

Shareholder information

AGM 2014

This year's AGM will be held at Wembley Stadium, Wembley, London, HA9 0WS on Tuesday 8 July 2014. The meeting will start at 11am and registration will be available from 9.30am.

How to get in touch

Registered office and Head Office

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Registered in England and Wales
(no. 4256886)

Registrars

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Online: help.shareview.co.uk
From here, you will be able to securely
email Equiniti with your enquiry.

Group Secretary and Head of Corporate Governance
Amanda Mellor

Additional documents

For both the Annual Report or the Strategic Report go to marksandspencer.com/annualreport2014

Alternatively, call 0800 591 697

Students are requested to source information from our website.

Contact us

email us at chairman@marks-and-spencer.com
Customer queries: 0845 302 1234
Shareholder queries: 0845 609 0810

Key dates	
28 May 2014	Ex-dividend date
30 May 2014	Record date
8 July 2014*	Results – Quarter 1†
8 July 2014	Annual General Meeting
11 July 2014	Final dividend payment date
5 November 2014*	Results – Half Year†
13 November 2014*	Ex-dividend date
14 November 2014*	Record date
January 2015*	Results – Quarter 3†
9 January 2015*	Interim dividend payment date
* Provisional dates	
† Those registered for electronic communication or news alerts at marksandspencer.com/investors will receive notification by email when this is available.	

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Our online reporting suite keeps shareholders fully up-to-date whilst helping us reduce our paper usage.

Around 27,000 shareholders have signed up for electronic communications and are benefiting from more accessible and interactive information. To register simply go to marksandspencer.com/investors and follow the 'Electronic Shareholder Communication' link.

This booklet provides an overview of the business. It is not intended to be a summary of the Annual Report and financial statements 2014 and should not be regarded as a substitute Annual Report. For a copy of the full Annual Report go to marksandspencer.com/annualreport2014 Those with a QR Reader app can use this link.



Performance against the plan

Key Performance Indicators

Our KPIs have been updated in line with our future plans for the business. This includes our growth ambitions in online and international, a greater focus on margin improvements and recognition of sales through our franchise partners reported as global retail sales.

Financial highlights			
Group Revenue			
£10.3bn			
↑ 2.7%			
Definition: Total Group sales including retail sales for owned business and wholesale sales to franchise partners.			
Underlying Group profit before tax			
£622.9m			
↓ 3.9%			
Definition: Underlying profit provides additional useful information on the underlying performance of the business adjusting for either income or charges which are both one-off and significant.			
As we responded to a highly promotional marketplace, UK gross margin was down 20bps. Whilst we worked hard to mitigate impact on profitability, this factor, coupled with a 3.5% increase in UK operating costs, impacted underlying Group PBT.			
Free cash flow (pre dividend)			
£427.9m			
↑ 109.7%			
Definition: Free cash flow is the net cash generated by the business in the period before dividend payment.			
Improvement in free cash flow was driven by a year-on-year reduction in capital expenditure and better working capital management.			
ROCE			
14.8%			
LY 15.8%			
Definition: Return on capital employed is a relative profit measurement that demonstrates the return the business is generating from its net operating assets.			
The reduction in ROCE from last year reflects a reduction in underlying earnings and an increase in average net operating assets.			
Dividend per share			
17.0p			
→ Level			
Definition: Dividend per share declared in respect of the year.			
The Board is recommending a final dividend of 10.8p per share, resulting in a total dividend of 17.0p, in line with last year. The Board remains committed to a progressive policy with dividends broadly twice covered by earnings.			
Underlying earnings per share			
32.2p			
↑ 0.9%			
Definition: Earnings per share (EPS) is the underlying profit divided by the average number of ordinary shares in issue.			
Underlying earnings per share increased by 0.9% to 32.2p per share. The weighted average number of shares in issue during the period was 1,615.0m (last year 1,599.7m).			
Looking ahead			
We have previously announced our plan to improve free cash flow from 2014/15, as we continue to reduce capital expenditure, deliver a progressive improvement to gross margin and improve business performance.			
We have worked hard to prepare our business for the future. Now we are focused on delivering the results from this investment and driving returns for our shareholders.			

General Merchandise			
Global retail sales			
£6.1bn			
↑ 1.7%			
Definition: Global retail sales to the customer from both owned and franchise businesses.			
Whilst our General Merchandise (GM) performance is not yet satisfactory, our clothing business is beginning to show clear signs of improvement, with new ranges consistently well received by customers.			
UK gross margin			
50.7%			
↓ 110bps			
Definition: Gross margin reflects the percentage of sales revenue retained after incurring the direct costs associated with producing and transporting goods to a saleable location.			
Due to the highly competitive market, GM gross margin was down 110bps at 50.7% as a result of increased markdown and promotional cost.			
UK LFL sales growth			
-1.4%			
Definition: Sales growth from those stores which have been open for 12 months.			
We faced difficult trading conditions, with a highly promotional clothing market and unseasonal weather. However, improvements were demonstrated by positive sales growth in our clothing division in the last quarter.			
Looking ahead			
We will continue to improve our GM business with a focus on style and quality. As a result of operational improvements, we expect to improve our GM gross margin in FY2014/15 by c.100bps through a combination of tactical changes, new systems and a new approach to sourcing, as well as early benefits from structural improvements.			

Food			
Global retail sales			
£5.8bn			
↑ 4.5%			
Definition: Global retail sales to the customer from both owned and franchise businesses.			
Our strategy is to be more specialist and focus on quality and innovation. Through improvements in availability and choice, we made M&S food more relevant to our customers, more often.			
UK gross margin			
32.5%			
↑ 80bps			
Definition: Gross margin reflects the percentage of sales revenue retained after incurring the direct costs associated with producing and transporting goods to a saleable location.			
Food gross margin was up 80bps at 32.5%. This was driven by supply chain efficiencies and effective management of promotional activity – more than offsetting commodity price inflation.			
UK LFL sales growth			
1.7%			
Definition: Sales growth from those stores which have been open for 12 months.			
The Food division has seen 19 quarters of positive like-for-like sales growth and our customer satisfaction ratings are at an all-time high.			
Looking ahead			
We will continue to exploit the opportunity in our Food business – maintaining our specialist strategy and growing our Food space. The planned opening of new Food space will add c.2.5% in 2014/15. Food gross margin is expected to grow by 10bps to 30bps due to further operational efficiency.			
UK space growth			
2.3%			
Definition: Year-on-year increase in weighted average UK selling space. We continue to grow Food space, particularly our successful M&S Simply Food format.			
Looking ahead			
We will continue to exploit the opportunity in our Food business – maintaining our specialist strategy and growing our Food space. The planned opening of new Food space will add c.2.5% in 2014/15. Food gross margin is expected to grow by 10bps to 30bps due to further operational efficiency.			

M&S.com	
M&S.com sales	
£800.1m	
↑ 22.8%	
Definition: Total multi-channel sales including web to home and Shop Your Way transactions.	
Our new flagship M&S.com website offers customers an improved browsing and buying experience. M&S.com has delivered a strong performance in 13/14 and outperformed the market with sales up 22.8%.	
Weekly site visits	
5.5m	
↑ 7.8%	
Definition: Weekly visits to our UK desktop, tablet, mobile and app sites. As customer shopping habits continue to evolve, and as part of the new M&S.com, we launched a dedicated tablet platform and updated versions of all our mobile sites and apps. Visits from tablet devices grew by around 90% this year.	
Looking ahead	
As our new website settles we are encouraging more customers to shop with M&S online. Our infrastructure investment will help us further improve our delivery proposition and create a more efficient and more profitable online channel.	

International	
Revenue	
£1.15bn	
↑ 6.2%	
Definition: Sales from the international business including retail sales for owned business and wholesale sales to franchise partners.	
Our priority markets delivered a good performance with strong growth in India and our flagship stores in China, driven by an increase in like-for-like sales and the opening of new space. While trading in the Republic of Ireland continued to be difficult, performance in our European business improved.	
Our franchise business across the Middle East and Asia continued to perform well.	
Underlying operating profit	
£122.7m	
↑ 2.1%	
Definition: Year-on-year increase in operating profit generated by the international business.	
We increased International operating profit by 2.1%, which also takes into account pre-opening costs from our owned stores.	
Space growth	
9.3%	
Definition: Year-on-year increase in International selling space. International space is expected to grow by c.10% in 2014/15.	
Looking ahead	
We will expand our presence through opening new space, growing our food business and increasing our franchise operations. Over the next three years we will grow international revenues by 25% and grow International operating profit by 40%.	

Plan A	
Percentage of M&S products with a Plan A quality	
57%	
Definition: Plan A qualities are best practice environmental or social standards and are measured by the volumes of products sold worldwide. These include factory best practices and the use of sustainable raw materials such as sustainable wood, fish and cotton, as well as Fairtrade and recycled materials.	
We have again extended the number of products featuring a Plan A quality – helping to make our products, suppliers and raw materials more efficient and resilient.	
Gross greenhouse gas emissions	
566,000 tonnes CO ₂ e	
(No last year equivalent)	
Definition: Total gross CO ₂ e emissions resulting from M&S operated activities worldwide calculated in compliance with the WRI/ WBCSD GHG Protocol Corporate Accounting and Reporting Standard (Revised) using revised carbon conversion factors published by DECC/ DEFRA in June 2013.	
This is the equivalent of 30 tonnes per 1,000 sq ft of sales floor. Our net emissions are offset to zero.	
Looking ahead	
Our aim is for all M&S products to have at least one Plan A quality by 2020.	
We have targets to improve energy efficiency by 50% and reduce refrigeration gas emissions by 80% by 2020. We also plan to continue to offset our gross greenhouse gas emissions to zero (carbon neutral).	

At-a-glance 2014

Only at
YOUR M&S



Robert Swannell
Chairman

Dear Shareholder

In 2013/14 we delivered major infrastructure projects that put M&S in a stronger position to compete in a retail industry undergoing profound change. Our performance over the year was mixed, but with a clear and consistent strategy in place, we are working hard to prepare our business for the future as a well-equipped international, multi-channel retailer.

Performance

We made progress in three areas this year: Food, M&S.com and International. Our food business is growing faster than the market as a result of our focus on innovation and quality; our online business also outperformed the market and our new website, which launched in February, was recognised as industry-leading; and we saw growth in our international business, with a strengthened presence in our priority markets such as India and the Middle East. Our General Merchandise performance, however, did not meet our own expectations. The new team is working hard on a comprehensive plan to address this, and our new ranges have been well received by our customers and the fashion press.

As well as our new website, we opened our new 900,000 sq ft automated e-commerce distribution centre at Castle Donington this year. Both key pieces of infrastructure are essential in our strategy to transform M&S from a traditional British retailer into an international, multi-channel retailer.

We intend to pay a final dividend of 10.8p this year, taking the total dividend to 17p, unchanged from last year.

Governance and the Board

The Board focuses its work on three main areas: strategy and execution, people and succession, and values.

This year there have been a number of changes to the Board.

In June 2013 Jeremy Darroch, a non-executive director and Chairman of the Audit Committee, stepped down from the Board after six years. Andy Halford, who joined us in January 2013, has taken over as Chairman of that committee, as planned.

Our longest-serving non-executive director, Steven Holliday, will leave the board after the AGM this July, after 10 years with us. I would like to thank Steve for his outstanding contribution, in particular for his role as Chairman of the Remuneration Committee for the last three years. Vindi Banga will replace Steve in that role.

Alison Brittain was appointed as a non-executive director in January. As Group Director of the Retail Division of Lloyds Banking Group, Alison brings strong commercial and consumer experience with her.

Within the executive team, Steve Sharp, our Executive Director of Marketing, was succeeded in the role by Patrick Bousquet-Chavanne. I would like to thank Steve for his significant role in shaping the M&S brand over the last decade.

Our heritage, values and Plan A

Our success over the last 130 years stems in large part from our commitment to our core values, including quality and trust. Just as enduring values have defined our past, so they are crucial to our future. Nothing demonstrates our commitment to our values more than Plan A. We have just launched a new and revised set of Plan A commitments that represent another step on our journey to become the world's most sustainable major retailer.

Looking ahead

Our capital expenditure will fall in the year ahead following the completion of our three-year transformation programme. Our priority now is to deliver on the investment we have made and to make M&S more profitable, as well as a stronger, well-equipped business.

Robert Swannell
Chairman

Financial performance	
Group revenue	
£10.3bn	
↑ 2.7%	
Underlying Group profit before tax	
£622.9m	
↓ 3.9%	
Group profit before tax	
£580.4m	
↑ 6.1%	
Group earnings per share	
32.5p	
↑ 14.8%	
Underlying Group earnings per share	
32.2p	
↑ 0.9%	
Interim + final dividend	
6.2p + 10.8p	
= 17.0p total dividend	
→ level	
Final dividend to be paid on 11 July 2014	
*Constant currency basis	

Discover more online



To find out more about what the Board and its committees have done this year, visit marksandspencer.com/annualreport2014



To find out more about Plan A and the projects we undertake, visit marksandspencer.com/plana2014

1. Restatement relates to the adoption of the revised IAS 19 'Employee Benefits'.
2. For the years ended pre-2011-12, no restatement for the revised IAS 19 'Employee Benefits' have been made.

Chief Executive's overview



Marc Bolland
Chief Executive

I am pleased to say that this year we have taken several significant steps forward. The last three years have been a period of unprecedented change within M&S, and as we come to the end of our transformation programme much of our investment is starting to bear fruit. We have built a business that is more relevant for the future retail marketplace.

Performance
Sales rose 2.7% over the year in an economic climate that remained challenging. Our Food business had another excellent year, and our General Merchandise division started to show clear signs of improvement. Our online sales rose 22.8% over the year.

General Merchandise
Over the year we faced a difficult trading environment, with a highly promotional market and, at times, unseasonal conditions. Although our overall GM performance during the year was not satisfactory, the team we appointed last year to turn around our clothing divisions is making good progress. I am particularly pleased that our core Womenswear ranges have started to gain momentum. Customers tell us they like the improvements in the quality, newness and style of our ranges.

Food
Our Food business continues its strong performance, and has now seen 18 consecutive quarters of like-for-like growth. Our performance this year was ahead of plan and ahead of the market, with sales rising by 4.2%. Our unique position as an own-brand, specialist food retailer with a sizeable high street presence means that we can reach millions of customers a week with a range of at least 5,000 products out of our range of 6,400. We continue to lead on speciality, quality and innovation.

M&S.com
We have become a more multi-channel and agile business. Our new M&S.com flagship opened in February after over two years of extensive customer research and testing. Where previously we operated on an Amazon platform, we now have a powerful and flexible platform of our own. The site is backed by our new 900,000 sq ft distribution centre in Castle Donington. Our online sales continued to grow as more customers shopped via their computer, tablet or mobile phone.

Stores
The roll out of our new store formats continued apace this year. Our top 70 stores have refreshed Womenswear departments, and we are introducing revamped Footwear, Menswear and Beauty departments.

International
Our international strategy continues to deliver strong results, with our priority markets delivering double-digit growth. We opened 55 new stores overseas this year, including flagship stores in India, the Middle East and the Netherlands. We also announced a partnership with Relay France to open franchised Food stores in Paris, a model that we will replicate in other markets.

Brand
Our marketing activity this year has re-established M&S's quality and heritage credentials. Our bold Leading Ladies campaigns showcased our Womenswear lines and featured a diverse cast of British women of achievement.

Plan A
The principles of Plan A underpin everything that we do. Through initiatives such as Shwopping and the Big Beach Clean-up, customers and colleagues participated in a wide range of activities this year. We have worked hard to make Plan A an integral part of our business and our brand.

Marc Bolland
Chief Executive

Revenue

General Merchandise
£4.1bn
→ level

Food
£5.1bn
↑ 4.2%

M&S.com
£800.1m
↑ 22.8%

International
£1.2bn
↑ 6.2%

Our plan for the future

We must now build on the foundations we have laid.

In clothing, we will continue to drive the improvements in our ranges, with a focus on quality and style, and increase levels of newness and availability. We believe we can improve margins in GM through better sourcing.

We will continue to grow our Food business with 150 new UK M&S Simply Food stores over the next three years.

In our new M&S.com flagship, we have a flexible and modern web infrastructure. We believe that the site will be at least as profitable as our store channel.

There remain significant expansion opportunities overseas, where we see the potential for 250 new stores in the next three years.

Now that our period of significant investment is over, our capex will fall over the coming years. We have exciting years ahead of us; we are fit for the future and focused on delivery.

Our plan in action

Three years of transformation

This year we have made significant progress in transforming M&S from a traditional British retailer into an international, multi-channel retailer. The changes that we have made to our ranges, our stores and our website – as well as to our infrastructure behind the scenes – mean that we are well-placed for the future.

Focus on the UK

Vibrant stores
We are currently rolling out phase two of our store refurbishment programme, giving customers clearer, better-merchandised and more exciting stores.

Trusted for special occasions

We had a record Christmas in Food, with sales up 6.1%, including our biggest ever day at £63m. We sold 1.3 million Christmas puddings and one in four families enjoyed an M&S turkey on Christmas Day.

M&S on the catwalk

We participated in London Fashion Week for the first time this year, with a preview of our 2014 Best of British Autumn/Winter Womenswear collection. The 54-piece collection was well received by the fashion press.

Quality and style

Customers are responding to the improved quality and style of our clothing ranges and we returned our Womenswear sales to growth for the first time in three years.

Our new flagship

We call M&S.com our new flagship. Radically different and significantly better, it's the best representation of what M&S stands for today. The site contains a range of new features and functions.

Style & Living

Style & Living is the independent editorial section of our new website, offering customers everything from Editor's Picks of all the latest trends to style guides and in-depth articles.

Castle Donington

Having a sleek multi-channel business is as much about what goes on behind the scenes as what happens on-screen. OAt the start of the year we opened one of the UK's largest fully mechanised distribution centres in Castle Donington.

Multi-channel

Customers in 9 international territories can buy M&S products from in-language, local currency websites. It is part of our plan to roll-out our multi-channel strategy to more countries.

Plan A products

Over half of all the products we sell now have at least one Plan A attribute to them, either relating to the materials they are made of or to the processes by which they were manufactured.

Fundraising

Our employees and customers have raised £4.2m this year through various fundraising initiatives and charity events, including a 24-hour bike relay and participation in the World's Biggest Coffee Morning.

Plan A

A global Plan
Plan A is not just about the UK. We are now carbon neutral in all our operated and joint venture locations worldwide.

Youth employment

We know that the high level of youth unemployment is one of the biggest issues facing the country. Through our Make your Mark scheme, we are giving young people the confidence and skill sets they need to make the all-important first steps on the career ladder.

Board of directors

The full biographies of our directors are available to view in our online annual report marksandspencer.com/annualreport2014

 Robert Swannell Chairman	 Marc Bolland Chief Executive Officer	 Alan Stewart Chief Finance Officer	 Patrick Bousquet-Chavanne Executive Director, Marketing and Business Development	 John Dixon Executive Director, General Merchandise
 Steve Rowe Executive Director, Food	 Laura Wade-Gery Executive Director, Multi-channel E-commerce	 Jan du Plessis Senior Independent Director	 Vindi Banga Non-executive director	 Alison Brittain Non-executive director
 Miranda Curtis Non-executive director	 Andy Halford Non-executive director	 Martha Lane Fox Non-executive director	 Steven Holliday Non-executive director Steve will leave the Board following the AGM in July.	 Amanda Mellor Group Secretary and Head of Corporate Governance