



Only at
YOUR M&S

Annual review and summary
financial statements 2011

About M&S

Financial highlights 2011

Marks & Spencer is one of the UK's leading retailers. We sell high quality, great value clothing and home products as well as outstanding quality food. Around 21 million customers visit our stores each week and we have 78,000 employees across the UK and 42 territories globally.

The statutory results for the prior year are for the 53 weeks ended 3 April 2010. In order to be able to compare these with this year's 52 week period, all comparative revenue numbers and growth rates are stated on a 52 week basis unless specified otherwise. The directors believe that the underlying profit and earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These are consistent with how the underlying business is measured internally.

In September 2010 Kantar Worldpanel changed its research methodology and as a result historical market share data was reprocessed and adjusted. The market share data used in this report is based on these updated figures. This data is not comparable to any published before September 2010.

Group revenue £9.7bn +2.1% (53 wks) +4.2% (52 wks)	Underlying Group operating profit £824.9m -2.3% (53 wks) +5.9% (52 wks)	Group profit before tax £780.6m +11.1% (53 wks) +21.9% (52 wks)
Underlying Group profit before tax £714.3m +2.8% (53 wks) +12.9% (52 wks)	Interim + final dividend 6.2p+10.8p =17.0p +13.3%	Underlying earnings per share 34.8p +5.5% (53 wks) +16.0% (52 wks)



Focus on the UK

Our UK turnover of £8.7bn has a broadly even split between General Merchandise (Clothing & Home) and Food.

Clothing & Home

£4.2bn sales (+3.9%)

M&S is the UK's largest clothing retailer, with something for everyone. We sell stylish, high quality, great value clothes for all ages and are the UK market leaders in womenswear, lingerie and menswear.

Food

£4.5bn sales (+4.1%)

We are the UK's leading provider of high quality food. Our products range from fresh produce and groceries to innovative part-prepared meals and a range of award winning wines.

Stores

703

We have 703 stores across the UK in high streets and retail parks as well as stations, airports and other locations. Our ongoing store modernisation programme is enhancing the shopping environment and broadening the range of hospitality options.

Multi-channel

Customers shop with us in our stores, online and over the phone. However they shop, we aim to deliver consistently high levels of service throughout every transaction – from purchase to delivery.

M&S Direct

£543m sales (+31%)

M&S Direct is designed around customer convenience and service. It includes the M&S website, Shop Your Way and our new mobile-enabled website.

E-commerce website and mobile web

Home catalogue

Flowers and wine

Food to order

lunchtogo

Shop Your Way

International

We have 361 wholly-owned, partly-owned and franchised stores in 42 territories across Europe, the Middle East and Asia. We are growing our International business presence to reduce our dependency on the UK economic cycle and make the M&S brand accessible to more customers around the world.

152 wholly-owned and partly-owned stores

209 franchises

Plan A

Plan A is our eco and ethical programme. Our commitments help us to reduce our environmental impact, develop sustainable products and improve the lives of our employees, customers, suppliers and people in our local communities.

Seven pillars 180 commitments

Involve our customers in Plan A

Make Plan A how we do business

Climate change

Waste

Natural resources

Fair partner

Health and wellbeing



Plan A
DOING THE RIGHT THING

Chairman's statement



“Marks & Spencer is a very special company and I feel privileged to be its Chairman at such an exciting time.”

Robert Swannell Chairman

I feel very privileged to be Chairman of this unique company and at such an exciting time in our evolution.

Since joining Marks & Spencer in October and assuming the role of Chairman in January, I have spent much of my time getting to know the business better – meeting our employees, shareholders, customers and suppliers.

I first became deeply involved with M&S during the unsolicited takeover attempt in 2004, when I led the advisory team that helped put the M&S case to its shareholders. It was then I learned first hand about this unique company: about the extraordinarily strong relationship it has with its many stakeholders and about its very special ethos.

This ethos is a reflection of the high standards our customers expect from M&S – trusting us not only to deliver great value, great quality products but also to do the right thing – socially, environmentally and ethically. We know that putting Plan A at the heart of how we do business is not just the right thing to do; it is also fundamental to our long-term success.

Performance

In a challenging marketplace M&S has continued to grow, with underlying profits up 12.9% on the year. We delivered this by staying true to our heritage of quality and innovation, reminding our customers what makes M&S special.

This year, Marc Bolland set out a clear medium-term plan for the business, after extensive discussions with colleagues and us, the Board. This is covered in detail in Marc's review on page 4.

From day one, I have been struck by the passion and commitment of our people. I am delighted that this year we are paying a bonus to all employees to thank them for their energy and enthusiasm in what has been a difficult trading environment.

Dividend

We are committed to delivering consistent returns for our shareholders. To this end we have adopted a progressive dividend policy, with dividends broadly covered twice by earnings. We intend to pay a final dividend of 10.8p per share (last year 9.5p) in respect of the 2010/11 financial year.

Governance

This year we returned to the traditional governance structure of a separate Chairman and Chief Executive, providing clarity between Marc Bolland and me, with regard to our respective roles. Put simply, I run the Board and Marc runs the business.

The Board has a wide range of responsibilities. There are three that I think are particularly important for the success of the business: first, to debate and agree our strategy and hold the executive team accountable for its execution; second, to ensure that we have the most talented team to execute this strategy and that we plan effectively for succession; and third, to set the tone for governance, which is particularly important at M&S where 'doing the right thing' is an integral part of our ethos.

My job is to ensure the Board has the right mix of skills and talents and to ensure that it works effectively as a team towards shared goals with the right mix of enquiry and support of the executive directors from the non-executive directors.



Chairman's statement

continued

How we're governed

Group Board

The Board monitors what management are doing, holding them accountable for performance against our targets and standards and challenging their thinking to make sure we are on the right track.



Audit Committee

Chair Jeremy Darroch

Responsibilities

Monitors the integrity of financial statements and reviews effectiveness of internal controls, risk management and audit.

Remuneration Committee

Chair Steven Holliday

Responsibilities

Recommends remuneration strategy and framework to recruit, retain and reward senior executives for their individual performance.

Nomination & Governance Committee

Chair Robert Swannell

Responsibilities

Recommends Board appointments, reviews business succession plans and makes sure our governance is fit for purpose.



Operational Governance

Executive Board	Business Involvement Group
Management Committee	Fire, Health and Safety Committee
Property Board	Business Continuity Committee
Customer Insight Unit	
How We Do Business Committee	

During the year we commissioned a formal Board evaluation from an independent consultant. This process highlighted the real enthusiasm of the directors in supporting a shared ambition: to guide M&S to the very best future. We know that you expect high standards from M&S; it's our responsibility to learn how we can improve. This review was an important part of that journey.

As stated in our 2009/10 Annual Report, we reviewed the senior remuneration structure this year. Following extensive shareholder consultation, we believe we now have a framework that is both relevant to today's M&S and fully aligned with our strategy.

The Board

Over the last year the Board has been strengthened by a series of executive appointments. In May 2010 Marc Bolland joined the business as Chief Executive Officer, assuming the day-to-day running of the business from Sir Stuart Rose in July. In October Alan Stewart joined as Chief Finance Officer and in February 2011 we announced the appointment of Laura Wade-Gery as Executive Director, Multi-channel E-commerce; she will join the Board in July. Whilst the Board features some new faces, these changes have taken place around a core of executive and non-executive directors that has remained stable over recent years.

I would like to pay particular tribute to Sir Stuart Rose. When he became Chief Executive in 2004, M&S was at a low ebb. He restored confidence in M&S, re-established its values and built a strong business. The solid platform from which Marc is now implementing his plan is a credit to Stuart's energy and tireless commitment to M&S over the last seven years.

The smooth management transition – the meticulous handover to me and the support of Marc – is also a credit to Stuart. In that connection, I would also like to thank Sir David Michels, and the Nomination & Governance Committee he led, for managing a change of leadership over the past year that was accomplished quietly and effectively. David has decided to step down from the Board at the end of his second term in February 2012, but I am delighted that he will continue his role as Deputy Chairman until then.

I must also thank Louise Patten for the significant contribution she has made over the last five years, playing an important role in each of our Board Committees. As Louise reaches the end of her second three year term on the Board, she has decided not to seek re-election at the upcoming AGM.

Looking ahead

Our priorities for the year ahead are clear. We have a plan and it is now our collective job to make it happen. The Board will concentrate on delivering exemplary governance at the highest level to enable our executive team to drive this strategy forward.

The economy still gives us reason to be cautious. Yet in difficult times, our core values of Quality, Value, Service, Innovation and Trust matter more than ever to M&S customers. These values remain at the heart of our strategy and I therefore look forward to the future with confidence.

Robert Swannell
Chairman



Our innovative garment technology creates a real point of difference and sets M&S clothing apart from the competition.



Wrinkle reduction It looks and feels like linen but doesn't crease like it. Made with an innovative blend of fibres, our Linen Miracle™ tailoring combines the crease resistance and easy ironing qualities of polyester with the genuine look and feel of quality linen.

Building on success



“Our aim is to give customers more choice every time they shop with us.”

Marc Bolland Chief Executive Officer

In 2010/11 we delivered a good performance with sales up 4.2%. In challenging trading conditions we grew our market share in both Clothing and Food. We did this by continuing to offer great quality and value – as well as innovative new products – every time customers shopped with us.

Since joining Marks & Spencer I have immersed myself in the business. I've visited our stores to meet our customers and our employees. I have seen first hand the strength of our relationships with our suppliers and the lengths we go to together to make M&S truly special; from responsibly sourcing the finest quality ingredients to pioneering new technologies to meet our customers' changing needs.

Our business is in good shape and we have strong foundations on which to build. In November I set out our plan to grow M&S through evolution not revolution.

We have started by focusing on our UK business – enhancing the enviable strength of our brand, improving our core offer of Clothing, Home and Food and making our stores easier to shop.

Over the first three years we are also developing what I call our building blocks for our future. We are:

Increasing our UK space growth, with the aim of reducing drive times for our customers.

Building our multi-channel capabilities to create best in class operations that support our growth ambitions.

Becoming a more international company with a more global outlook and international capabilities.

Our aim is to make M&S a truly international, multi-channel retailer – accessible to even more customers around the world. Six months in and we are already building momentum in the delivery of our plan.

Our Plan 2013-2015



Investment in our UK business by 2013/14

£600m

Focus on UK revenue growth by 2013/14

£1bn-1.5bn



Trading up to quality Our 'Good', 'Better' and 'Best' philosophy offers a breadth of price points. As customers managed their budgets carefully this year they invested in quality. Last year the strongest performers in ladies footwear were our 'Good' ranges, but this year our 'Best' ranges were the most popular, with sales up 126%.

Focus on UK Our immediate priority is the enhancement of our capabilities in the UK. We will achieve this through developing the M&S brand, improving our stores and focusing on our Clothing, Home and Food businesses.

Brand

Together with our people, the M&S brand is one of our strongest assets – reflected by the extraordinary trust our customers place in it. But what makes M&S truly special is being special. If you look back into our history we have been successful by doing things differently and not by copying others.

We have always invested in innovation but we have not always shouted about it. So in November we launched our new brand positioning – 'Only at Your M&S' – to shine a light on the 'hidden treasures' across our ranges. First used in our January advertising, 'Only at Your M&S' has made us raise the bar for innovation, creating a new benchmark – constantly asking ourselves 'Is this good enough?'

Clothing

M&S is the UK's leading clothing retailer and this year we extended our lead, growing market share across all areas. Sales increased by 4.2%. This performance was driven by offering more choice, excellent quality and appropriate adaptations of the year's key styles – all at great M&S value.

We are building on this market leading position by strengthening our style credentials and making our clothing ranges easier to shop. Our customers have told us they find the positioning of M&S clothing and our sub-brands unclear. We know the high levels of quality and unique innovations that exist in our core range are not always noticed by our customers. So we are relaunching our core M&S clothing, making it a brand in its own right and promoting the range's style, innovations and Plan A credentials.


We are also developing our sub-brands to give them their own distinct identities. With the support of dedicated brand managers, we are turning them from 'labels' to real brands that will translate internationally.

Home


In our Home business, sales were up 1.6% despite difficult trading conditions. As customers improved and updated their homes rather than move, we saw good sales in accessories and soft furnishings.

With only 20% of our customers shopping in Home, we have a real opportunity to grow this business further. Our plan is to offer greater choice and make our core Home offer more accessible in larger stores and online. We are also making it easier to shop – dividing our offer into Classic, Contemporary and Design categories so that customers can easily identify which lifestyle best fits them. Our withdrawal from Technology is enabling us to focus on growth departments such as kitchenware and bedding. We are already building momentum through our exciting new design collaboration with Sir Terence Conran.

Only at
YOUR M&S



Conran Exclusive Design only at M&S This partnership will form the basis of our 'Contemporary' home offer, providing customers with the quality and value they expect from M&S, coupled with the unique Conran design signature.



Building on success

continued



↓
Sustainable learning store Built on a former brownfield site, our new eco-learning store in at Ecclesall Road, Sheffield incorporates a host of innovative features. Harvested rainwater reduces water costs by 40% and expelled warmth from refrigeration units heats the store, reducing carbon output by 20%. A sedum roof and green 'living wall' also create wildlife habitats.

↓
Award winning wines M&S was awarded Wine Supermarket of the Year at the International Wine Challenge 2010 for the third year in a row: something no other retailer has achieved. Our in-store wine adviser programme, Wine Direct website and tasting events all came in for high praise. Our environmental initiatives such as the conversion of our small glass bottles to plastic were also acknowledged, not to mention our fantastic range of uniquely blended award-winning wines.



Food

Our Food business continues to grow, with sales up 4.1% this year. Trusting in our quality, customers continued to turn to us for innovative products, recognising the great value M&S offers. Despite little space growth we have gained market share this year.

We are growing our Food business by focusing on our core strengths of freshness, speciality and convenience. Building on our heritage of quality and innovation we are differentiating ourselves from the supermarkets, better showcasing our latest products to customers through 'Dine In' promotions.

In line with 'Only at Your M&S' we are reducing the number of non-M&S branded lines from 400 to around 100. Better space planning in our Food Halls is enabling us to give customers more choice – increasing our range to include more new M&S product lines, as well as 100 distinctive international brands that will be exclusive to M&S in the UK.

We continue to provide great value on our core lines, improving the quality without increasing the prices.

UK stores

This year we began work to make our stores easier to shop. We have started by better segmenting our stores according to local demographics. This helps us ensure we are offering the optimal product mix for each and every customer profile and allocating the right space in store to individual ranges and products.

We are also improving the way customers can find things in our stores, with a new, clearer signage scheme. Customers will start to see the changes from September 2011. This will be supported by a new consistent packaging architecture across Clothing, Home and Food. Our aim is to create a better and more inspiring shopping environment, which encourages our customers to shop across our different departments.

UK space growth **Though we have 703 stores in locations across the UK, in recent years we have lagged behind the retail market in terms of space growth.**

Our aim is for 95% of the UK population to be within a 30 minute drive of a full-line M&S store by 2015. To achieve this we have committed to delivering space growth of 3% per annum until 2015/16.

As part of this space growth programme, we will also increase the number of Simply Food stores, tailoring them to meet the needs of their local customers.

Growing our presence across the UK will help us maximise the opportunity presented by our Shop Your Way service, creating even more convenient customer collection points.



Total investment in our multi-channel capabilities by 2013/14

£150m

Multi-channel revenue growth by 2013/14

£300m-£500m



Multi-channel M&S has built a strong Multi-channel business. Sales in our M&S Direct business have increased by 31% to £543m and Shop Your Way has grown in popularity, with customers now able to place orders via the mobile web, as well as in stores, online or by phone for delivery to their choice of address or local store.

Our partnership with Amazon has worked well but given the scale of our multi-channel ambitions, we will end our agreement with Amazon when it expires in 2013/14. We are now creating our own international website platform, capable of selling in multiple countries in local currency. Our first fully transactional international site will launch to the French market at the end of 2011.

Through our space growth programme, we are creating a store portfolio that will enable us to deliver a leading multi-channel shopping experience throughout the UK. We are extending Shop Your Way further and continue to lead the way in developing new channels such as mobile technology, touch screens and product personalisation on the web.

The appointment of Laura Wade-Gery, as Executive Director Multi-channel E-commerce, reflects the importance of multi-channel in our overall growth strategy for M&S.



M&S Home Our Home sourcebook provided inspiration to over 1.6 million customers. The most recent edition featured photography of beautifully-styled roomsets to showcase our products in a lifestyle context.



Shop Your Way This year we celebrated the first anniversary of the full Shop Your Way roll-out. This service is now available in 444 stores across the UK.

Total investment in our international capabilities

£150m

International revenue growth by 2013/14

£300m-£500m

International Despite operating in some challenging markets, our International business delivered a strong performance with sales up 6.1%.

Though we have 361 stores in 42 territories, M&S has essentially been a UK retailer that exports. Over the next three years, we will become a truly international company – building an organisational structure with a more global outlook and international capabilities.

We now have a clear strategy for market entry. We will avoid ‘flag planting’ and will instead adopt the appropriate ownership models for each market, aiming to build a leadership position wherever we operate. We are focusing on a number of priority markets in Europe, the Middle East, India and Shanghai. This is the logical route and will enable us to take full advantage of existing M&S brand awareness and distribution infrastructure.



Priority markets The Shanghai region in China is a priority market for M&S and we are focused on building our presence here with four stores and plans for another two confirmed. Our newest store – in Century Oriental Plaza, Ningbo – opened in January 2011.

Building on success

continued



↑ **One Day Wardrobe Clear-out** The events held in September and March attracted around 300,000 extra customers into our stores, donating more than 750,000 items of clothing to Oxfam.

↑ **Supply chain** Our new distribution centre in Bradford opened in July. The largest warehouse in our network, and one of the biggest in the UK, it supplies all our stores with furniture, store equipment and ambient food. When fully operational it will employ 1,200 people.

Investing in our plan **To deliver our plan we will make an additional capital investment of £850m to £900m over the next three years.**

This investment will strengthen our UK business and help build both our multi-channel and international capabilities. It will be funded by our existing cash flows and we are confident it will deliver benefits for the business and our shareholders.

We are building an efficient business – accelerating our programme to restructure the M&S supply chain and driving out inefficiencies. Further details of our investment and expected returns are explained by Alan Stewart in the Financial overview on page 10.

Plan A **M&S is a leader in the field of sustainability and Plan A – our eco and ethical plan – continues to set us apart.**

It makes us a more efficient business too, and in 2010/11, Plan A generated a net benefit of over £70m.

Our aim is to become the world's most sustainable major retailer by 2015. This year we have continued to drive Plan A throughout the business and make it more relevant to our customers with new initiatives, such as our 'One Day Wardrobe Clear-out', which has raised over £2.2m for Oxfam.

Our Management Committee



Marc Bolland
Chief Executive Officer



Steven Sharp
Executive Director, Marketing



John Dixon
Executive Director, Food



Alan Stewart
Chief Finance Officer



Kate Bostock
Executive Director,
General Merchandise



Amanda Mellor
Group Secretary and Head
of Corporate Governance

Laura Wade-Gery will be joining the business on 4 July 2011 as Executive Director, Multi-channel E-commerce.



7
Do Your Thing In April we launched our first ever standalone kids' multi-media ad campaign in partnership with ITV and iconic fashion photographer Rankin. The nationwide competition aims to find four talented young people to be the faces of our next autumn/winter kidswear campaign.

The M&S team *It's not just the products that make M&S special, it's the people.*

I'm a great believer in teamwork and we have an excellent team in place at M&S. Our job now is to work together and put our plan into action.

I would like to take this opportunity to thank all of my colleagues for their hard work this year. The more of our employees I meet, the more impressed I am with their enthusiasm and commitment to the business.

Looking ahead *In 2011/12 we expect trading conditions to be challenging due to rising pressure on consumers' disposable incomes and higher commodity prices. As a result, we are cautious about the outlook.*

While the short-term economic outlook remains challenging, we are confident in the long-term growth prospects of the business. In a climate of economic uncertainty, our priority remains to deliver exceptional value and unrivalled quality.

We will continue to focus on delivering against our plan, ensuring that – as we grow – we continue to meet and exceed our customers' expectations, investing in the innovation that sets M&S apart.

Marc Bolland **Chief Executive Officer**



Clem Constantine
 Director of Property



Tanith Dodge
 Director of Human Resources



Dominic Fry
 Director of Communications
 and Investor Relations



Jan Heere
 Director of International



Nayna McIntosh
 Director of Store Marketing
 and Design



Steve Rowe
 Director of Retail



Andrew Skinner
 GM Merchandising Director



Darrell Stein
 Director of IT and Logistics

Financial overview



“We have ambitious growth plans, but our expansion will be matched with close attention to improved efficiency.”

Alan Stewart Chief Finance Officer

Marks & Spencer has delivered a good set of results this year, with sales up 4.2% despite challenging trading conditions. Underlying profit before tax was £714.3m, 12.9%* ahead of last year, with underlying earnings per share at 34.8p, 16.0%* up on last year. This performance reflects the good work of our teams across the business, as we continued to build momentum in both Food and General Merchandise, as well as our growing International business.

We have a clear plan to build on this success, as set out in detail by Marc Bolland on page 4. Over the next three years our aim is to grow the business to revenues of £11.5bn to £12.5bn. By 2013/14, our focus on the UK will deliver an additional £1.0bn to £1.5bn in sales; we will become a leading multi-channel retailer growing sales by £300m to £500m and we will increase International sales by £300m and £500m.

To deliver our plan we must invest in the business. We plan to increase our capital investment by some £300m per annum over the next three years, giving a total additional investment of £850m to £900m over this period.

The majority (£600m) of the additional capital expenditure will be invested in our UK business – improving our stores, systems and operations. The remainder will be invested in building our multi-channel capabilities and supporting our international growth ambitions. We are confident that this investment will deliver benefits and are targeting an internal rate of return of between 12% and 15%. We also intend to improve our return on capital employed over time.

All of the additional expenditure required to deliver our plan is funded through our existing cash flows, supporting our commitment to maintaining an investment grade credit rating.

Two years ago we launched a programme to restructure the M&S supply chain – implementing new information systems and improving our operational execution. We are now accelerating this programme to deliver bigger, better benefits. This year we made significant progress, increasing our original cost savings target from £250m to £300m and bringing forward our delivery date to 2015.

As we grow we remain focused on building an efficient business – with prudent operating cost management. This is not simply about cost cutting. We want to challenge the business to think differently and find new, more efficient ways of doing things.

By reducing our dependency on full service vendor suppliers we are gaining greater control of our supply chain. By 2015 we aim to have a supply base split of 35% full service vendor suppliers and 65% direct.


These actions will deliver a 5% improvement in Food availability by 2013/14 and a 9% improvement in Clothing and Home by 2015.

We have a strong balance sheet, with net debt down again this year to £1.9bn. This is of course underpinned by a strong property portfolio – an important asset for the business. With the pension funding now agreed and in place, we are in a strong financial position.

Looking ahead

We remain cautious about the year ahead. However, our business is in good shape and we have a clear plan for the future. We will invest in our business to deliver our plan, creating an efficient platform from which to grow.

* The underlying profit measures are consistent with how the underlying business is measured internally.



Innovation is at the heart of our Food business, as customers seek out new and exciting products each time they shop.



Healthy eating This year we extended our healthy eating ranges with innovative new products such as our Shaker Salad (featured). In the competitive post Christmas market, our count on us™ and Simply Fuller Longer ranges were the number one and two healthy meal brands for January, with a combined market share of almost 40%.

Our performance

Financial performance

Group revenue



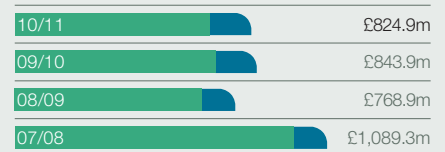
£m	07/08	08/09	09/10	10/11
UK	8,309.1	8,164.3	8,567.9	8,733.0
International	712.9	897.8	968.7	1,007.3
Total	9,022.0	9,062.1	9,536.6	9,740.3

In November 2010 we set out plans to invest an additional £850m to £900m over the next three years to enhance our UK business and develop our multi-channel and international capabilities. As a result we have set a target to grow Group revenue to between £11.5bn and £12.5bn by 2013/14.

Underlying Group operating profit



£m	07/08	08/09	09/10	10/11
UK	972.9	652.8	701.2	677.9
International	116.4	116.1	142.7	147.0
Total	1,089.3	768.9	843.9	824.9



Performance against our plan

Focusing on the UK

UK market share clothing and footwear



Analysis This year we grew market share across all areas of our clothing business, as we offered customers greater choice at the same unrivalled quality and value.

Source: Kantar Worldpanel Clothing share 52 w/e 17 April 2011

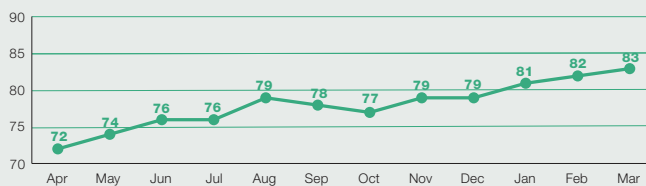
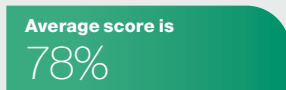
UK market share food



Analysis Our food market share increased this year as customers did more of their shopping with M&S, recognising the great value and quality we offer.

Source: Kantar Worldpanel Food and Drink share 52 w/e 17 April 2011

UK mystery shopping programme



Analysis In April 2010 we rebased our mystery shopping scores to help us target even higher standards of customer service. This year we conducted around 6,800 visits to stores and have seen a steady improvement in performance over the course of the year, with average scores increasing by 11%.

Average weekly footfall



10/11	20.7m
09/10	21.0m
08/09	21.6m
07/08	21.8m

Analysis Customer visits to our stores were broadly stable in 2010/11. Concerns about rising petrol prices meant footfall slowed slightly in the second half of the year. However, we remained ahead of the overall market figure of -1.4%.

Drive UK space growth

Annual space growth



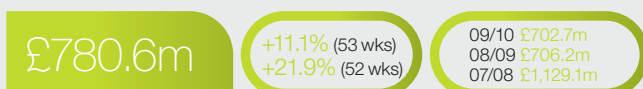
Analysis This year we have set out a commitment to deliver c.3% UK space growth per annum until 2015/16. This programme will help us create a store portfolio that delivers a leading multi-channel shopping experience.

Underlying Group profit before tax



The statutory results for the prior year are for the 53 weeks ended 3 April 2010. In order to be able to compare these with this year's 52 week period, where appropriate, the 52 week comparative results have been stated.

Group profit before tax



Underlying earnings per share



Becoming a leading multi-channel retailer

M&S Direct sales*



Analysis Our Multi-channel business continues to grow as we continue to introduce new and more convenient ways to shop with M&S. This year we announced plans to invest £150m in our multi-channel capabilities and have targeted sales growth of £300m to £500m by 2013/14.

* 52 week comparative

Percentage of population within a 30 minute drive of a full-line store



Analysis Under our space growth programme, our aim is for 95% of the population to be within a 30 minute drive of a full-line store by 2015. This will ensure we can deliver a leading multi-channel shopping experience throughout the UK.

Building an international company

International sales*



Analysis Over the next three years we will invest £150m to strengthen our international capabilities and make M&S a truly international company. In line with these plans we have set a target to increase International sales by £300 to £500m 2013/14.

* 52 week comparative

Making Plan A how we do business

Improve carbon efficiency

in tonnes CO₂e per 1,000 sq ft of salesfloor



Store, office, warehouse, business travel and logistics carbon dioxide emissions in tonnes CO₂e per 1,000 sq ft of sales floor. Residual emissions will be offset by 2012.

Why carbon efficiency? Improving carbon efficiency reduces greenhouse emissions and costs.

Improve store energy efficiency

in kWh per sq ft of salesfloor



Store energy usage in kWh/sq ft of salesfloor

Why energy efficiency? Improving energy efficiency reduces costs and helps to meet the requirements of new legislation effective from 2011.

Send no operational waste to landfill

in tonnes



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

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

 For more info go to marksandspencer.com/aboutus

Our marketplace



↑ **Building the basics** Good quality wardrobe staples performed well this year as customers invested in products that last.

Only at
YOUR M&S

Killer heels that don't kill

Our Insolia® footwear technology helps you to dance the night away by reducing the pressure on your feet. Our latest advertising campaign highlighted this M&S point of difference and sales of Insolia® increased by 186%.



To give customers more of what they want we must understand the way they think and how they behave. Our Customer Insight Unit (CIU) uses a combination of customer analytics and research feedback to spot trends and examine the issues that affect our customers and the decisions they make.

In June 2010 we established our Consumer Barometer. Our CIU now conducts a monthly online survey of a changing sample of 4,000 people, comprising non-M&S customers as well as those who shop with us. We ask them a range of questions: from how they feel about their lives to spending patterns and future plans. We complement these findings with additional qualitative research from a smaller group, which provides us with more detailed insights.

This information helps ensure customers are at the heart of all our business decisions and this section shares some of what our CIU has told us this year.

Market overview

2010/11 was another challenging year for retailers and consumer confidence remained fragile. Following a sharp slowdown and then recovery during 2009, confidence levels have fluctuated over the last 12 months, as illustrated in the index opposite.

This fragility was driven by a prevailing sense of uncertainty. As we moved towards 2011, consumers became increasingly cautious about the economic outlook as they considered the potential implications of the new Government's spending cuts, VAT increases and rising fuel prices.

Our Consumer Barometer shows optimism is more buoyant, with consumers showing a determination to stay positive in the face of adversity.

Though the Government's austerity measures were widely anticipated and, in the main viewed as necessary, consumers reacted differently according to age. Mid age groups felt their budgets have been most squeezed, with families feeling there was little room left for manoeuvre.

Pressure on household budgets meant consumers remained selective in their spending – determined to take control and prioritise the things that matter to them most. In this climate consumers turned to the brands they trust – seeking the reassurance that they are making sound, quality purchases.

Clothing

This year the overall clothing market remained broadly stable. There was growth in the mid-market, but the top end and value sectors suffered, as customers sought out affordable quality, demonstrating they were prepared to trade up. They adopted a 'buy once, buy well' attitude – preferring to invest in quality pieces they know will last.

At the same time, restricted budgets meant consumers wanted retailers to inspire them to spend on their wardrobe. They searched for something new and exciting to update their look and make them feel special. Customers were prepared to build their wardrobe with great quality staples, like knitwear and denims. However, they wanted clothing with a point of difference; complementary to their existing wardrobe but not multiple versions of what they already owned.

Responding to this, we delivered unique innovations and the latest styles. High impact advertising campaigns and strong visual merchandising helped attract customers, adding interest and excitement and confirming in their minds that M&S offered great quality, exclusive products.

Consumer confidence index (GfK)



Home

The housing market remained slow for the third consecutive year. Consumers chose to spruce up their homes rather than move, updating looks using elements such as cushions, bedding, towels and smaller accessories. Big ticket furniture items were less sought after. We responded with more innovation, more colour and more contemporary influences, adding less expensive items to our ranges for quick and easy updates.



↑ **Treat yourself** This Valentine's Day over 500,000 couples enjoyed a romantic night in with our gourmet 'Dine In' menu.

↓ **Move not improve** Customers turned to M&S for on-trend accessories to brighten their homes.



Food

The food market has been slow this year, with the majority of growth coming through price inflation. Supermarkets engaged in heavy discounting to draw customers from each other. However, though price remained a consideration, consumers were not enticed by the concept of cheap food. Instead they wanted to feel as though they were 'getting a good deal' on quality food.

After more than two years of austerity consumers wanted to treat themselves, especially on important occasions like Christmas and Valentine's Day. Food was seen as an 'affordable treat', with more indulgent products such as steaks and desserts proving popular.

At M&S we continued to differentiate ourselves from the supermarkets by constantly offering innovation through introducing numerous new and updated lines. We also used bigger promotions, such as our 'Roast Dinner for £5', to help our customers get more of the food they love at great value.

Multi-channel

The market expanded rapidly this year, with new transactional websites appearing through media such as Facebook and new players entering the online market. Customers no longer regard e-commerce as 'new' technology; consequently their expectations are high and they expect to be able to access brands at any time of day from any location. Shoppers are looking for an enhanced buying experience, not just a solution to a problem.

This year we used our website to engage new customers, showcase more product and run unique promotions. The introduction of our mobile web and the increased flexibility of Shop Your Way made our products even more accessible to customers.

Future trends

Throughout the year customers told us that if they are going to spend they want their money to be well spent – on brands that they trust. We expect this to continue, with customers seeking out meaningful purchases that make a difference to their lives.

In an uncertain environment, shoppers are looking for confident retailers who will deliver choice, quality, value and something extra special. Our 'Only at Your M&S' messaging will reinforce our authority, showcase our innovations and differentiate us further from the competition.

Chairman's overview

“Trust is built up by doing the right things the right way.”

Robert Swannell Chairman



One of the special attributes of M&S is the level of trust it has established on the high street. Trust is built up by doing the right things the right way. Good governance is just that and at M&S we have focused on ensuring it is meaningful, relevant and underpins our decision-making.

At M&S, we believe that effective governance is realised through leadership and collaboration. The work of the Board should complement, enhance and support the work of the Executive.

Working together, we conduct robust interrogation of plans and actions, ensuring high quality decision-making in all areas of strategy, performance, responsibility and accountability. My role as Chairman is at the heart of ensuring these actions are sustained and harnessed and can drive a culture of continuous improvement in standards and performance across our business.

We welcomed the publication in June 2010 of the UK Corporate Governance Code and have used both the 2008 and 2010 Governance Codes as the standard against which we have measured ourselves in 2010/11. The two significant amendments to the 2008 Code: the annual re-election of directors and the external evaluation of the Board at least every three years, will both be achieved this year. With the exception of Louise Patten, all of the Board are seeking election at the 2011 AGM, marking a departure from the previous one-third of directors seeking election on a rotation basis. We have also completed the Company's first fully independent Board evaluation. This was conducted in a spirit of openness and collaboration and supported by the whole Board.

We are now embarking on a new chapter in the development of the Board and the enhancement of corporate governance. My job is to ensure that your Board is greater than the sum of its parts – a unified Board with non-executives acting as 'critical friends' to Chief Executive Marc Bolland and his Executive team running the business, ensuring we have a Board that:

- supports the Executive team to formulate and execute the strategy;
- demonstrates independence, knowledge and experience to bring fresh perspectives and to hold management to account;
- seeks full information to form views, question management and take strategic decisions;
- is diverse and while acknowledging the recommendations on diversity, ensures that we have the right balance of skills, experience and background; and
- acts responsibly to make sure we meet our accountabilities to shareholders and wider stakeholders.

Board of directors

Who's who on our Board

Robert Swannell leads the Board as Chairman and Marc Bolland leads the business as Chief Executive. Sir David Michels is Deputy Chairman and Senior Independent Director. The Chairmen of the Nomination & Governance, Audit and Remuneration Committees are Robert Swannell, Jeremy Darroch and Steven Holliday respectively. All Board members, and brief biographies, are given below.



1 Robert Swannell Chairman

★♦ (Chairman)
Appointed Chairman in January 2011. Robert joined Marks & Spencer as a non-executive director in October 2010. He was appointed Chairman of the Nomination & Governance Committee in January 2011. Robert is a non-executive director of HMV Group plc. He was, until September 2010, Senior Independent Director of The British Land Company plc and of 3i Group plc. He spent over 30 years in investment banking with Schroders/Citigroup and was formerly Vice-Chairman of Citi Europe and Co-Chairman of Citi's European Investment Bank. He is a member of the Takeover Appeal Board.

2 Marc Bolland

Chief Executive Officer ♦
Appointed in May 2010. Marc joined Marks & Spencer from Morrison Supermarkets plc, where he had been Chief Executive since 2006. Prior to this, Marc worked at Heineken NV for 20 years in a variety of management roles, which included responsibility for operations and business development in the US, France, Italy, Spain, the Caribbean and Latin America. He went on to become an Executive Board Member and Chief Operating Officer. He is a non-executive director of Manpower Inc.

3 Alan Stewart Chief Finance Officer
Appointed in October 2010. Alan joined Marks & Spencer from AWAS, an aircraft leasing company, where he was Chief Financial Officer. Alan worked for HSBC Investment Bank for ten years before joining Thomas Cook in 1996, where he held a number of senior roles, including Chief Executive of Thomas Cook UK, before joining WH Smith plc in 2005 as

Group Finance Director. Alan was previously a non-executive director of Games Workshop Group plc.

4 Steven Sharp Executive Director, Marketing

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

5 Kate Bostock Executive Director, General Merchandise

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

6 John Dixon Executive Director, Food

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

Laura Wade-Gery (Photo not shown) Executive Director, Multi-channel E-commerce

Laura joins the Board on 4 July 2011. She was previously at Tesco plc where she held a variety of senior roles from 1997. Laura brings considerable retail and consumer experience, including significant e-commerce knowledge as Chief Executive Officer of Tesco.com and Tesco Direct. Prior to joining Tesco Laura held various roles at Gemini Consulting and Kleinwort Benson. She has been a non-executive director of Trinity Mirror plc since 2006.

Progress has begun on shaping the Board for the future, ensuring diversity is at its heart. There has been much debate generally about diversity in the boardroom, specifically relating to gender and the representation of women in the boardrooms of FTSE companies. At M&S, our female directors already account for nearly 30% of the Board and we would expect to at least maintain this level over the next two years. Below Board level, women account for 32% of senior management. However, we do look at diversity more broadly as we feel it is important to get the right balance of independence, skills, knowledge and experience.

During the year we further improved our governance, completing the separation of the roles of Chief Executive and Chairman, with the appointment of Marc Bolland in May 2010 and me as Chairman in January 2011. This period of transition was managed extremely effectively by Sir David Michels, as Senior Independent Director, and the Nominations Committee he led. Thanks must also go to Sir Stuart Rose for an immaculate handover as Chairman.


In October 2010 the Board appointed Alan Stewart as Chief Finance Officer. In February 2011 we announced the appointment of Laura Wade-Gery as Executive Director, Multi-channel E-commerce, who will join the Board on 4 July 2011. More recently we announced that after nearly two three-year terms, Louise Patten has decided not to seek re-election this year and will step down from the Board following the AGM on 13 July 2011. Sir David Michels has also decided to step down from the Board, following the end of his second three year-term, in February 2012. He will remain as Deputy Chairman and Senior Independent Director until then.

Safeguarding our development pipeline of skilled leaders has been a key area of focus for the Board and the Nomination & Governance Committee this year, in line with our action plan for 2010/11. Not only have we seen a reshaping of the Board itself, but we have also conducted an extensive programme to support our future succession plans.

Hand-in-hand with developing leaders within the business goes the task of ensuring our reward systems are appropriate and stretching. Our Remuneration Committee has overseen a redesign of our senior executive framework this year and considerable effort has gone into the scheme proposal and engaging with major shareholders and investor representative bodies.

Monitoring the level of risk and the governance to support risk management has been another key objective and involved the support of the Audit Committee. It is important that we build on, and improve our understanding of risks and our appetite and tolerance of these in future.

We have had a busy year, taking a number of significant decisions and actions. For a full governance overview, including details of our Board evaluation please view our online Annual Report at marksandspencer.com/annualreport2011



Robert Swannell Chairman

Group Secretary



7 Sir David Michels Deputy Chairman
★●◆◆

Appointed in March 2006. David is Deputy Chairman and Senior Independent Director. He is Chairman of London & Capital plc, an independent wealth management firm, and Michels & Taylor LLP, a hotel asset management company. David is also Deputy Chairman of easyJet plc and a non-executive director of Strategic Hotels & Resorts and Jumeirah Group, Dubai. He was previously Senior Independent Director of The British Land Company plc, a non-executive director of Arcadia Group and Chief Executive of Hilton Group plc.

8 Jeremy Darroch Non-Executive Director ★◆◆ (Chairman)

Appointed in February 2006. Jeremy is Chairman of the Audit Committee. He is Chief Executive of British Sky Broadcasting Group plc, having previously been the company's Chief Financial Officer. Prior to this, Jeremy was Group Finance Director and Retail Finance Director at DSG International plc, formerly Dixons Group plc.

9 Martha Lane Fox Non-Executive Director ★●◆◆

Appointed in June 2007. Martha is the UK's Digital Champion, Chairman of Race Online 2012 and a non-executive director of Channel 4 Television. She is founder and Chairman of Lucky Voice Limited and of her own grant-giving foundation, Antigone. Martha was a co-founder of lastminute.com.

10 Steven Holliday Non-Executive Director ★◆◆◆ (Chairman)

Appointed in July 2004. Steve is Chairman of the Remuneration Committee. He is Group CEO of National Grid plc, having previously been Group Director of UK and Europe and responsible for the UK Electricity and Gas businesses. Steve is Chairman of the UK Business Council for Sustainable Energy. Prior to joining National Grid he was an Executive Director of British Borneo Oil and Gas. Previously, Steve held numerous senior positions with the Exxon Group.

11 Louise Patten Non-Executive Director ★●◆◆

Appointed in February 2006. Louise is a senior adviser to Bain & Co and a non-executive director of UK Asset Resolution Limited. She was formerly Chairman of Brixton plc, and a non-executive director of Hilton Group plc, GUS plc, Somerfield plc and Harveys Furnishings plc.

12 Jan du Plessis Non-Executive Director ★●◆◆

Appointed in November 2008. Jan is Chairman of Rio Tinto plc. He was formerly Chairman of British American Tobacco plc and a non-executive director of Lloyds Banking Group. He was also Chairman of RHM plc from 2005 to 2007. Jan was previously Group Finance Director of Richemont, the Swiss luxury goods group, until 2004.

13 Amanda Mellor Group Secretary and Head of Corporate Governance

- ★ Independent
- Audit Committee
- ◆ Remuneration Committee
- ◆ Nomination & Governance Committee

On 5 May 2011 we announced that Louise Patten has decided not to seek re-election this year and will step down from the Board following the AGM on 13 July 2011.

Sir David Michels has also decided to step down from the Board following the end of his second three-year term in February 2012.

Consolidated income statement

	52 weeks ended 2 April 2011 £m	53 weeks ended 3 April 2010 £m
Revenue	9,740.3	9,536.6
Operating profit	836.9	852.0
Finance income	42.3	12.9
Finance costs	(98.6)	(162.2)
Profit before tax	780.6	702.7
Income tax expense	(182.0)	(179.7)
Profit for the year	598.6	523.0
Attributable to:		
Equity shareholders of the Company	612.0	526.3
Non-controlling interests	(13.4)	(3.3)
	598.6	523.0
Basic earnings per share	38.8p	33.5p
Diluted earnings per share	38.4p	33.2p
Non-GAAP measures: Underlying profit before tax		
Profit before tax	780.6	702.7
Adjusted for:		
Profit on property disposals	(2.9)	(8.1)
IAS 19 Ireland one-off pension credit	(10.7)	–
IAS 36 Impairment of investment property	6.3	–
IAS 39 Fair value movement of financial instrument	(54.3)	–
IAS 39 Recognition of embedded derivative	(20.3)	–
Strategic programme costs	15.6	–
Underlying profit before tax	714.3	694.6
Adjusted basic earnings per share	34.8p	33.0p
Adjusted diluted earnings per share	34.4p	32.7p

Consolidated statement of financial position

	As at 2 April 2011 £m	As at 3 April 2010 £m
Assets		
Non-current assets		
Intangible assets	527.7	452.8
Property, plant and equipment	4,662.2	4,722.0
Investment property	16.0	22.4
Investment in joint ventures	13.0	11.5
Other financial assets	3.0	3.0
Retirement benefit asset	182.6	–
Trade and other receivables	276.1	287.7
Derivative financial instruments	21.8	132.9
Deferred tax assets	–	0.7
	5,702.4	5,633.0
Current assets		
Inventories	685.3	613.2
Other financial assets	215.9	171.7
Trade and other receivables	250.3	281.4
Derivative financial instruments	18.4	48.1
Current tax receivable	1.6	–
Cash and cash equivalents	470.2	405.8
	1,641.7	1,520.2
Total assets	7,344.1	7,153.2
Liabilities		
Current liabilities		
Trade and other payables	1,347.6	1,153.8
Borrowings and other financial liabilities	602.3	482.9
Partnership liability to the Marks & Spencer UK Pension Scheme	71.9	71.9
Derivative financial instruments	50.7	27.1
Provisions	22.7	25.6
Current tax liabilities	115.0	129.2
	2,210.2	1,890.5
Non-current liabilities		
Retirement benefit deficit	14.1	366.5
Trade and other payables	262.3	280.3
Borrowings and other financial liabilities	1,924.1	2,278.0
Derivative financial instruments	37.5	–
Provisions	22.0	25.5
Deferred tax liabilities	196.5	126.5
	2,456.5	3,076.8
Total liabilities	4,666.7	4,967.3
Net assets	2,677.4	2,185.9
Equity		
Called-up share capital	396.2	395.5
Share premium account	255.2	247.5
Capital redemption reserve	2,202.6	2,202.6
Hedging reserve	(11.3)	11.6
Other reserve	(6,042.4)	(5,970.5)
Retained earnings	5,873.2	5,281.9
Total shareholders' equity	2,673.5	2,168.6
Non-controlling interests in equity	3.9	17.3
Total equity	2,677.4	2,185.9

Approved by the Board on 23 May 2011.

Marc Bolland Chief Executive Officer

Alan Stewart Chief Finance Officer

Consolidated cash flow information

	52 weeks ended 2 April 2011 £m	53 weeks ended 3 April 2010 £m
Summary statement of cash flows		
Operating activities		
Operating profit	836.9	852.0
Increase in inventories	(72.1)	(74.3)
Decrease/(increase) in receivables	2.9	(12.4)
Payments to acquire leasehold properties	(1.4)	–
Increase in payables	175.2	132.5
Non-underlying operating cash outflows	(12.3)	(34.1)
Depreciation and amortisation	467.5	427.9
Share-based payments	31.7	28.5
Adjustment for retirement benefit obligations	(31.2)	37.7
Non-underlying operating profit items	(12.0)	(8.1)
Cash generated from operations	1,385.2	1,349.7
Tax paid	(185.3)	(120.7)
Net cash inflow from operating activities	1,199.9	1,229.0
Acquisition of subsidiary, net of cash acquired	–	(5.4)
Capital expenditure and financial investment	(494.6)	(526.9)
Net interest paid	(142.3)	(160.7)
Other debt financing	(249.9)	(386.9)
Equity dividends paid	(247.5)	(236.0)
Other equity financing	(3.6)	(6.6)
Net cash inflow/(outflow) from activities	62.0	(93.5)
Effects of exchange rate changes	(1.2)	(2.1)
Opening net cash	202.7	298.3
Closing net cash	263.5	202.7

	52 weeks ended 2 April 2011 £m	53 weeks ended 3 April 2010 £m
Reconciliation of net cash flow to movement in net debt		
Opening net debt	(2,068.4)	(2,490.8)
Net cash inflow/(outflow) from activities	62.0	(93.5)
Increase in current financial assets	44.3	118.3
Decrease in debt financing	249.9	386.9
Partnership liability to the Marks & Spencer UK Pension Scheme (non-cash)	(71.9)	–
Exchange and other non-cash movements	(116.8)	10.7
Movement in net debt	167.5	422.4
Closing net debt	(1,900.9)	(2,068.4)

Group financial record

	2011 52 weeks £m	2010 53 weeks £m	2009 52 weeks £m	2008 52 weeks £m	2007 52 weeks £m
Revenue – continuing operations					
UK	8,733.0	8,567.9	8,164.3	8,309.1	7,977.5
International	1,007.3	968.7	897.8	712.9	610.6
Operating profit – continuing operations					
UK	679.0	701.1	755.0	1,095.9	956.7
International	157.9	150.9	115.7	115.4	89.2
Profit before taxation – continuing operations					
Underlying profit before tax	714.3	694.6	604.4	1,007.1	965.2
Profit before tax	780.6	702.7	706.2	1,129.1	936.7
Basic earnings per share from continuing operations (pence)	38.8	33.5	32.3	49.2	39.1
Underlying basic earnings per share from continuing operations (pence)	34.8	33.0	28.0	43.6	40.4
Dividend per share declared in respect of the year (pence)	17.0	15.0	17.8	22.5	18.3
Balance sheet					
Net assets (including retirement benefit asset/deficit)	2,677.4	2,185.9	2,100.6	1,964.0	1,648.2
Net debt	1,900.9	2,068.4	2,490.8	3,077.7	1,949.5
Capital expenditure	491.5	389.3	652.0	1,054.5	792.4
Staffing (full-time equivalent)					
UK retail	49,922	48,722	50,614	49,703	50,355
International retail	4,753	4,272	3,539	2,573	2,315

Independent auditors' statement

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

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

Respective responsibilities of directors and auditors

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

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

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

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

Basis of opinion

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

Opinion

In our opinion the summary financial statements are consistent with the full Annual report and financial statements, the Directors' report and the Remuneration report of Marks and Spencer Group plc for the year ended 2 April 2011 and comply with the applicable requirements of Section 428 of the Companies Act 2006 and the regulations made thereunder.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors, London
23 May 2011

Overview

The information contained in the Annual Review, the Summary Remuneration report and the Summary Group Directors' report is only a summary of the information contained in the Annual report and financial statements 2011. The aim is to provide shareholders with the key financial information in a clear and concise manner. For this reason, the Annual Review does not contain all the information to give a full understanding of the results of the Group and state of affairs of the Company and the Group. Copies of the Annual Report may be obtained free of charge from the Company as noted on the inside back cover of this booklet.

Summary Group Directors' report

Principal activities

Marks and Spencer Group plc is the holding company of the Marks & Spencer Group of companies (the 'Group'). Marks and Spencer is one of the UK's leading retailers. We sell high quality, great value clothing and home products as well as outstanding quality food. Around 21 million customers visit our stores each week and we have 78,000 employees in the UK and in 42 territories globally. We source our products responsibly from over 2,000 suppliers around the world.

Profit and dividends

The profit for the financial year, after taxation, amounts to £612.0m (last year £526.3m). The directors have declared dividends as follows:

Ordinary shares

	£m
Paid interim dividend of 6.2p per share (last year 5.5p per share)	97.8
Proposed final dividend of 10.8p per share (last year 9.5p per share)	171.2
Total ordinary dividend, 17.0p per share (last year 15.0p per share)	269.0

The final ordinary dividend will be paid on 15 July 2011 to shareholders whose names are on the Register of Members at the close of business on 3 June 2011.

Board of directors

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

Disclosure of information to auditors

The information contained in the Summary financial statement does not constitute the Group's statutory accounts for the year ended 2 April 2011, but is derived from those accounts. The auditors have reported on those accounts; their report was unqualified. Each director confirms that, so far as he (she) is aware, there is no relevant audit information of which the Company's auditors are unaware and that each director has taken all the steps that he (she) ought to have taken as a director to make himself (herself) aware of any relevant audit information and to ensure that the Company's auditors are aware of that information. Resolutions to reappoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Audit Committee to determine their remuneration will be proposed at the 2011 AGM.

Summary Corporate Governance

The governance rules which apply to UK companies listed on the London Stock Exchange are found in the Combined Code on Corporate Governance 2008 (the 2008 'Code'). The new UK Corporate Governance Code was adopted in June 2010.

Good governance is about doing the right thing the right way, at M&S we have focused on ensuring it is meaningful, relevant and underpins our decision-making. Effective governance is realised through leadership and collaboration. The work of the Board should complement, enhance and support the work of the Executive.

Throughout the year ended 2 April 2011 the Company complied with all provisions of the 2008 Code with the exception that for part of the year the role of Chairman and Chief Executive was exercised by the same individual, Sir Stuart Rose. Stuart stepped down as Executive Chairman on 31 July 2010 but remained as Chairman until the appointment of Robert Swannell as Non-Executive Chairman on 4 January 2011. We recognise that Stuart's role as Chairman and Chief Executive was out of line with best practice as were his independence criteria on appointment as Chairman. We understand the concerns that shareholders had, but maintain that robust governance structures were in place, while benefiting from retaining Stuart at the helm. With the separation of the roles of Chairman and Chief Executive we have now returned to best practice.

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

Annual General Meeting

The AGM of Marks and Spencer Group plc will be held at the Royal Festival Hall, Southbank Centre, London on 13 July 2011. The Notice of Meeting is given together with explanatory notes, in the booklet which accompanies this report.

Remuneration report



Steven Holliday

This Remuneration report has been prepared on behalf of the Board by the Remuneration Committee. The Committee adopts the principles of good governance as set out in the UK Corporate Governance Code (published June 2010) and complies with the Listing Rules of the Financial Services Authority and the relevant schedules of the Companies Act 2006 and the Directors' Remuneration Report Regulations in Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. These regulations require the Company's auditors to report on the 'Audited Information' in the report and to state that this section has been properly prepared in accordance with these regulations. For this reason, the report is divided into audited and unaudited information, and is subject to shareholder approval at the Annual General Meeting (AGM) on 13 July 2011.

PART 1: UNAUDITED INFORMATION

Remuneration Committee

What is the remit of the Remuneration Committee?

The role of the Committee is to recommend to the Board the senior remuneration strategy and framework, giving due regard to the financial and commercial health of the Company and to ensure the directors and senior management are fairly rewarded for their individual contribution to the Company's overall performance.

The full terms of reference for the Committee can be found on the Company's website, with the key responsibilities summarised as follows:

- setting a senior remuneration strategy that ensures the most talented leaders are recruited, retained and motivated to deliver results;
- reviewing the effectiveness of the senior remuneration policy with regard to its impact and compatibility with the policy and arrangements throughout the rest of the organisation;
- determining the terms of employment and remuneration for executive directors and senior managers, including recruitment and termination terms;
- approving the design, targets and payments made for any annual incentive schemes that include executive directors and senior managers;
- agreeing the design, targets and annual awards made, of all share incentive plans requiring shareholder approval; and
- assessing the appropriateness and subsequent achievement of the performance targets related to any share incentive plans.

In undertaking these responsibilities, the Committee seeks external advice as necessary. To this end Deloitte LLP were selected and appointed as independent external advisors to the Committee from November 2010 onwards. Prior to this, Hewitt New Bridge Street (a brand of Aon) performed this role for over ten years. The Committee also seeks internal support from the Chairman, Group Secretary, Director of Human Resources and Head of Employee Relations and Reward, all of whom may attend the Committee meetings by invitation but are not present for any discussions that relate directly to their own remuneration.

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

Senior remuneration framework

What are the key elements of remuneration for executive directors?

The key elements of remuneration are:

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

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

What are the details of fixed remuneration?

Executive directors

Salary

In reviewing executive director salary levels for 2011, the Committee considered current market conditions, the Company's performance in 2010/11 and the principles applying to decisions on general salary increases across the rest of the organisation. Marc Bolland and Alan Stewart agreed not to receive any increase during the year. The Committee has agreed specific individual increases for other individual executive directors (in the range of c.2%–5%), based on a number of factors including external market data for the role and individual performance. This approach is consistent with the wider salary review policy where individuals who achieved higher performance ratings were eligible to receive the highest increase. Current annual salaries for 2011 for executive directors are shown in the Contract terms table on page 27.

Benefits

Where applicable, executive directors (other than the CEO) receive a 25% salary supplement in lieu of membership of the Group Pension Scheme (the CEO receives a salary supplement of 30%), with life assurance provided through a separate policy. Each executive director also receives a car or car cash allowance and is offered the benefit of a driver. The value of the benefits and allowances for each director is shown within the Directors' emoluments table on page 28. Employee product discount is also received but no specific value is placed on this all-employee benefit.

Pension provision

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

Chairman

The fee for the Chairman reflects the level of commitment and responsibility of the role and is determined by the Remuneration Committee and other members of the Board. Robert Swannell currently receives fees totalling £450,000. These are paid monthly in cash, inclusive of all committee roles and are not performance related or pensionable. The Chairman is entitled to the use of a car and driver, provided by the Company. He may benefit from employee product discount on the same terms as other employees.

Remuneration report

continued

Deputy Chairman

As per the Chairman's role, the fee for the Deputy Chairman reflects the level of commitment and responsibility of the role and is determined by the Chairman and executive directors. With the appointment of a Non-executive Chairman in January 2011, the fee for the Deputy Chairman was reviewed to take into account the new role and associated responsibility, together with consideration of fee levels for the role in comparably sized companies. As a result the agreed fee was reduced to £100,000. It is paid monthly in cash, and is inclusive of all committee memberships and Sir David Michels' continuing role as Senior Independent Director. The fee is not performance related or pensionable, and there are no other benefits other than employee product discount on the same terms as other employees.

Non-executive directors

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

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

A review of non-executive director fees was carried out in December 2010 which indicated that they were no longer appropriate in the current market (fees, although reviewed annually, had not been increased since April 2007). As a result, the fee structure was realigned from 1 January 2011, with the fee for committee membership being consolidated into an increased basic annual fee. In addition, the fee for the role of Audit and Remuneration Committee Chairman was increased. The revised fee structure is as follows:

Basic annual fee: £70,000¹

Committee Chairman: £15,000²

¹ Inclusive of all committee memberships
² Audit and Remuneration Committee only

The new annual fees for non-executive directors are shown in the Contract terms table on page 27 and the Directors' emoluments table on page 28 shows the fees paid during the year to each non-executive director.

What are the details of the proposed short-term and long-term incentive schemes (variable remuneration)?

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

The Annual Bonus Scheme is reviewed each year and is designed to drive individual performance and profitability across the whole organisation. As described in the introduction to this report, a number of changes are being made to the bonus structure for 2011/12 as part of the review of our senior remuneration framework. These changes are set out in detail under 'Bonus scheme structure for 2011/12' further on in this section. However, the basic principles of scheme remain unchanged, with targets based on PBT and individual performance and a compulsory percentage of bonus deferred into Company shares which vest after three years, subject to continued employment.

Bonus scheme structure for 2011/12

The bonus potential for executive directors is being reduced to 200% of salary for 'maximum' performance (previously 250%). As highlighted earlier, we are maintaining a compulsory deferral requirement, with the executive directors required to defer 50% of their bonus into Company shares which vest after three years, subject to continued employment.

For 2011/12, PBT will remain the primary performance measure, with 60% of the annual bonus being determined by performance against demanding profit targets set by the Committee at the start of the year. The balance of 40% will relate to performance against strategic individual objectives independent of PBT.

The Committee believes that this approach provides an appropriate focus on annual profitability targets while ensuring that participants are also focused on driving the changes in the business which underpin our medium-term strategy.

PBT targets

As in previous years, the PBT targets have been set based on the Company's own internal operating plan, external forecasts for the retail sector and analysts' profit forecasts. For there to be any payment under the PBT measure in 2011/12, there is a requirement for both year-on-year PBT growth and outperformance of the operating plan. Very significant outperformance of the operating plan will be required for the highest bonus payment under this measure.

Strategic individual objectives

The choice of quantifiable and challenging strategic individual objectives, and the specific performance targets that apply, will be subject to rigorous annual review by the Committee at the time they are set for the year ahead, and at the end of the year when assessments of performance are made.

The strategic individual objectives that have been set for 2011/12 are directly referenced to workstreams that flow from the business strategy. Each executive director will be assessed on the basis of targets set in relation to four clearly articulated business objectives. Two of these will be 'collective', so that all directors are focused on these common goals, encouraging collaboration across the senior management group. For 2011/12, these shared objectives will relate to:

- delivery against UK operating plan cost targets; and
- progression in implementing 'Plan A' commitments.

The remaining two strategic individual objectives will relate to the specific business area for which the executive director has primary responsibility. For 2011/12, these objectives will be drawn from specific workstreams relevant to the business area, or relate to specific operating challenges. By way of illustration, these may include objectives relating to logistics and supply chain, product availability and brand management and impact.

Quantifiable performance metrics have been established in relation to each objective, and the Committee has agreed both 'threshold' and 'stretch' targets that must be achieved to demonstrate value-added performance.

In keeping with the principle that has applied for a number of years, no 'strategic' component of the bonus may be earned unless a 'threshold' level of PBT has been achieved. Given the importance of the strategic objectives to the success of the business, the PBT 'threshold' for this purpose is set below the entry point for the PBT performance target range. Any such bonus payment will be subject to the Committee's objective assessment of the overall performance of the business during the period.

Performance Share Plan (PSP) – long-term incentive

The Performance Share Plan will continue to be the primary long-term incentive for executive directors and senior managers in the Company. Shareholder approval is being sought at the AGM for a number of changes as part of the review of our senior remuneration framework:

- the exceptional award limit of 400% of salary is being removed, and the maximum individual award opportunity will be established at a reduced level of 300% of salary. The Committee's intention is for award levels to be conventionally referenced to 250% of salary. This change, taken together with the reduction to the annual bonus opportunity, is value neutral but will give a greater weighting in the package towards long-term performance and value creation for shareholders; and

- we have historically focused entirely on point-to-point EPS growth. Going forward, performance will be assessed against metrics directly relating to the strategic priorities that have been established for the business and communicated to the market. PSP awards in 2011/12 will drive performance based on the key metrics set out in the tables below.

Each element of performance will be assessed independently. 'Threshold' performance against any metric will lead to 20% vesting of that element of the award. Awards will vest on a straight-line basis for performance between 'threshold' and 'maximum' performance. The Committee intends to keep the performance measures, and their relative weightings under review, and will ensure that appropriately stretching targets are set for each new performance cycle.

Performance Share Plan metrics for 2011/12

Performance metric	Weighting (% of total award)	Commercial rationale	Basis of measurement
EPS	50%	Ensure focus on bottom-line performance	Based on cumulative adjusted (underlying basic) EPS over the three-year performance period
ROCE	20%	Rewards efficient use of capital	Vesting based on average ROCE (%) over the three-year performance period against pre-determined targets
Revenue	30%	Encourage top-line growth in line with new strategy	Based on strategic growth targets provided in the market update: <ul style="list-style-type: none"> – 10% on UK – 10% on Multi-channel; and – 10% on International

Performance Share Plan awards for 2011/12

For awards made in 2011/12, the performance targets that will apply in respect of each metric are:

	Cumulative EPS (p)	ROCE (%)	Revenue (FY14 – £m)		
			UK ¹	Multi-channel ²	International ³
Weighting (% of total award)	50%	20%	10%	10%	10%
'Threshold' performance	110p	17%	£9,200m	£700m	£1,100m
'Maximum' performance	130p	18.5%	£9,900m	£1,000m	£1,400m

1 Excluding Multi-channel.

2 Net of VAT/gross of returns.

3 Excluding Multi-channel/including Republic of Ireland.

Remuneration report

continued

Executive Share Option Scheme – long-term incentive

The scheme was adopted at the 2005 AGM, but there is currently no intention to use the scheme on a regular basis. No grants have been awarded under the Executive Share Option Scheme for 2010/11. The Committee will continue to review the use of the scheme and retains the flexibility to grant awards under the scheme if appropriate.

All-Employee Share Schemes – long-term incentive

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

What were the outcomes in 2010/11 for the short-term and long-term incentive schemes?

Annual Bonus scheme outcome for 2010/11

75% of the executive directors' bonus was based on PBT performance. The PBT targets set by the Committee at the start of the year were judged to be highly demanding by reference to the internal operating plan, analysts' profit forecasts and external forecasts for the retail sector. Higher levels of bonus payments required very significant stretch above plan. The underlying PBT performance of £714.3m was marginally above 'on target' performance.

The remaining 25% of the executive directors' bonus for 2010/11 was based on individual director objectives aligned to the business priorities for the year. The personal performance by each director against these individual objectives has been reviewed by the Committee. Alongside relatively strong financial performance, the Committee has noted in particular that strong progress has been made in delivering the specific workstreams applicable to each business area; continued progress and a clear commitment to Plan A objectives is evident; and that these results have been underpinned by high level of leadership among the executive team in developing the strategy and building business capability.

Based on the review of achievement against the combination of financial and individual performance measures, bonus payments to executive directors for 2010/11 were agreed by the Committee at approximately 45% of the bonus maximum.

Performance Share Plan Outcome 2010/11

The performance condition attached to outstanding PSP awards is adjusted (underlying basic) EPS growth over the respective three-year performance period. The targets for all outstanding awards are shown in the table below:

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

1 The lower range is for awards up to 200% of salary and the upper range is for awards between 200% and 400% of salary.

2 The adjusted EPS for the start of the 2010 scheme is based on the 52 week result, ensuring a like-for-like measure.

Board appointments and contracts

What were the changes to the Board during the year?

Directors appointed to the Board

Marc Bolland

Marc Bolland was appointed Chief Executive Officer from 1 May 2010. His remuneration package is consistent with the structure for executive directors outlined in this report, and the full terms of his package, including awards made to facilitate his appointment were disclosed in last years' report.

Alan Stewart

Alan Stewart was appointed Chief Finance Officer on 28 October 2010 on an annual salary of £550,000. He is entitled to participate in the executive incentive schemes in line with the framework for other executive directors. He is paid a 25% salary supplement in lieu of a pension contribution.

In connection with his appointment, Alan Stewart was made an award of restricted shares with a value of £300k, vesting on the first and second anniversary of grant, subject to continued employment and was granted a PSP award of one times salary, subject to the same performance conditions as apply to awards made under the scheme to other participants in 2010/11.

The restricted share award is not pensionable and was made under the terms of the Listing Rules 9.4.2R(2) in order to facilitate his appointment.

Robert Swannell

Robert Swannell was appointed to the Board as a non-executive director on 4 October 2010 and as Non-executive Chairman with effect from 4 January 2011. His fee as a non-executive director was £55,000 per annum. On appointment to Chairman his total fees increased to £450,000.

Directors retiring from the Board

Sir Stuart Rose

Sir Stuart Rose retired from the Board on 4 January 2011 and ceased to be employed by the Company on 28 February 2011. The emoluments table shows the value of payments made to Sir Stuart Rose during the period he provided services to the Company. His bonus for the financial year was determined based on performance in the normal way, but was pro-rated for time and to reflect a reduction in his salary with effect from 31 July 2010. As outlined in last year's report his bonus was based 60% on PBT and 40% on individual objectives with the total payment made in cash.

Ian Dyson

Ian Dyson stepped down as Group Finance Director at last year's AGM, and ceased employment with the Group on 31 August 2010. The emoluments table shows the value of payments made during the period he provided services to the Company. In line with Company policy, he did not receive any deferred shares or balance of cash payment under the 2009/10 Annual Bonus and was not entitled to receive any bonus for the part-year he was employed during 2010/11.

What will be the changes to the Board in 2011/12?

Laura Wade-Gery

Laura Wade-Gery will join the Board as Executive Director, Multi-channel E-commerce on 4 July 2011. She will receive an annual salary of £525,000 and is entitled to participate in the executive incentive schemes in line with the framework for other executive directors. She will be paid a 25% salary supplement in lieu of a pension contribution.

In order to facilitate her recruitment, the Committee agreed the following maximum awards as necessary and appropriate to compensate her for incentive awards that are forfeited on cessation with her previous employer: an award of restricted shares with a gross value of £1.38m, vesting in tranches over the three years following grant, subject to continued employment; an award of shares with a gross value of £406k that will vest immediately but must be retained in accordance with the Company's shareholding policy; and a cash payment of £335k. In connection with her appointment, the Committee has also determined that her initial award under the Performance Share Plan for 2011/12 will be at the level of 300% of salary, subject to the same performance conditions as awards made to other executive directors.

The restricted share award is not pensionable, and is made under the terms of the Listing Rules 9.4.2R(2) in order to facilitate her appointment.

Sir David Michels

As Chairman of the Nomination & Governance Committee during 2010/11, Sir David has successfully led the search for a new Non-executive Chairman, Chief Executive Officer and Chief Finance Officer. He has decided to retire from the Board following his second three-year term in February 2012. Sir David will remain as Deputy Chairman and Senior Independent Director until then.

Louise Patten

Louise Patten has served as a non-executive director since 2006. She has decided not to seek re-election this year and will retire from the Board following the AGM on 13 July 2011.

What are the executive directors' external board appointments?

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

	Company	Fee £000
Marc Bolland ¹	Manpower Inc	101
Ian Dyson	Betfair Group Ltd	26
Sir Stuart Rose	Land Securities Group plc	55
Steven Sharp	Adnams plc	28
Alan Stewart ²	Mount Badon Ltd	–

1 Marc Bolland's fee is paid in cash and stock units and in dollars. For purposes of this table the values were converted to sterling using the £:\$ spot rate as at 2 April 2011 for stock units and the average rolling £:\$ rate during the year for cash payments.

2 Alan Stewart receives no fee for this appointment.

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

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

Name	Date of appointment	Notice period/unexpired term	Basic salary/fee £000	Committee member fee £000	Committee chair/ Deputy Chairman/ SID fee £000	Current annual salary/fee £000	Annual salary/fee 2010 £000	Change ¹ £000
Chairman								
Robert Swannell ²	23/08/2010	6 mths/6 mths	450	–	–	450	–	–
Deputy Chairman								
Sir David Michels	01/03/2006	6 mths/6 mths	70	–	30	100	245	(145)
Chief Executive Officer								
Marc Bolland	01/05/2010	12 mths/6 mths	975	–	–	975	–	–
Executive directors								
Kate Bostock	10/03/2008	12 mths/6 mths	590	–	–	590	575	15
John Dixon	09/09/2009	12 mths/6 mths	540	–	–	540	512	28
Steven Sharp	08/11/2005	12 mths/6 mths	655	–	–	655	640	15
Alan Stewart	28/10/2010	12 mths/6 mths	550	–	–	550	–	–
Non-executive directors								
Jeremy Darroch	01/02/2006	3 mths/3 mths	70	–	15	85	73	12
Martha Lane Fox	01/06/2007	3 mths/3 mths	70	–	–	70	67	3
Steven Holliday	15/07/2004	3 mths/3 mths	70	–	15	85	79	6
Louise Patten	01/02/2006	3 mths/3 mths	70	–	–	70	67	3
Jan du Plessis	01/11/2008	3 mths/3 mths	70	–	–	70	67	3

1 All changes to salaries and fees were effective 1 January 2011.

2 Robert Swannell was appointed to the Board on 23 August 2010 on a basic fee of £55,000. He was appointed Chairman on 4 January 2011 on a total fee of £450,000 per annum.

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

Remuneration report

continued

Directors' interests

What are the directors' interests in the Company?

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

There have been no changes in the directors' interests in shares or options granted by the Company and its subsidiaries between the end of the financial year and 23 May 2011. No director had an interest in any of the Company's subsidiaries at the beginning or end of the year.

	Ordinary shares as at 3 April 2010	Ordinary shares as at 2 April 2011
Robert Swannell	–	70,000
Sir David Michels	113,984	113,984
Marc Bolland	–	147,430
Kate Bostock	165,443	182,514
John Dixon	71,434	102,529
Steven Sharp	299,538	387,808
Alan Stewart	–	10,000
Jeremy Darroch	2,000	2,000
Martha Lane Fox	20,100	20,100
Steven Holliday	2,500	2,500
Louise Patten	8,000	8,000
Jan du Plessis	20,000	20,000

PART 2: AUDITED INFORMATION

Directors' emoluments

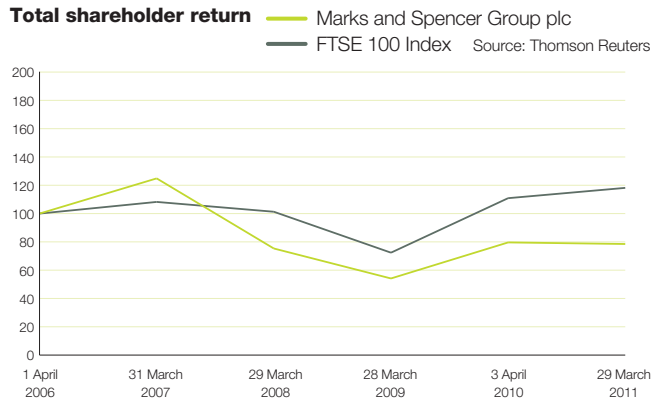
	Salary/fee ³ £000	Cash allowance ⁴ £000	Relocation payment £000	Compensatory awards £000	Benefits ⁴ £000	Dividend equivalents £000	Bonus ⁵ £000	Total 2011 £000	Total 2010 £000
Chairman									
Robert Swannell	126	–	–	–	2	–	–	128	–
Deputy Chairman									
Sir David Michels	209	–	–	–	–	–	–	209	245
Chief Executive Officer									
Marc Bolland ¹	894	273	167	2,600	39	–	409	4,382	–
Executive directors									
Kate Bostock	579	150	–	–	30	–	258	1,017	1,612
John Dixon	519	67	–	–	–	–	247	833	654
Steven Sharp	644	166	–	–	41	–	287	1,138	1,402
Alan Stewart	235	58	–	–	19	–	100	412	–
Non-executive directors									
Jeremy Darroch	76	–	–	–	–	–	–	76	73
Martha Lane Fox	68	–	–	–	–	–	–	68	67
Steven Holliday	81	–	–	–	–	–	–	81	73
Louise Patten	68	–	–	–	–	–	–	68	70
Jan du Plessis	68	–	–	–	–	–	–	68	64
Directors retiring from the Board during the year									
Sir Stuart Rose ²	897	301	–	–	26	186	1,361	2,771	2,606
Ian Dyson	288	79	–	–	–	–	–	367	1,514
Former directors									
	–	–	–	–	–	–	–	–	187
Total	4,752	1,094	167	2,600	157	186	2,662	11,618	8,567

- Marc Bolland: The Compensatory awards include compensation of £1,600,000 in cash and £1,000,000 in shares for bonus and share awards that would have vested in 2010 had he remained with his previous employer (as described in detail in last year's report). The relocation payment of £167,000 was made under the normal terms of the Company's relocation policy for new recruits.
- Sir Stuart Rose: His salary decreased on 31 July 2010 from £1,160,000 to £875,000. In addition to the elements described in footnote 4, the cash allowance figure also includes a holiday pay adjustment (as a result of the Working Time Directive relating to holidays and salary changes). His bonus earned in 2011 is fully paid in cash as described on page 26. The dividend equivalents paid were accrued between the date of grant and leaving date on his 2009 Performance Share Plan (PSP) and 2010 Deferred Share Bonus Plan (DSPB) award.
- Executive director salary increases, where applicable, were effective from 1 January 2011 as set out on page 23 and in the Contracts table on page 27. Non-executive director fee increases/decreases were effective 1 January 2011 as described on page 24 and in the contracts table on page 27.
- The elements included in the Cash allowance and Benefits columns of the table include pension supplement, car allowance, life assurance and chauffeur as applicable to each director and are described on page 23.
- For executive directors, 40% of the total bonus earned is paid in cash as shown in the table, and 60% in shares as part of the Deferred Share Bonus Plan (DSPB). The Deferred Share Bonus Plan awards will be made in June 2011. The total bonus earned by each executive director was: Marc Bolland: £1,023,344; Kate Bostock: £646,050; John Dixon: £618,300; Steven Sharp: £717,225; Alan Stewart: £250,939. The payments for Marc Bolland and Alan Stewart were pro-rated from the date of joining to year end.

Total shareholder return

Performance graph

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



Shareholder information

Managing your shares

The Company's register of shareholders is maintained by our Registrar, Equiniti. Shareholders with queries relating to their shareholding should contact Equiniti directly. Their contact details can be found below. Alternatively, shareholders may find the 'Investors' section of our corporate website useful for general queries.

Dividends

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

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

ShareGift

Do you have a small shareholding which is uneconomical to sell? You may want to consider donating it to ShareGift (Registered charity no. 1052686), a charity that specialises in donating unwanted small shareholdings to good causes. This year shareholders helped us donate £60,000, benefiting a variety of charities. You can find out more by visiting sharegift.org or by calling +44 (0)207 930 3737.

Key dates for your diary

1 June 2011	Ex-dividend date – Final dividend
3 June 2011	Record date to be eligible for the final dividend
13 July 2011	Results – Quarter 1 Interim Management Statement†
13 July 2011	Annual General Meeting (commences 2pm)
15 July 2011	Final dividend payment date for the year to 2 April 2011
8 November 2011*	Results – Half Year†
16 November 2011*	Ex-dividend date – Interim dividend
18 November 2011*	Record date to be eligible for the interim dividend
January 2012*	Results – Quarter 3 Interim Management Statement†
January 2012*	Interim dividend payment date

* provisional dates.

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

How to get in touch

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marks-and-spencer@equiniti.com
shareview.co.uk

Electronic communication

In recent years, changes in legislation have removed the need for companies to mail endless amounts of paper to shareholders. Instead, companies are turning to the speed, environmental and cost-saving benefits of communicating with their shareholders via the internet. M&S has actively been encouraging shareholders to sign up to this method of communication, as the reduction in printing costs and paper usage make a valuable contribution to our 'Plan A' commitments. It is equally beneficial to shareholders, who can be notified by email whenever we release trading updates for investors to the London Stock Exchange. These are not mailed to shareholders.

Registration is very straightforward through Shareview, the internet based platform provided by Equiniti. For information about how to register, please visit the 'Investors' section of our corporate website.

Shareholder security

REMEMBER: if it sounds too good to be true, it probably is!

It sounds obvious, but if a stranger rings you out of the blue and tries to sell you shares in companies you have probably never even heard of – take great care. They may be part of a financial scam using hard-sell tactics to persuade you to buy shares. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Further information can be found at moneymadeclear.org.uk

Group Secretary and Head of Corporate Governance

Amanda Mellor

Additional documents

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

Alternatively, call 0800 591 697

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

Contact us

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

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Shareholder queries: 0845 609 0810

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Read our online Annual Report and
How We Do Business Report at
marksandspencer.com/annualreport2011

