	– females	**23.3**	23 6
Future pensioners (at age 65)	– males	**23.1**	22 0
	– females	**24.2**	24 3

D Analysis of assets and expected rates of return

The major categories of assets as a percentage of total plan assets are

	2010 £m	2009 £m	2010 %	2009 %
Property partnership interest	**631 7**	529 8	**13**	13
UK equities	**415.7**	448 8	**9**	12
Overseas equities	**1,238.0**	644 3	**25**	16
Government bonds	**53 9**	127 2	**1**	3
Corporate bonds	**2,520 8**	2,278 0	**51**	58
Swaps	**(245 1)**	(214 9)	**(5)**	(5)
Cash and other	**272 9**	118 4	**6**	3
	4,887 9	3,931 6	**100**	100

The expected long-term rates of return are

	2010 %	2009 %
Property partnership interest	**5.1**	7 1
UK equities	**8.4**	8 0
Overseas equities	**8 4**	8 0
Government bonds	**4.5**	4 2
Corporate bonds	**5 5**	6 8
Swaps	**4 5**	4 2
Cash and other	**4 4**	4 2
Overall expected return	**6 5**	7 2

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes The expected return for each asset class reflects a combination of historical performance analysis, the forward-looking views of financial markets (as suggested by the yields available) and the views of investment organisations Consideration is also given to the rate of return expected to be available for reinvestment

At year end, the UK scheme indirectly held 232,042 (last year 369,793) ordinary shares in Marks and Spencer Group plc through its investment in an Aquila Life UK Equity Index Fund

E. Analysis of amount charged against profits

	2010 £m	2009 £m
Operating cost		
Current service cost	**50.3**	65 9
Curtailment gain	**1.0**	(5 0)
Exceptional pension credit (see note 5)	**-**	(231 3)
	51 3	(170 4)
Finance cost		
Expected return on plan assets	**(278.0)**	(330 0)
Interest on scheme liabilities	**267.0**	295 2
Net finance income	**(11 0)**	(34 8)
Total	**40 3**	(205 2)

Company notes to the financial statements

C3 Retirement benefits continued

F. Scheme assets
Changes in the fair value of the scheme assets are as follows

	2010 £m	2009 £m
Fair value of scheme assets at start of year	**3,931 6**	4,992 7
Expected return on scheme assets[1]	**278 0**	330 0
Employer contributions[2]	**76 9**	86 1
Contributions from scheme members	**–**	2 0
Benefits paid	**(254.8)**	(224 5)
Actuarial gain/(loss)	**856 2**	(1,254 7)
Fair value of scheme assets at end of year	**4,887.9**	3,931 6

1 The actual return on scheme assets was £1 134 2m (last year a loss of £924 7m)

2 In 2007/08 the Company agreed to pre fund £200 0m of its annual contribution to the UK defined benefit pension scheme for the next three years The prepayment is in respect of annual contributions to the UK scheme at the rate of 23 2% of pensionable salaries up to 30 September 2010 and then 22 9% up to the next financial year It is estimated that approximately £55m of the prepayment will relate to the year ended 3 April 2010

G. Retirement benefit obligations
Changes in the present value of retirement benefit obligations are as follows

	2010 £m	2009 £m
Present value of obligation at start of year	**4,065.2**	4,508 0
Current service cost	**50 3**	65 9
Curtailment charge/(gain)	**1.0**	(5 0)
Exceptional pension credit	**–**	(231 3)
Interest cost	**267 0**	295 2
Contributions from scheme members	**–**	2 0
Benefits paid	**(254 8)**	(224 5)
Actuarial loss/(gain)	**1,112 2**	(345 1)
Present value of obligation at end of year	**5,240.9**	4,065 2
Analysed as		
Present value of pension scheme liabilities	**5,224.9**	4,048 9
Unfunded pension plans	**0 4**	0 5
Post-retirement healthcare	**15.6**	15 8
Present value of obligation at end of year	**5,240.9**	4,065 2

H. Cumulative actuarial gains and losses recognised in equity

	2010 £m	2009 £m
Loss at start of year	**(1,252 9)**	(343 3)
Net actuarial losses recognised in the year	**(256 0)**	(909 6)
Loss at end of year	**(1,508 9)**	(1,252 9)

I History of experience gains and losses

	2010 £m	2009 £m	2008 £m
Experience adjustments arising on scheme assets	**856.2**	(1,254 7)	(410 0)
Experience gains arising on scheme liabilities	**30.0**	81 0	(61 5)
Changes in assumptions underlying the present value of scheme liabilities	**(1,142.2)**	264 1	1,078 6
Actuarial losses recognised in equity	**(256 0)**	(909 6)	607 1
Fair value of scheme assets	**4,887 9**	3,931 6	4,992 7
Present value of scheme liabilities	**(5,224.9)**	(4,065 2)	(4,508 0)
Pension scheme deficit	**(337.0)**	(133 6)	484 7

Company notes to the financial statements

C4 Share-based payments

Disclosures for the Company are not provided here as the impact on the income statement, and the assets and liabilities of the Company are not materially dissimilar to that of note 11 in the Company's consolidated financial statements

C5 Intangible assets

	Computer software £m	Computer software under development £m	Total £m
At 29 March 2008			
Cost or valuation	81 6	77 9	159 5
Accumulated amortisation	(34 3)	–	(34 3)
Net book value	47 3	77 9	125 2
Year ended 28 March 2009			
Opening net book value	47 3	77 9	125 2
Additions	1 1	118 7	119 8
Transfers	18 0	(18 0)	–
Amortisation charge	(21 6)	–	(21 6)
Closing net book value	44 8	178 6	223 4
At 28 March 2009			
Cost or valuation	100 7	178 6	279 3
Accumulated amortisation	(55 9)	–	(55 9)
Net book value	44 8	178 6	223 4
Year ended 3 April 2010			
Opening net book value	**44 8**	**178.6**	**223 4**
Additions	**18.6**	**57.1**	**75.7**
Transfers	**115 7**	**(115.7)**	**-**
Amortisation charge	**(27 8)**	**–**	**(27.8)**
Closing net book value	**151 3**	**120.0**	**271 3**
At 3 April 2010			
Cost or valuation	**235 1**	**120.0**	**355 1**
Accumulated amortisation	**(83 8)**	**–**	**(83 8)**
Net book value	**151.3**	**120.0**	**271 3**

Computer software and software under development are internally generated Computer software is amortised on a straight-line basis over a period of three to ten years

Company notes to the financial statements

C6 Property, plant and equipment

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
At 29 March 2008				
Cost	922 7	4,026 7	157 4	5,106 8
Accumulated depreciation	(76 0)	(2,144 5)	–	(2,220 5)
Net book value	846 7	1,882 2	157 4	2,886 3
Year ended 28 March 2009				
Opening net book value	846 7	1,882 2	157 4	2 886 3
Additions	20 8	374 8	72 3	467 9
Transfers	13 0	101 2	(114 2)	–
Disposals	(55 6)	(4 9)	–	(60 5)
Depreciation charge	(2 5)	(338 4)	–	(340 9)
Closing net book value	822 4	2,014 9	115 5	2,952 8
At 28 March 2009				
Cost	898 8	4,370 1	115 5	5,384 4
Accumulated depreciation	(76 4)	(2,355 2)	–	(2,431 6)
Net book value	822 4	2,014 9	115 5	2,952 8
Year ended 3 April 2010				
Opening net book value	**822.4**	**2,014.9**	**115 5**	**2,952 8**
Additions	**10 8**	**231.2**	**42 2**	**284.2**
Transfers	**16 1**	**22.7**	**(38 8)**	**-**
Disposals	**(6 2)**	**(2 0)**	**-**	**(8 2)**
Depreciation charge	**(2 0)**	**(347 7)**	**-**	**(349.7)**
Closing net book value	**841 1**	**1,919 1**	**118 9**	**2,879.1**
At 3 April 2010				
Cost	**919.4**	**4,598.3**	**118.9**	**5,636 6**
Accumulated depreciation	**(78 3)**	**(2,679 2)**	**-**	**(2,757.5)**
Net book value	**841 1**	**1,919 1**	**118 9**	**2,879.1**

The net book value above includes land and buildings of £38 2m (last year £38 4m) and equipment of £45 3m (last year £58 7m) where the Group is a lessee under a finance lease

Additions to property, plant and equipment during the year amounting to £0 1m (last year £32 8m) were financed by new finance leases

C7 Investments

A. Investments in joint ventures

	2010 £m	2009 £m
Opening net book value	**10 5**	6 1
Additions	**-**	4 4
Net book value at start and end of year	**10.5**	10 5
Cost	**10 5**	10 5
Accumulated provision	**-**	–
Net book value	**10.5**	10 5

The joint ventures represent a 50% equity interest in Hedge End Park Limited, a property investment company incorporated in Great Britain, and a 50% equity interest in Lima (Bradford) S a r l, a property investment company incorporated in Luxembourg, acquired during the prior year The partner in the Hedge End Park Limited joint venture is J Sainsbury plc and the partner in the Lima (Bradford) S a r l joint venture is ProLogis UK Holdings S A

Company notes to the financial statements

B Investment in Group undertakings

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
At 29 March 2008			
Cost or valuation	1,701 8	0 5	1,702 3
Provision for impairment	(116 6)	–	(116 6)
Net book value	1,585 2	0 5	1,585 7
Year ended 28 March 2009			
Opening net book value	1,585 2	0 5	1,585 7
Additions	2 2	–	2 2
Provision for impairment	(8 2)	–	(8 2)
Closing net book value	1,579 2	0 5	1,579 7
At 28 March 2009			
Cost or valuation	1,704 0	0 5	1,704 5
Provision for impairment	(124 8)	–	(124 8)
Net book value	1,579 2	0 5	1,579 7
Year ended 3 April 2010			
Opening net book value	**1,579 2**	**0.5**	**1,579 7**
Additions	**40 2**	**–**	**40 2**
Provision for impairment	**(43 0)**	**–**	**(43 0)**
Closing net book value	**1,576 4**	**0.5**	**1,576 9**
At 3 April 2010			
Cost or valuation	**1,739.0**	**0.5**	**1,739 5**
Provision for impairment	**(162 6)**	**–**	**(162 6)**
Net book value	**1,576 4**	**0.5**	**1,576.9**

The additions during the year principally relate to an additional investment in The ZIP Project Limited which was subsequently impaired as the company entered administration

C Principal subsidiary undertakings

The Company's principal subsidiary undertakings are set out below A schedule of interests in all undertakings is filed with the Annual Return

	Principal activity	Country of incorporation and operation	Proportion of voting rights and shares held by: Company	A subsidiary
Marks and Spencer International Holdings Limited	Holding Company	Great Britain	100%	–
Marks and Spencer (Nederland) BV	Holding Company	The Netherlands	–	100%
Marks and Spencer Marinopoulos BV	Holding Company	The Netherlands	–	50%
Marks and Spencer Czech Republic a s	Retailing	Czech Republic	–	51%
Marks and Spencer (Ireland) Limited	Retailing	Republic of Ireland	–	100%
Marks and Spencer (Asia Pacific) Limited	Retailing	Hong Kong	–	100%
Marks and Spencer Simply Foods Limited	Retailing	Great Britain	100%	–
Marks and Spencer Marinopoulos Greece SA	Retailing	Greece	–	100%
M S General Insurance L P	Financial Services	Guernsey	–	100%
Marks and Spencer Guernsey Investments LLP	Financial Services	Guernsey	–	100%
Marks and Spencer Investments Limited	Finance	Great Britain	–	100%
St Michael Finance plc	Finance	Great Britain	100%	–
Marks and Spencer SCM Limited	Procurement	Great Britain	100%	–
Per Una Group Limited	Procurement	Great Britain	100%	–
Marks and Spencer Scottish Limited Partnership	Property Investment	Great Britain	–[1]	–

1 Marks and Spencer plc is the general partner

The Company has taken advantage of the exemption under section 410 of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements

Company notes to the financial statements

C8 Other financial assets

	2010 £m	2009 £m
Non-current		
Unlisted investments	**3.0**	3 0
Other investments[1]	**27.1**	11 1
	30.1	14 1

1 Other investments are the shares in Marks and Spencer Group plc held for employee share schemes

Other financial assets are carried as available-for-sale assets

C9 Trade and other receivables

	2010 £m	2009 £m
Non-current		
Other receivables	**4.4**	8 0
Prepaid pension contributions	**8.0**	60 7
Prepaid leasehold premiums	**146.6**	149 5
	159.0	218 2
Current		
Trade receivables	**91.7**	84 6
Less Provision for impairment of receivables	**(4 7)**	(4 0)
Trade receivables – net	**87 0**	80 6
Other receivables	**12 2**	13 8
Prepaid pension contributions	**55 3**	65 7
Prepaid leasehold premiums	**2 7**	2 8
Other prepayments and accrued income	**92.0**	82 5
Amounts owed by parent company	**2,603.5**	2,619 3
Amounts owed by subsidiary companies	**2,705 8**	1,999 1
	5,558.5	4,863 8

Trade receivables that were past due but not impaired amounted to £0 7m (last year £9 9m) and are mainly sterling denominated The directors consider that the carrying amount of trade and other receivables approximates their fair value

As at 3 April 2010, £845 5m (last year £741 3m) of the intercompany receivable is interest bearing Overall the interest received during the year was £11 9m (last year £36 5m) Interest rates are set within individual intercompany loan agreements however are approximately in line with LIBOR The remaining £4,463 8m (last year £3,877 1m) of intercompany receivables are interest-free

C10 Cash and cash equivalents

Cash and cash equivalents includes short-term deposits with banks and other financial institutions, with an initial maturity of three months or less and credit card payment received within 48 hours The carrying amount of these assets approximates their fair value

The effective interest rate on short-term bank deposits is 0 3% (last year 0 4%), these deposits have an average maturity of five days (last year five days)

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts

	2010 £m	2009 £m
Cash at bank and in hand	**128 2**	112 8
Bank loans and overdrafts	**(208 2)**	(146 6)
Syndicated bank facility	**(219 8)**	(764 2)
Bank loans and overdrafts treated as financing	**224.8**	786 2
	(75 0)	(11 8)

Company notes to the financial statements

C11 Trade and other payables

	2010 £m	2009 £m
Current		
Trade and other payables	**691 6**	577 1
Social security and other taxes	**80 0**	44 5
Accruals and deferred income	**218.3**	264 8
Amounts owed to subsidiaries	**3,451.2**	2,522 6
	4,441 1	3,409 0
Non-current		
Other payables	**277 3**	214 3

As at 3 April 2010, £1,211 1m (last year £1,090 2m) of the intercompany payable is interest bearing Overall the interest paid during the year was £18 7m (last year £61 7m) Interest rates are set within individual intercompany loan agreements however are approximately in line with LIBOR The remaining £2,240 1m (last year £1,432 4m) of intercompany payables are interest free

Cost of inventories recognised as an expense during the is £5,432 8m (last year £5,150 5m)

C12 Borrowings and other financial liabilities

	2010 £m	2009 £m
Current		
Bank loans and overdrafts[1]	**208 2**	129 6
Syndicated bank facility[2]	**219 8**	781 2
Finance lease liabilities	**13 5**	13 4
	441.5	924 2
Non-current		
6 375% £375m medium-term notes 2011[3]	**314 6**	382 6
5 875% £400m medium-term notes 2012[3]	**279 9**	417 9
5 625% £400m medium-term notes 2014[3]	**399.5**	399 0
6 250% US$500m medium-term notes 2017[4]	**333.8**	354 4
6 125% £400m medium-term notes 2019[3]	**403.5**	-
7 125% US$300m medium-term notes 2037[4]	**199.6**	212 0
6 875% £250m puttable callable reset medium-term notes 2037[3 5]	**253.0**	252 6
Finance lease liabilities	**69.0**	80 6
	2,252.9	2,099 1
Total	**2,694.4**	3,023 3

1 Bank loans and overdrafts includes a £5 0m (last year £5 0m) loan from the Hedge End Park Limited joint venture (see note C19)

2 Relates to a £1 2bn committed bank revolving credit facility set to mature on 26 March 2013

3 These notes are issued under Marks and Spencer plc s £3bn European Medium Term Note Programme and all pay interest annually

4 Interest on these bonds is payable semi annually

5 These notes include an investor put and issuer call option exercisable in December 2012

On 25 November 2009 the Company announced the successful tender offer for £67 4m of the November 2011 medium-term notes and £132 6m of the May 2012 medium-term notes incurring a one-off premium of £13 5m on the buy-back In conjunction, new medium-term notes were issued totalling £400m at a coupon rate of 6 125%, of which £200m have been swapped to floating rate and designated in a fair value hedge relationship

Finance leases

The minimum lease payments under finance leases fall due as shown in the table on the following page It is the Group's policy to lease certain of its properties and equipment under finance leases The average lease term for equipment is 6 years and 125 years for property Interest rates are fixed at the contract rate All leases are on a fixed repayment basis and no arrangements have been entered into for contingent payments The Company's obligations under finance leases are secured by the lessors' charges over the leased assets

Company notes to the financial statements

C13 Financial instruments

Treasury policy and financial risk management

Marks and Spencer plc is the main treasury entity of the group and as a result the treasury function is managed through this company The term Company and Group are therefore interchangeable in the risk analysis below The Company operates a centralised treasury function to manage the Group's funding requirements and financial risks in line with the Board approved treasury policies and procedures, and their delegated authorities

The Company's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items, such as trade receivables and trade payables, that arise directly from its operations The main purpose of these financial instruments is to finance the Company's operations

Group treasury also enters into derivative transactions, principally interest rate and currency swaps and forward currency contracts The purpose of these transactions is to manage the interest rate and currency risks arising from the Company's operations and financing

It remains the Group's policy not to hold or issue financial instruments for trading purposes, except where financial constraints necessitate the need to liquidate any outstanding investments The treasury function is managed as a cost centre and does not engage in speculative trading

The principal financial risks faced by the Company are liquidity/funding, interest rate, foreign currency and counterparty risks The policies and strategies for managing these risks are summarised as follows

(a) Liquidity/funding risk

The risk that the Company could be unable to settle or meet its obligations as they fall due at a reasonable price

- The Group's funding strategy ensures a mix of funding sources offering flexibility and cost effectiveness to match the requirements of the Group
- Operating subsidiaries are financed by a combination of retained profits, bank borrowings, medium-term notes and committed syndicated bank facilities

At year end, the Company had a committed syndicated bank revolving credit facility of £1 2bn set to mature on 26 March 2013 This facility contains only one financial covenant being the ratio of earnings before interest, tax, depreciation, amortisation and rents payable, to interest plus rents payable The covenant is measured semi-annually The Company also has a number of undrawn uncommitted facilities available to it At year end, these amounted to £105m (last year £105m), all of which are due to be reviewed within a year At the balance sheet date a sterling equivalent of £220m (last year £764m) was drawn under the committed facilities and £nil (last year £nil) was drawn under the uncommitted facilities

In addition to the existing borrowings, the Company has a euro medium-term note programme of £3bn, of which £1 6bn (last year £1 4bn) was in issuance as at the balance sheet date

The contractual maturity of the Company's non-derivative financial liabilities and derivatives is as follows

	Bank loans and overdrafts £m	Syndicated bank facility £m	Medium term notes £m	Finance lease liabilities £m	Total £m	Derivative assets £m	Derivative liabilities £m	Total £m
Timing of cash flows								
Within one year	(129 6)	(781 2)	(123 8)	(17 7)	(1,052 3)	1,671 4	(1,669 8)	1 6
Between one and two years	–	–	(123 8)	(14 9)	(138 7)	103 2	(94 9)	8 3
Between two and five years	–	–	(1,476 8)	(32 8)	(1,509 6)	114 0	(83 2)	30 8
More than five years	–	–	(1,706 2)	(176 2)	(1,882 4)	1,003 8	(708 9)	294 9
	(129 6)	(781 2)	(3,430 6)	(241 6)	(4,583 0)	2,892 4	(2,556 8)	335 6
Effect of discounting and foreign exchange	–	–	1,412 1	147 6	1,559 7			
At 28 March 2009	(129 6)	(781 2)	(2,018 5)	(94 0)	(3,023 3)			
Timing of cash flows								
Within one year	**(208.2)**	**(219 8)**	**(134 1)**	**(17.2)**	**(579 3)**	**1,888 8**	**(1,875 6)**	**13.2**
Between one and two years	**–**	**–**	**(441 7)**	**(12 8)**	**(454.5)**	**64.6**	**(53.4)**	**11.2**
Between two and five years	**–**	**–**	**(960.1)**	**(23.4)**	**(983.5)**	**106 7**	**(84.4)**	**22 3**
More than five years	**–**	**–**	**(2,115.5)**	**(172 3)**	**(2,287 8)**	**909 5**	**(693 2)**	**216 3**
	(208 2)	**(219.8)**	**(3,651.4)**	**(225 7)**	**(4,305 1)**	**2,969.6**	**(2,706 6)**	**263 0**
Effect of discounting and foreign exchange	**–**	**–**	**1,467.5**	**143 2**	**1,610 7**			
At 3 April 2010	**(208 2)**	**(219 8)**	**(2,183.9)**	**(82.5)**	**(2,694 4)**			

This table does not include trade and other payables (see note C11) due to the low associated liquidity risk

Company notes to the financial statements

C13 Financial instruments continued

The present value of finance lease liabilities is as follows

	2010 £m	2009 £m
Within one year	**(13 5)**	(13 4)
Later than one year and not later than five years	**(26 5)**	(36 1)
Later than five years	**(42.5)**	(44 5)
Total	**(82.5)**	(94 0)

[illegible]

Counterparty risk exists where the Company can suffer financial loss through default or non-performance by financial institutions

Exposures are managed through Group treasury policy which limits the value that can be placed with each approved counterparty to minimise the risk of loss The counterparties are limited to the approved institutions with secure long-term credit ratings A+/A1 or better assigned by Moody's and Standard & Poor's respectively, unless approved on an exception basis by a Board director Limits are reviewed regularly by senior management The credit risk of these financial instruments is estimated as the fair value of the assets resulting from the contracts

The table below analyses the Company's cash and cash equivalents and derivative assets by credit exposure excluding bank balances, store cash and cash in transit

	Credit rating of counterparty[3]						
	AAAm £m	AAA £m	AA £m	AA £m	A+ £m	A[2] £m	Total
Short term investments[4]	–	–	1 6	–	17 1	–	18 7
Derivative assets	–	105 4	53 7	–	150 6	9 8	319 5
At 28 March 2009	–	105 4	55 3	–	167 7	9 8	338 2
	AAAm £m	**AAA £m**	**AA £m**	**AA- £m**	**A+ £m**	**A[2] £m**	**Total**
Short term investments	**–**	**-**	**10.4**	**-**	**3.8**	**-**	**14.2**
Derivative assets[1]	**–**	**50.8**	**31.1**	**-**	**76.7**	**8.1**	**166 7**
At 3 April 2010	**–**	**50 8**	**41.5**	**-**	**80.5**	**8.1**	**180.9**

1 Excludes derivative asset option which is embedded within the £250m puttable callable reset medium term notes due 2037

2 Exposure to counterparty approved as an exception to treasury policy

3 Standard & Poor's equivalent rating shown as reference to the lowest credit rating of the counterparty from either Standard & Poor's or Moody's

4 Includes cash on deposit

The Company has very low retail credit risk due to transactions being principally of a high volume, low value and short maturity

The maximum exposure to credit risk at the balance sheet date was as follows trade receivables £87m (last year £81m), other receivables £17m (last year £22m), cash and cash equivalents £128m (last year £113m) and derivatives £187m (last year £381m)

[illegible]) Foreign currency risk

Transactional foreign currency exposures arise from both the export of goods from the UK to overseas subsidiaries, and from the import of materials and goods directly sourced from overseas suppliers

Group treasury hedge these exposures principally using forward foreign exchange contracts progressively covering up to 100% out to 18 months Where appropriate hedge cover can be taken out longer than 18 months with Board approval The Company is primarily exposed to foreign exchange risk in relation to sterling against movements in US dollar and euro

Forward foreign exchange contracts in relation to the Company's forecast currency requirements are designated as cash flow hedges with fair value movements recognised directly in equity To the extent that these hedges cover actual currency payables or receivables then associated fair value movements previously recognised in equity are recorded in the income statement in conjunction with the corresponding asset or liability As at the balance sheet date the gross notional value in sterling terms of forward foreign exchange sell or buy contracts amounted to £1,686m (last year £1,489m) with a weighted average maturity date of five months (last year six months)

At the balance sheet date the Company did not hold any derivatives to hedge balance sheet and profit and loss translation exposures Where appropriate, borrowings are arranged in local currencies to provide a natural hedge against overseas assets

The Company also hedges foreign currency intercompany loans where these exist Forward foreign exchange contracts in relation to the hedging of the Company's foreign currency intercompany loans are designated as held for trading with fair value movements being recognised in the income statement The corresponding fair value movement of the intercompany loan balance results in an overall nil impact (last year £nil) on the income statement As at the balance sheet date, the gross notional value of intercompany loan hedges was £155m (last year £108m)

Gains and losses in equity on forward foreign exchange contracts as at 3 April 2010 will be released to the income statement at various dates over the following 13 months (last year 14 months) from the balance sheet date

Company notes to the financial statements

C13 Financial instruments continued

After taking into account the hedging derivatives entered into by the Company, the currency and interest rate exposure of the Company's financial liabilities is as set out below excluding short-term payables

	2010 Fixed rate £m	2010 Floating rate £m	2010 Total £m	2009 Fixed rate £m	2009 Floating rate £m	2009 Total £m
Currency						
Sterling	**2,066.4**	**408.2**	**2,474 6**	2,112 5	629 9	2,742 4
Euro	–	**204.6**	**204 6**	–	264 5	264 5
Hong Kong dollar	–	**15 2**	**15.2**	–	16 4	16 4
	2,066.4	**628 0**	**2,694.4**	2,112 5	910 8	3,023 3

The floating rate sterling and euro borrowings are linked to interest rates related to LIBOR These rates are for periods between one and three months

As at the balance sheet date and excluding finance leases, the fixed rate sterling borrowings are at an average rate of 5 9% (last year 6 2%) and the weighted average time for which the rate is fixed is ten years (last year ten years)

(d) Interest rate risk

The Company is exposed to interest rate risk in relation to the sterling, US dollar, euro and Hong Kong dollar variable rate financial assets and liabilities

- The Group's policy is to use derivative contracts where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk The structure and maturity of these derivatives correspond to the underlying borrowings and are accounted for as fair value or cash flow hedges as appropriate
- At the balance sheet date fixed rate borrowings amounted to £2,066 4m (last year £2,112 5m) representing the public bond issues and finance leases, and amounting to 77% (last year 70%) of the Company's gross borrowings

The effective interest rates at the balance sheet date were as follows

	2010 %	2000 %
Committed and uncommitted borrowings	**0 6**	4 0
Medium-term notes	**5 9**	6 2
Finance leases	**4 8**	4 8

Derivative financial instruments

		2010 Assets £m	2010 Liabilities £m	2009 Assets £m	2009 Liabilities £m
Current					
Options	– held for trading	**14 3**	**(14 3)**	27 0	(27 0)
Commodity swap	– cash flow hedge	**–**	**(2.1)**	–	(16 7)
Forward foreign exchange contracts	– cash flow hedges	**30.1**	**(5.0)**	59 9	(27 4)
	– cash flow hedges with Group undertakings	**5 6**	**(29.2)**	33 1	(61 0)
	– held for trading	**3 7**	**(1 2)**	5 6	(0 4)
Interest rate swaps	– held for trading	**–**	**(4 3)**	–	(4 6)
		53 7	**(56.1)**	125 6	(137 1)
Non-current					
Commodity swap	– cash flow hedge	**–**	**–**	–	(1 5)
Cross currency swaps	– cash flow hedges	**132 8**	**–**	253 9	–
Forward foreign exchange contracts	– cash flow hedges	**0 1**	**–**	0 1	(1 5)
	– cash flow hedges with Group undertakings	–	–	1 5	(0 1)
		132.9	–	255 5	(3 1)

Company notes to the financial statements

C13 Financial instruments continued

At the balance sheet date, the Company held a number of cross currency swaps to redesignate its fixed rate US dollar debt to fixed rate sterling debt The attributes of these derivatives match the characteristics of the underlying debt hedged with rates of 7 034% (2017 bond) and 7 238% (2037 bond) The amounts reported as options held for trading in derivative assets and liabilities represent the fair value of the call option with the puttable callable reset notes, mirrored by the fair value of the sold option to have this call assigned During the year the Company entered into a number of interest rate swaps to redesignate sterling fixed debt to floating debt These swaps are accounted for as fair value hedges The ineffective portion recognised in the profit or loss that arises from fair value hedges amounts to a loss of £0 4m (last year £nil) as the gain on the hedged item was £1 5m (last year £nil) and the loss on the hedging instrument was £1 9m (last year £nil) There was no ineffectiveness on cash flow hedging or net investment hedging

Sensitivity analysis

The table below illustrates the estimated impact on the income statement and equity as a result of market movements in foreign exchange and interest rates in relation to all of the Company's financial instruments The Company considers that a 2% +/- movement in interest rates and a 20% weakening or strengthening in sterling represents reasonable possible changes However, this analysis is for illustrative purposes only

The impact in the income statement due to changes in interest rates reflects the effect on the Company's floating rate debt as at the balance sheet date The impact in equity reflects the fair value movement in relation to the Company's cross currency swaps The impact from foreign exchange movements reflects the change in the fair value of the Company's transactional foreign exchange cash flow hedges at the balance sheet date

The table excludes financial instruments that expose the Company to interest rate and foreign exchange risk where such risk is fully hedged with another financial instrument Also excluded are trade receivables and payables as these are either sterling denominated or the foreign exchange risk is hedged

	2% decrease in interest rates £m	2% increase in interest rates £m	20% weakening in sterling £m	20% strengthening in sterling £m
At 28 March 2009				
Impact on income statement gain/(loss)	22 1	(20 6)	–	–
Impact on equity gain/(loss)	74 5	(38 6)	15 3	(10 2)
At 3 April 2010				
Impact on income statement gain/(loss)	**7 2**	**(15.9)**	–	–
Impact on equity gain/(loss)	**33 0**	**(24.7)**	18 1	(12 1)

Fair value hierarchy

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

- Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
- Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data Unlisted equity investments are included in Level 3

As at 3 April 2010, the Company held the following financial instruments measured at fair value

				2010				2009
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value								
Financial assets at fair value through profit or loss								
– Trading derivatives	**–**	**18 0**	**–**	**18 0**	–	32 6	–	32 6
Derivatives used for hedging	**–**	**168 6**	**–**	**168.6**	–	348 5	–	348 5
Available-for-sale financial assets								
– equity securities	**27 1**	**–**	**3 0**	**30.1**	11 1	–	3 0	14 1
Liabilities measured at fair value								
Financial liabilities at fair value through profit or loss								
– Trading derivatives	**–**	**(19.8)**	**–**	**(19.8)**	–	(32 0)	–	(32 0)
Derivative used for hedging	**–**	**(36.3)**	**–**	**(36.3)**	–	(108 2)	–	(108 2)

During the reporting period ending 3 April 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements There were no changes in the fair value of Level 3 instruments during the year ended 3 April 2010 A reasonably possible change in assumptions is unlikely to result in a significant change in the fair value of the Level 3 instruments

Company notes to the financial statements

C13 Financial instruments continued

Fair value of financial instruments
With the exception of the Company's fixed rate bond debt, there were no material differences between the carrying value of non-derivative financial assets and financial liabilities and their fair values as at the balance sheet date

The carrying value of the Company's fixed rate bond debt was £2,183 9m (last year £2,018 5m), the fair value of this debt was £2,107 7m (last year £1,616 6m)

Capital policy
The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide optimal returns for shareholders and to maintain an efficient capital structure to reduce the cost of capital

In doing so the Group's strategy is to maintain a capital structure commensurate with an investment grade credit rating and to retain appropriate levels of liquidity headroom to ensure financial stability and flexibility To achieve this strategy the Group regularly monitors key credit metrics such as the gearing ratio, cash flow to net debt (see note 29) and fixed charge cover to maintain this position In addition the Group ensures a combination of appropriate committed short-term liquidity headroom with a diverse and smooth long-term debt maturity profile

During the year the Group maintained an investment grade credit rating of Baa3 (stable) with Moody's and BBB- (stable) with Standard & Poor, and through the successful tender of £200m of existing short-dated bonds in conjunction with a new £400m 10 year bond issue extended the average fixed debt maturity by one year to ten years and increased short-term liquidity by £200m

In order to maintain or re-align the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt

C14 Provisions

	Total £m
At 30 March 2008	18 2
Provided in the year	79 6
Released in the year	(8 5)
Utilised during the year	(0 7)
At 28 March 2009	88 6
At 29 March 2009	**88 6**
Provided in the year	**5 1**
Released in the year	**(8.0)**
Utilised during the year	**(40.1)**
At 3 April 2010	**45 6**

Analysis of total provisions

	2010 £m	2009 £m
Current	**24.3**	61 5
Non-current	**21 3**	27 1
Total provisions	**45 6**	88 6

The provision is comprised of exceptional costs related to the strategic restructure in 2008/09 (see note 5 of the consolidated accounts), including onerous leases and redundancies, as well as costs of closing Lifestore

The current element of the provision primarily relates to costs relating to the rationalisation of IT and logistics networks

The non-current element of the provision relates to store closures, primarily onerous leases, and are expected to be utilised over a period of seven years

Company notes to the financial statements

C15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (last year 28%)

The movements in deferred tax assets and liabilities (after the offsetting of balances within the same jurisdiction as permitted by IAS 12 – 'Income Taxes') during the period are shown below Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net

Deferred tax assets/(liabilities)

	Fixed assets temporary differences £m	Accelerated capital allowances £m	Pension temporary differences £m	Other short term temporary differences £m	Total £m
At 30 March 2008	(74 2)	(119 9)	(138 3)	15 7	(316 7)
Credited/(charged) to the income statement	(0 3)	15 0	(86 9)	(6 0)	(78 2)
Credited/(charged) to equity	–	–	254 9	(17 3)	237 6
At 28 March 2009	(74 5)	(104 9)	29 7	(7 6)	(157 3)
At 29 March 2009	**(74 5)**	**(104 9)**	**29 7**	**(7.6)**	**(157.3)**
Credited/(charged) to the income statement	**4.5**	**5 9**	**(20 2)**	**(4.2)**	**(14.0)**
Credited/(charged) to equity	**–**	**–**	**71.7**	**29.9**	**101.6**
At 3 April 2010	**(70 0)**	**(99 0)**	**81 2**	**18 1**	**(69 7)**

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The effect of the changes to be enacted by the Finance (No 2) Act 2010 is currently being assessed by management

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries As the earnings are continually reinvested by the Group, no tax is expected to be payable to them in the foreseeable future Undistributed profits of overseas subsidiaries amount to £396 5m (last year £380 6m)

C16 Share capital and reserves

	2010 Shares	2010 £m	2009 Shares	2009 £m
Authorised ordinary shares of 25p each	**3,200,000,000**	**800 0**	3,200,000,000	800 0
Allotted, called up and fully paid ordinary shares of 25p each.				
At start and end of year	**2,850,039,477**	**712 5**	2,850,039,477	712 5

C17 Contingencies and commitments

A. Capital commitments

	2010 £m	2009 £m
Commitments in respect of properties in the course of construction	**65.4**	29 1

B Other material contracts

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

C. Commitments under operating leases

The Company leases various stores, offices, warehouses and equipment under non-cancellable operating lease agreements The leases have varying terms, escalation clauses and renewal rights

	2010 £m	2009 £m
Total future minimum rentals payable under non-cancellable third-party operating leases are as follows		
Not later than one year	**175.0**	162 4
Later than one year and not later than five years	**657.5**	619 0
Later than five years	**2,636 0**	2,795 5
Total	**3,468 5**	3,576 9

The total future sublease payments to be received are £41 1m (last year £51 9m)

Company notes to the financial statements

C18 Analysis of cash flows given in the cash flow statement

Cash flows from operating activities

	53 weeks ended 3 April 2010 £m	52 weeks ended 28 March 2009 £m
Profit on ordinary activities after taxation	**243.6**	350 2
Income tax expense	**123 1**	157 4
Interest payable and similar charges	**166.6**	229 9
Interest receivable	**(23 0)**	(79 8)
Operating profit	**510.3**	657 7
Increase in inventories	**(119.3)**	(9 2)
Decrease in receivables	**30 2**	62 7
Payments to acquire leasehold properties	**-**	(14 1)
Increase in payables	**211.7**	228 2
Exceptional operating cash outflow	**(31.3)**	(27 4)
Depreciation and amortisation	**377.5**	362 5
Share-based payments	**28 5**	14 3
Provision for impairment	**43.0**	8 2
Profit on property disposals	**(0.8)**	(5 2)
Exceptional costs	**-**	113 6
Exceptional pension credit	**-**	(231 3)
Cash generated from operations	**1,049.8**	1,160 0

Exceptional operating cash outflows relate to the utilisation of the provision for UK restructuring costs

Company notes to the financial statements

C19 Related party transactions

A. Parent company and subsidiaries
During the year, the Company paid dividends to its parent company, Marks and Spencer Group plc, of £239 4m (last year £356 3m) and decreased the loan to its parent company by £15 8m (last year increase of £34 7m) The outstanding balance was £2,603 5m (last year £2,619 3m)

Transactions between the Company and its subsidiaries, which are related parties, are summarised below

	2010 Transactions £m	2009 Transactions £m
Trading - sales	**(319.9)**	(288 6)
Trading – purchases	**1,373.5**	1,084 3
Rental expense	**(118.6)**	(115 8)
Interest	**(6.8)**	(25 2)
Dividends received	**–**	0 5

For information on balances with subsidiaries, see notes C9 and C11

B Hedge End joint venture
A loan of £5 0m was received from the joint venture on 9 October 2002 It is repayable on five business days' notice and was renewed on 1 January 2008 Interest was charged on the loan at 5 25% until 31 December 2007 and 5 5% thereafter

C Marks & Spencer Pension Scheme
Details of other transactions and balances held with the Marks & Spencer Pension Scheme are set out in notes 10 and 24 in the consolidated accounts

D. Key management compensation

Payments and benefits relating to key management are set out on page 41

C20 Ultimate parent company

The immediate and ultimate parent undertaking and controlling party is Marks and Spencer Group plc

Marks and Spencer Group plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 3 April 2010 The consolidated financial statements of Marks and Spencer Group plc are available from Waterside House, 35 North Wharf Road, London, W2 1NW

C21 Subsequent events

On 12 May 2010, Marks and Spencer Group plc announced a £800m funding plan for its UK defined benefit pension scheme
The funding plan includes the following contributions from Marks and Spencer

- 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 Marks and Spencer Scottish Limited Partnership 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
- £124m of value through the transfer of assets from existing US$ debt hedge contracts held by the Company