

Only at
YOUR
M&S



Overview of the year

Financial overview

Group revenue

£10.0bn

↑1.3%*

Interim + final dividend

6.2p+
10.8p = **17.0p**
→ level

UK

Our UK turnover is split between Food (54%) and General Merchandise (46%). With 766 stores across the UK and a growing e-commerce business, we sell high-quality, great value food and remain the UK market leaders in womenswear, lingerie and menswear.

General Merchandise revenue

£4.1bn

↓2.4%

Food revenue

£4.9bn

↑3.9%

Number of UK stores

766

↑35 net new stores



Underlying Group profit before tax

£665.2m

↓ 5.8%

Underlying Group earnings per share

32.7p

↓6.3%

Multi-channel

From browsing through to purchase and delivery, we aim to provide the best shopping experience for our customers. Whether in stores, online or by phone, we offer a convenient service for all our customers – however and whenever they choose to shop with us.

Multi-channel revenue

£651.8m

↑16.6%

Weekly site visits

3.6m

↑18%

Shop Your Way stores

476

↑21 stores



Group profit before tax

£564.3m

↓14.2%

Group earnings per share

29.2p

↓10.2%

International

We are making the M&S brand even more accessible to customers around the world. We now operate in 51 territories across Europe, the Middle East and Asia and continue to grow our international presence through a multi-channel approach.

International revenue

£1.1bn

↑4.5%*

International stores

418

↑31 net new stores

Territories

51

↑8 new markets



Plan A

We aim to become the world's most sustainable retailer and Plan A, our eco and ethical programme, is at the very heart of how we do business. More than five years since launch, we continue to extend the influence of Plan A – engaging our employees, suppliers and customers.

Total Plan A commitments

180

Commitments achieved

139

Commitments on plan

31

*Group revenue and International revenue increases are stated on a constant currency basis. Using actual rates Group revenue was up 0.9% and International revenue was up 0.9%.



Chairman's statement



"We are implementing revolutionary change in our retailing systems and infrastructure but the values on which M&S was founded remain unaltered."

Robert Swannell
Chairman

DIVIDEND

Interim dividend paid on 11 January 2013

6.2p per share

Final dividend to be paid on 12 July 2013

10.8p per share

Total dividend for 2012/13

17.0p per share

2012/13 was another year of progress for M&S, where a mixed trading performance was balanced by good progress in building our long-term foundations, in line with our key strategic goals.

We are implementing large-scale revolutionary change that spans our supply chain, stores, web platform and IT infrastructure – creating a sound base for sustainable future growth. However, our plans to transform M&S have not altered the values on which we were founded; our commitment to Quality, Value, Service, Innovation and Trust continues to set us apart.

Performance and dividend

In a difficult year, customers continued to place their trust in M&S. We delivered consistently strong results in our Food business, up 3.9%. Our executive team took decisive action to address areas of underperformance in our General Merchandise business and we began to see improvements in our operational execution and a reassertion of our quality credentials.

We made significant improvements to our UK operations: rolling out our new store concept across our estate, opening a new e-commerce distribution centre and strengthening our systems. Our Multi-channel business and our priority International markets grew strongly, supporting our strategic goals.

In line with our dividend policy, we remain committed to delivering consistent returns to our shareholders. This year we intend to pay a final dividend of 10.8p, unchanged from last year.

Governance and the Board

On joining M&S, I set out three clear priorities for the Board and we remain firmly focused on these key aspects. First, to debate and agree our strategy, holding the executive team accountable for its execution. Second, to ensure we have the most talented team to execute our strategy and that we plan effectively for succession. Finally, to set the tone of 'doing the right thing', supported by the appropriate governance structures and their effective implementation.

This year we set out some planned changes to our non-executive team. Having served on the Board since 2006, Jeremy Darroch will retire from the Board in June 2013. I would like to thank Jeremy for his significant contribution to M&S and his strong leadership of our Audit Committee. We welcomed Andy Halford as a non-executive director in January. As Chief Financial Officer of Vodafone for the past eight years, Andy has a wealth of valuable experience and will succeed Jeremy as Chairman of the Audit Committee from June. With continuity in mind, Steven Holliday agreed to stand for re-election at the AGM for a further year, before stepping down at the AGM in July 2014. By this time he will have served on the M&S Board for ten years and chaired the Remuneration Committee for almost five years.

After nine years, Steven Sharp, Executive Director, Marketing, is retiring from M&S. He will step down from the Board following the AGM and will continue to work in the business as Creative Director until 28 February 2014. I would like to thank Steve for the significant role he has played in shaping the M&S brand and reinforcing our quality, style and ethical credentials through numerous iconic campaigns.

As a result of this change, Patrick Bousquet-Chavanne will take over responsibility for marketing and will be put forward for election to the Board as Executive Director, Marketing and Business Development at this year's AGM. Patrick joined M&S in September 2012 as Director of Strategy Implementation and Business Development and has played a key role in the development of the new marketing strategy in womenswear.

Chairman's statement continued

Our governance principles

Leadership

Strategy, performance, responsibility and accountability are at the heart of your Board's discussions. We interrogate each area to ensure high-quality decision-making, that in turn drives a culture of continuous improvement across the business.

Effectiveness

Our performance is independently reviewed on a regular basis to ensure that the Board remains focused, is provided with actions for improvement and meets targets for future improvement.

Accountability

Strategic decision-making is discussed within the context of risk, ensuring that we understand and, where possible, mitigate those risks to which M&S is exposed.

Engagement

Building relationships with private and institutional investors is fundamental to achieving our goals. We do so through face-to-face meetings and a range of communications channels.

Discover more online

We have additional content available on our online version at marksandspencer.com/annualreport2013



strengthen our executive team on the Board. John Dixon was appointed as Executive Director of General Merchandise and after 26 years with M&S, has a proven track record in a variety of roles, most recently as Executive Director of Food. Former Director of Retail Steve Rowe is a proven retailer with 23 years' experience at M&S and he has succeeded John as Executive Director of our Food business.

How we do business

The founders of M&S understood clearly the importance of 'doing the right thing' to create long-term value. We continue their tradition of responsible behaviour through our comprehensive environmental and ethical programme, Plan A. To succeed over the long term businesses need to make connections with society and Plan A is our manifestation of that. It also makes sound economic, as well as moral sense.

Values matter in business – and we work hard to maintain high levels of trust and transparency with all our stakeholders – particularly across the supply chain. Operating our business in the right way has benefited us at a time when transparency of supply has never been more important to customers.

Plan A forces us to think differently and accept new ways of doing things. It's also influenced how we do business, enabling us to be open – both inside and outside the Boardroom – about our achievements and equally frank when we fall short of expectations or targets. Over five years since launch, the programme's values remain central to our long-term future and our connection with employees and customers.

Shareholder engagement

Taking shareholders with us on our journey allows them to see clearly the progress we are making. We held a number of investor and analyst events during the year, including a visit to Istanbul to see our international operations at first hand. We also held a briefing on our multi-channel re-platforming, hosted visits to our new flagship store at Cheshire Oaks and our new e-commerce distribution centre at Castle Donington. More recently, we held a briefing on our plans for our General Merchandise business. All of the information shared at these events is available to our shareholders at marksandspencer.com/investors.

As part of our commitment to share our progress, a preview of our forthcoming Autumn/Winter Womenswear collection is enclosed with this document. We have compiled this exclusive edit for our shareholders, which I hope illustrates how we have listened and responded to our customers.

The Notice of Meeting that accompanies this report highlights a change of venue for our AGM. As part of our plan to make M&S a more efficient business, this year's meeting will be held at Wembley, which has the facilities to host all our large-scale events, both internal and external. It is also easily reached by public transport and we encourage all our shareholders, large and small, to attend.

Looking ahead

As we move into the third year of our plan we are fully committed to its execution. Though the retail landscape remains challenging, we are in no doubt that this is the right course.

The fundamental and revolutionary changes taking place to the infrastructure of M&S are essential. Our progress will become increasingly visible to our stakeholders, as customers experience the tangible benefits of the improvements we have made. We are confident that these changes will deliver a more valuable company.

Delivering and executing this level of change requires hard work, perseverance and most of all commitment. I am always impressed by the efforts of our employees – wherever they work in M&S – and I thank them sincerely for their contribution this year.

Robert Swannell
Chairman

Marketplace

Customers are the heart of our business, so it is vital that we understand what they want from M&S. Our Customer Insight Unit (CIU) uses a combination of market research and customer feedback to help us understand how our customers think and identify the factors that influence their shopping behaviour.

Market overview

During 2012/13 there was little economic growth in the UK, with a Gross Domestic Product increase of just 0.3% in 2012. Vacancy rates remained high and over the course of the year a number of well known retailers disappeared from the high street.

Rising energy costs and petrol price increases further squeezed household budgets this year. As the gap between pay rises and inflation widened, incomes were further eroded by benefit cuts and the removal of certain tax credits.

The market was adversely affected by unseasonal weather conditions during 2012/13. The early part of the financial year included three of the wettest months on record and the UK experienced the coldest March in over 50 years.

These factors contributed towards a market footfall decrease of 3.7%. Retailers fought hard to win consumers' spend and there were continued high levels of promotional activity on the high street.

There were genuine moments of national celebration during the year and The Queen's Diamond Jubilee and the Olympic Games lifted the nation's mood. However, the feelgood factor they generated proved fairly short-lived and did not translate into higher retail sales.

How is this affecting our customers?

Consumers have become used to navigating choppy economic waters and confidence levels continued to improve as a result. However, high profile administrations – coupled with the ongoing threat of a triple dip recession – meant this confidence remained fragile and a sense of caution prevailed.

Consumer confidence index



With the unique national celebrations finished in the early part of the year, customers attached greater significance to traditional events and family celebrations. They were determined to make these occasions truly special – making their time with friends and family more memorable.

Health and wellbeing also featured prominently in consumer priorities this year. They looked to retailers to help make living a healthier lifestyle more enjoyable and affordable, with less emphasis on dieting and more focus on delicious and nutritious quality ingredients.

Trust was also an important issue within the food industry this year. Customer concerns about transparency and traceability in the meat supply chain prompted a move towards quality food retailers.

Ultimately, consumers wanted to feel every purchase they made was worthwhile – adding genuine value to their lives. As a result, they looked to retailers to inspire them and provide clear reasons to spend.

How are our customers shopping?

With shopping trips restricted and budgets limited, customers told us that they wanted to enjoy their shopping experience, in a stress-free and inspiring environment. They wanted to feel valued by retailers and great customer service was a key consideration for shoppers. As a result, we invested further in our service proposition – delivering new training to our store employees.

Over the last year, any growth in the market has come from online, as more customers shifted to shopping across multiple channels. As a result, they expected retailers to join up their different shopping channels and provide them with a seamless experience and service whichever way they chose to shop.

The continued growth of smartphone and tablet ownership meant mobile devices became an even more influential browsing and buying tool this year. This growth has not only made it easier for customers to shop on the move but it has also altered their behaviour at home, with the rise of 'second screening'. This trend, whereby more customers are watching TV with a mobile or tablet device in hand, has proved to be a valuable opportunity for retailers to engage directly and provide consumers with reasons to interact with their brand there and then.

Consumers' purchasing decisions were increasingly influenced by how quickly and easily they could receive their goods. As more retailers launched and improved next day delivery options, customers' expectations were set even higher. Customers now expect flexible and tailored choices for both ordering and delivery as standard and we worked hard to improve our Shop Your Way service.

Marketplace continued



International marketplace

GDP continued to grow in our priority markets of Russia, the Middle East, India and the Shanghai region of China. Trading conditions continued to be challenging across the Eurozone, particularly in Greece, Spain and the Republic of Ireland.

We believe most trends are global and our UK catalogue is the core of our international offer. Careful editing ensured that our collections remained relevant to the slightly younger age profile of our international customers. We also responded to a variety of international demand trends including increasing local garment sourcing in India. This has resulted in faster speed to market, improved margins for us and better choice and fit for the customer. We also introduced better phasing of outerwear in Russia to capture the market earlier in the season when demand is highest.

Our British heritage and brand values are key assets for M&S in international markets. A heightened appetite for all things 'British' was particularly apparent this year, as global attention focused on The Queen's Diamond Jubilee and the London Olympics. These events presented us with the ideal opportunities to showcase the best of M&S and differentiate ourselves from local competitors.

↑ Plan A participation

This year we continued to extend our influence beyond M&S. More customers than ever took part in a variety of Plan A activities.

→ Highlighting our credentials

The M&S brand is synonymous with British style. Our Golden Bell store in Shanghai carried a range of exclusive products that showcased our UK heritage.

As part of our strategy to become an international multi-channel retailer, we launched websites in Germany, Spain, Austria and Belgium, extending our reach into some of the fastest growing online fashion markets in Europe. Making the most of London's status as an international fashion capital, the launch was themed around showcasing the very best of 'London style' – from our catwalk-influenced Limited Collection to the craftsmanship of our Savile Row Inspired tailoring. M&S' British heritage will continue to play a leading role in our international marketing activity.

How Plan A helps us respond

Plan A – our eco and ethical programme – sets us apart as a leader in the marketplace and helps us tackle the sustainability issues that face all major retailers.

With key raw materials and natural resources under increasing pressure, we continued to develop a more sustainable supply chain, focusing on areas such as cotton and sustainable fishing. Our long-established strict sourcing standards meant M&S did not need to withdraw any products as a result of the supply chain issues.



In a challenging economic environment, Plan A also helps us to run a more efficient business, through reducing waste and energy use. We continued to share our experiences with suppliers – enabling them to reduce their own manufacturing costs and create a more sustainable future.

This year we launched new ways to engage our customers in Plan A, with exciting initiatives such as Shwopping and our Big Beach Clean-Up.

Looking ahead

Customers are pragmatic about the future, realising that economic recovery is still some way off. However, they are gaining increasing confidence, thanks to their ability to manage through these difficult times and remain focused on spending wisely and well with retailers they trust.

How our business operates

Over the last 129 years M&S has grown from a single market stall to become an international multi-channel retailer. We now operate in over 50 territories worldwide and employ almost 82,000 people. Remaining true to our founding values of Quality, Value, Service, Innovation and Trust, we work hard to ensure our offer continues to be relevant to our customers. Through diversifying our store locations, channels and product ranges we are reducing our dependence on the UK and broadening our international focus.

In touch

Customers are at the heart of our business and through our Customer Insight Unit, we ensure their needs inform every aspect of our decision-making. Through a combination of customer feedback, focus groups and consumer research we are in touch with over 17,000 customers every month, helping us anticipate their needs.

What we offer

Our heritage of innovation helps us lead the way with first-to-market products across food, fashion and homeware. We are the UK's leading clothing retailer and offer high-quality food, with a focus on freshness, convenience and speciality. Our own-brand model sets us apart and we further differentiate our offer through exclusive collaborations.

Reaching our customers

Our products are sold through 766 UK and 418 international stores – in diverse locations across high streets and out of town retail parks. Our Simply Food franchise partnerships ensure we are in the most convenient locations – from railway stations to motorway services. As shopping habits change, we're combining the best of web and store to extend our reach and drive more spend from customers. In-store technologies help customers shop more of our catalogue and our newly-created app enables browsing and buying for shoppers on the move – making M&S available 24/7.

Investing in our people

We communicate with our people throughout the year via a range of channels and measure employee

engagement quarterly. All our training and support activities are closely linked to our business plans; from improving employee skills and product knowledge to the development of future leaders for M&S.

Innovative ways of working

Ongoing improvements to our operations are making us more efficient. Our restructured supply chain has improved our stock management and availability and our e-commerce distribution centre and new IT platform will strengthen our ability to deliver growth. The creation of a long-term sustainable business model for M&S through Plan A lies at the heart of the way we work.

Managing risk

Effective risk management is essential to the achievement of our strategic objectives – and a key consideration in our Board's deliberations. In evaluating risk, we consider external competitor and economic factors, our core day-to-day operations, business change activity and potential future risks. Mitigating activities to address these risks are in place across the business.

M&S business model



Chief Executive's overview



"We have made good progress as we transform M&S from a traditional British retailer into an international, multi-channel retailer."

Marc Bolland
Chief Executive

REVENUE

General Merchandise

£4.1bn
↓2.4%

Food

£4.9bn
↑3.9%

Multi-channel

£651.8m
↑16.6%

International

£1.1bn
↑4.5%

In a difficult marketplace M&S performed well, with sales up 1.3%. Our Food business delivered an excellent performance, as we strengthened our position as a specialist retailer and benefited from customers' ongoing trust in our provenance and innovation. Our GM performance was unsatisfactory but we took action and have set out a clear plan for improvement. Our International business performed well and M&S.com delivered strong growth.

We continued to steer the business through the challenges of today's market, remaining focused on our plan to transform M&S from a traditional British retailer into a leading international multi-channel retailer. At the end of the second year of our plan, this strategy remains as, if not more, relevant. Over the last 12 months, we have driven our plan with real momentum.

General Merchandise

Clothing sales were not satisfactory this year and we took decisive action to improve performance. A new team was appointed to manage the business under John Dixon's leadership, supported by Belinda Earl in the newly created role of Style Director.

Having improved our operational execution and stock management, our customers benefited from better availability. In a highly promotional market, our tactical offers on selected products were well-received.

We have a clear plan to address our performance, with a renewed commitment to quality and style. These improvements are reflected in our upcoming Autumn/Winter collections and our progress will continue step by step.

Food

Our Food business delivered a strong performance throughout the year, up 3.9%. Like-for-like sales were consistently ahead of the market, driven by our trusted quality, provenance and ongoing innovation, which saw us refresh 25% of our entire range. M&S remains the destination of choice for special occasion food. Customers put M&S food at the heart of their celebrations, resulting in a record Christmas and our best ever Easter performance.

The launch of our Simply M&S range, coupled with our well-targeted offers, helped value conscious customers do more of their regular shop with M&S. Greater employee 'ownership' of zones in our Food Halls enhanced customer service and our improvements to space, range and display delivered better on-shelf availability.

Stores

Our new store concept has now been implemented in over two-thirds of our stores – giving customers a clearer, more inspirational in-store environment. This year we started the second phase of our store transformation – which included the roll-out of our new M&S Beauty and Home concepts.

Our plan

By 2015	Drive UK like-for-like growth	International multi-channel retailer	Drive international presence
	UK space and like-for-like growth	A leading UK multi-channel retailer	International company
2012-2013	Focus on UK		
Brand Clothing Home Food Stores			

Both departments performed very well and feature the latest in multi-channel thinking – driving customer engagement and increased sales. In August 2012, we opened our flagship store at Cheshire Oaks, which brought together all the elements of our new store format under one roof for the first time.

Multi-channel

M&S.com sales accelerated this year and grew ahead of the market at 16.6%. Through a combination of better site navigation, more style advice and greater choice, we increased weekly visitors to 3.6 million. We further improved our popular Shop Your Way option, with free next day delivery to stores and provided customers with more inspiration and choice through the introduction of new in-store technologies. We also launched several brand new ways to shop with M&S, including our first ever transactional iPhone app.

International

International sales were up 4.5% this year. We saw double digit growth in our priority markets but experienced more challenging conditions in our legacy European markets. We expanded our presence with a multi-channel approach, opening 45 stores and putting M&S online locally in a total of ten territories,



↑ Our greenest ever store

Plan A ambassador Joanna Lumley joined us for the opening of our greenest ever store at Cheshire Oaks. As well as establishing leading eco credentials, it created more than 350 jobs in the area.

Discover more online

following the launch of new websites. Enhanced visual merchandising in our stores improved the clarity and consistency of the M&S brand and we made a number of improvements to our international operations. We also strengthened our franchise relationships and provided additional marketing support to our partners.

Brand

Our brand is one of our strongest assets and our advertising campaigns reflect how we are in touch with our customers' changing needs. This year, we used a selection of models representing a range of ages and sizes; better reflecting our customer base and showing our customers how to wear the season's key looks. Towards the end of the year, our Perfectly campaign featured an edited collection of iconic products from our womenswear range. We bought with confidence into these advertised lines and sales increased as a result.

Our recently launched Make Today Delicious campaign encourages customers to make every food moment special with our innovative, quality food.

Plan A

We believe our customers are the driving force for change and over five million customers participated in Plan A activities this year. We stepped up our efforts to engage them in more sustainable living through a range of initiatives including Shwopping, which has already helped divert 3.8 million garments from landfill, and our Big Beach Clean-Up. Our five year anniversary in 2012 marked a major milestone in our journey but we have renewed our efforts to fulfil and exceed our own commitments. We also worked to extend our influence and share our learning beyond M&S – to our customers, suppliers and the wider industry.

Transforming our business

To fulfil our international, multi-channel ambitions, it is essential we have the infrastructure and organisational capabilities to drive this growth. Since we launched our plan to transform M&S, we have made considerable progress. We now have a stronger organisational structure and a rich pool of talent across the business. As Alan Stewart explains on page 13, we have significantly enhanced our supply chain operations with the opening of our first dedicated e-commerce distribution centre at Castle Donington. We have also made good progress with our systems upgrades and our new multi-channel platform build is on schedule for launch next spring.

Marc Bolland
Chief Executive

Looking ahead

The market will remain challenging for the foreseeable future and we expect consumer spending to remain cautious and carefully planned. However, our attention to delivering exceptional quality and market-leading innovation means we are well positioned to navigate through the short term.

We remain fully committed to the delivery of our plan; ensuring that as we evolve we remain in touch with our customers so that we can anticipate and respond to their changing needs.

Our transformation of M&S into a leading multi-channel retailer will be supported by the creation of stronger, more agile infrastructure – building a robust platform for our long-term growth.

Please turn over the page to see the highlights of our plan in action.

Our plan in action

Our aim is to make M&S a truly international, multi-channel retailer – accessible to even more customers around the world. We have created considerable momentum through a wide range of activities and are making good progress.

Focus on the UK

→ Trusted food

In a year when trust was more important than ever, customers turned to M&S for great quality, responsibly sourced food. Our innovation kept them coming back – with over 1,900 new lines launched this year.



1,900

Multi-channel



← Online sales

More people than ever chose the convenience of shopping with us online. Improved navigation, greater choice and exclusive ranges and offers boosted online sales by 16.6% this year.



← Free next day delivery

Shop Your Way orders increased this year, after we introduced free next day delivery to our stores. 54% of orders are now collected or placed in a store.

54%

International

→ Multi-channel expansion

We are building our European presence through a 'clicks & bricks' approach. Complementing our French website, we launched Shop Your Way at our two Paris stores. We have two additional full line stores due to open in 2013.



→ New stores

M&S has a clear and targeted strategy for international growth. We continue to expand in key locations across our priority markets, employing a mix of ownership models including partnerships and franchises.

45 new stores

Plan A



↙ CO₂ neutral

We were proud to retain our status as a certified CarbonNeutral® company across our operations in the UK and Republic of Ireland. We are actively developing programmes aimed at encouraging our suppliers to reduce their greenhouse gas emissions.



↙ Plan A products

45% of our products now have a Plan A quality – such as Fairtrade, organic or made from recycled material. We're making good progress against our target of making this 50% of products by 2015.

45%



→ **Perfectly edited**

Our Perfectly campaign brought together a carefully edited collection of the iconic quality wardrobe staples that set M&S apart. Each ad offered easy style advice, showing different ways to wear these key items.

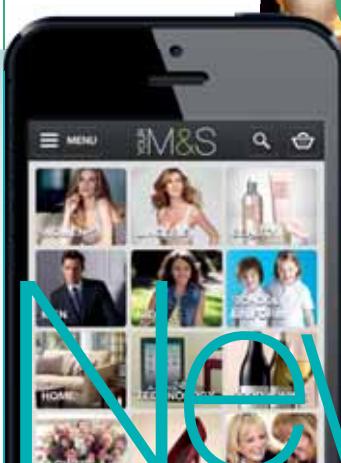
→ **New Home concept**

With clearer segmentation and a more multi-channel approach our new M&S Home concept drove a reappraisal of the offer. The new format is now featured in 33 stores.



← **Castle Donington**

Our fully mechanised 900,000 sq ft e-commerce distribution centre is the UK's largest. It has the capacity to process and ship up to a million products per week to customers' homes and M&S stores across the country.



← **iPhone app**

Sales via mobile increased 200% this year, following the launch of our first transactional iPhone app. It had received over 580,000 downloads by the year end.

→ **Reaching more customers**

We are extending our reach across new and existing markets through our online development. Following launches in Germany, Spain, Austria and Belgium, we're now online locally in ten markets and deliver to over 80 countries.



→ **Golden Bell**

The Shanghai region is one of our strategic international markets. We expanded our presence here with the opening of our 4,500 sq m flagship store at Golden Bell Plaza – one of the region's most popular shopping destinations – giving us a total of 14 stores.



← **Responsible Retailer of the Year**

In recognition of the scale of our eco and ethical programme's achievements, M&S was named Responsible Retailer of the Year at the World Retail Awards in September 2012.



← **Zero waste to landfill**

We continue to work at reducing the amount of waste produced within the business. Working closely with our contractors, we fulfilled our commitment of sending no waste to landfill from our UK stores, office, warehouses and construction activities.

Performance against our plan

Key Performance Indicators

Financial performance				
Group revenue				
£10.0bn				↑ 1.3%
£m	09/10	10/11	11/12	12/13
UK	8,567.9	8,733.0	8,868.2	8,951.4
International	968.7	1,007.3	1,066.1	1,075.4
Total	9,536.6	9,740.3	9,934.3	10,026.8
Underlying Group profit before tax				↓ 5.8%
£665.2m				£m
09/10	10/11	11/12	12/13	UK operating profit
677.9	676.6	661.4		International operating profit
142.7	147.0	133.4	120.2	Net finance costs
(104.1)	(104.1)	(104.1)	(116.4)	Underlying Group profit before tax
694.6	714.3	705.9	665.2	

Focus on the UK

UK market share	UK market share	Average weekly footfall
Clothing and footwear	Food	
Value	Value	
11.2%	3.8%	20.0m
↓ 0.4% pts	Level	↓ 1.5%
Volume		
12.0%		20.0m
↓ 0.3% pts		20.3m
Analysis	In a competitive market, our food market share remained level, as customers continued to trust M&S for responsibly sourced, quality food.	20.7m
We remain the UK's market leader in clothing but have experienced a decline in market share this year. We have set out a clear plan to address our underperformance, reasserting our quality and style credentials.	Kantar Worldpanel Food and Drink 52 w/e 14 April 2013.	21.0m
Kantar Worldpanel Clothing and Footwear share 52 w/e 14 April 2013.		
Analysis Visits to our stores were down slightly in 2012/13. However, this was in line with the wider market trend, as customers increasingly adopted a more multi-channel approach to shopping. Concerns about rising petrol prices also impacted footfall to stores.		

Become a leading multi-channel retailer

Multi-channel revenue	Percentage of population within a 30-minute drive of a full line store
£651.8m	93%
↑ 16.6%	→ level
Analysis	Analysis
As we strengthen our multi-channel capabilities, we continue to make progress against our target to increase sales by £300m to £500m by 2013/14.	To deliver a more multi-channel shopping experience we want to have our stores in accessible locations and aim for 95% of the population to be within a 30 minute drive of a full line store by 2015.

Plan A

Our operations	UK & ROI greenhouse gas emissions	UK & ROI greenhouse gas emissions
UK & ROI greenhouse gas emissions	Gross (000 tonnes)	Gross tonnes per sq ft of salesfloor
2012/13	2006/07	2006/07
569	735	54
↓ 23%		2012 target
Why?	Reporting greenhouse gas emissions will become a legal requirement from 2014. Reducing emissions improves efficiency and helps to respond to the risks of climate change.	Reporting greenhouse gas emissions per sq ft of salesfloor enables us to monitor improvements in efficiency.

Group profit before tax

£564.3m

↓ 14.2%

11/12 £658.0m
10/11 £780.6m
09/10 £702.7m

Group earnings per share

29.2p

↓ 10.2%

11/12 32.5p
10/11 38.8p
09/10 33.5p

Underlying earnings per share

32.7p

↓ 6.3%

11/12 34.9p
10/11 34.8p
09/10 33.0p

Return on capital employed

15.9%

↓ 3.0%

11/12 16.4%
10/11 16.7%
09/10 17.5%

UK Mystery Shopping scores



**Average score
81%**

Analysis Mystery Shop scores remained high this year at 81%. However, to help us be more in touch with customers we plan to replace our monthly Mystery Shop programme with a more regular, in-depth customer satisfaction survey.

Annual space growth

2.8%

Analysis As consumers' shopping habits change, we continue to evolve our space selectively. We expect the planned opening of new space will add c.2% to the UK in 2013/14.

Become an international company

International revenue

£1,075.4m

↑ 4.5%

11/12 £1,066.1m
10/11 £1,007.3m
09/10 £968.7m

12/13	£1,075.4m
11/12	£1,066.1m
10/11	£1,007.3m
09/10	£968.7m

Analysis We are continuing to transform M&S into a more internationally focused business and are making progress against our target of increasing international sales by £300m to £500m by 2013/14.

Our products

Percentage of M&S products with a Plan A quality

45%

↑ 14%

2011/12 31%
2015 target 50%

Why? Plan A qualities have been carefully chosen to be appealing to customers, improve efficiency or make our supply chains more resilient.

Our people

Employee engagement scores

78%

↑ 2%

2011/12 76%
Ongoing target 70%

Why? There is a strong correlation between high levels of engagement and performance and as a result, we aim to maintain engagement levels of above 70%. We continue to use a variety of communication channels to ensure that employees are engaged in our strategy and understand the role they play.

People behind the plan

Management Committee



"We depend on our people to make the M&S difference. I'd like to thank all our employees for their hard work, enthusiasm and commitment, in what has been a challenging year."

Marc Bolland
Chief Executive

This year we strengthened our Management Committee in order to sustain momentum in the delivery of our plan. Our executive team is ably supported by a group of high calibre individuals, whose credentials have been earned both within M&S and externally. I'm proud of the team that is driving our transformation of M&S forward.

The dedication and enthusiasm of all our people drives innovation across M&S and upholds the high standards of quality and service our customers expect. Their expertise and commitment was increasingly acknowledged and appreciated by our customers this year. Each employee plays a part in keeping M&S special and I offer my sincere thanks for all their efforts.

Marc Bolland
Chief Executive



John Dixon
Executive Director,
General Merchandise



Steve Rowe
Executive Director,
Food



Steven Sharp
Executive Director,
Marketing



Alan Stewart
Chief Finance Officer



Laura Wade-Gery
Executive Director,
Multi-channel
E-commerce



Andy Adcock
Trading Director, Food



Sacha Berendji
Retail Director



Patrick Bousquet-Chavanne
Corporate Director of
Strategy Implementation
and Business



Clem Constantine
Director of Property



Tanith Dodge
Director of Human
Resources



Steve Finlan
Director of
International
Operations



Dominic Fry
Director of
Communications and
Investor Relations



Jan Heere
Director of International



Dirk Lembregts
Director of Supply
Chain



Nayna McIntosh
Director of
Store Environment and
Product Presentation



Amanda Mellor
Group Secretary and
Head of Corporate
Governance



Darrell Stein
Director of IT

Financial review



“We’re building an infrastructure fit to support our future as an international, multi-channel retailer.”

Alan Stewart
Chief Finance Officer

In a challenging trading environment, we delivered sales of £10bn this year, up 1.3%. We managed the business prudently and our underlying profit was £665m, with underlying earnings per share at 32.7p.

Whilst the execution of our business plans continued to move with pace, we navigated the short term market challenges through strong financial management. In a highly promotional marketplace, we protected our margins through tight control of mark down and well targeted promotional activity. Improved buying and food waste management helped us mitigate commodity price increases and further protect profitability.

This approach was supported by tight cost management across the business, with UK operating costs up 1.8%. I have always been clear that running an efficient business is not simply about cost cutting; it’s about having the right procedures and processes in place.

Our commitment to Plan A encourages us to find new and better ways of doing things to address the eco and ethical challenges we all face. In doing so we have delivered a net benefit of £135m available to be reinvested back into M&S. As members of the International Integrated Reporting Council pilot, we are committed to reporting the long term value created by sustainable business practice.

Investing in our future

Our investment is strengthening our UK business through the roll-out of our new store format – encouraging customers to reappraise M&S. Multi-channel sales accelerated to £651.8m and International sales reached £1.1bn.

We added 2.8% new selling space in the UK; including nine new wholly owned sites for our popular Simply Food format.

As with our operating costs, we applied a disciplined approach to our expenditure. In the second year of our plan, activity has peaked with capital expenditure at £821m. Through prudent management we expect capex to be £775m in 2013/14, a reduction on the previous guidance of £850m. From 2014/15 we expect it to fall to c.£550m per annum, a £50m reduction on our earlier guidance.

A better business infrastructure

Our investment is helping us deliver transformational change to our business infrastructure – ensuring it is fit to support our strategic ambitions and allows us to meet and exceed our customers’ growing expectations.

To achieve these aims we need to simplify our IT and management systems and create a supply chain that is agile, fast and flexible from end to end. We are already making improvements; changing the way we allocate stock to store and sourcing more from our direct suppliers to make the most of our scale.

In May 2013 our major new distribution centre at Castle Donington became operational, which will help us deliver a step change in the way we serve M&S.com customers. The fully automated site ensures we have all e-commerce stock in one central location, at the heart of the UK road and rail network. Better visibility of our stock will drive improved availability, faster delivery times and reduced distribution costs.

We are further strengthening our multi-channel capabilities through the in-house development of our new website platform. Due to launch in Spring 2014, the new platform will be better integrated with our in-store and service systems – providing us with the flexibility required to deliver a best-in-class customer experience.

Strengthening our financial position

Our investment in future growth is funded through our existing cash flows – supporting our commitment to maintaining an investment grade credit rating and a progressive dividend policy.

We have maintained a strong balance sheet, with net debt at £2.6 billion, including £606m of property partnership liabilities associated with the pension fund.

In November we announced the outcome of the triennial actuarial valuation of our Defined Benefit Pension Scheme as at 31 March 2012. This resulted in a funding deficit of £290m, a substantial reduction from £1.3bn as at 31 March 2009. As a result, we agreed a reduction in the annual cash contributions as part of the ten year funding plan, saving £245m of which £153m will fall in the next four years.

We have made good progress with our funding activity this year. In December, we issued £400m of 12.5 year bonds at a rate of 4.75%. The bonds were significantly oversubscribed and priced below the Group’s average cost of debt of c.6%, providing sufficient liquidity to manage upcoming debt maturities.

In light of long-term interest rates and the successful bond issuance, we decided to buy back and cancel £250m of puttable callable bonds issued in 2007. This incurred a one-off non-underlying cost of £75m. This activity supports our funding strategy, ensuring we have the right mix of funding sources that provide the cost effectiveness and flexibility to match our business requirements.

Looking ahead

The transformation of our infrastructure will deliver tangible benefits for both our business and our customers; creating a strong and efficient platform from which to deliver sustainable long-term growth.

Governance

Chairman's overview



"The Board is the guardian of the M&S brand, its reputation and stakeholder relationships."

Robert Swannell
Chairman

For many decades M&S has based its core values around Quality, Value, Service, Innovation and Trust. These values have played a key role in underpinning the integrity of our products, brand and way of doing business, giving M&S a real point of difference and special culture.

We see these values as key to the way we work with our customers, our suppliers and our colleagues across the business. They go to the heart of how we try to behave as an organisation. As a Board these values support and inform the way we review and debate our plans and ensure the right environment for decision-making and challenge in all areas of strategy, performance, responsibility and accountability.

Our values are recognised across the business. They are fundamental to Plan A which celebrated its fifth year this year and which simply could not have taken root in the way it has at M&S without an existing culture that embraced it. Plan A is not a disembodied CSR programme; it is a whole company way of doing business.

As a Board how can we use these values to our advantage? How can we ensure that we remain trusted and respected not only for what we do and the integrity of the decisions we make, but how we take those decisions? Do we as a Board set a clear example from the top which will reinforce a culture of trust and integrity in line with our values and ensure our future success? These are questions for many organisations and those in positions of leadership and trust.

Our values were tested in January when elements of our Interim Management Statement appear to have been leaked to the press. The implied breach of trust or carelessness was felt profoundly in the organisation. We were determined that a thorough, independent investigation was required of the leak and of our process and controls and that we would learn from our findings. The level of support for this action across the business highlighted just how strongly the team felt about the relevance of trust and integrity, not only for the company and the brand but also towards our fellow colleagues. The findings of the investigation have now been discussed by the Board and appropriate measures implemented.

These values were also highlighted when the integrity of our product and trust in our supply chain in Food meant that we were not impacted by the horsemeat scandal. We have discussed our processes and controls in this area in our Board and Audit Committees meetings over the past year and recognise the hard work of our Food team in building strong relationships and knowledge of our suppliers. In this way we have ensured, so far as we can, the quality and integrity of our product from farm to fork so that customers can trust us for what we sell. Our deep-rooted values demonstrated their worth in guiding the principles for how we do business and if we continue to respect these, they should continue to support us for the longer term.

As a Board we regularly discuss and review:

- our performance today and our progress towards our goal to become an international multi-channel retailer
- our brand and reputation and how we can ensure our behaviours and processes protect us for our future
- our people, and how we can create a high performing team, potential for future development and succession along with appropriate motivation and reward
- our customers, suppliers and local communities ensuring we treat them all fairly and respectfully
- our shareholders and how we can communicate openly on the way we manage and challenge the business
- Plan A and our plan to become the world's most sustainable major retailer

These all reflect the considerations for directors as referenced in the Companies Act and which our directors know they are trusted to consider on behalf of all stakeholders.

At a time when breaches of corporate trust and integrity are under the spotlight, resulting in ever greater scrutiny, regulation and control, we believe our values could not be more relevant, essential and valuable to sustain us for our long-term future. Commentators recognise when trust and integrity are lost but often attribute little credit to those who do their best to instil and uphold high standards.

We continually try to find an appropriate balance between the myriad factors upon which we, as a Board, must focus. These range from our key commercial issues and our long term strategy, to our response to enhanced governance processes and reporting.

While the increase in scrutiny is sometimes testing, we welcome the opportunity for clear challenge and frank dialogue with our stakeholders. We were pleased that our governance event was so well attended by investors and a wide range of shareholder representative bodies, keen to engage with us on a range of issues relating to our Board process, management of risk, approach to remuneration and our progress to become the world's most sustainable major retailer. This year we have also undertaken many more investor events to communicate our progress on key aspects of our strategy. We believe that greater levels of stewardship and engagement enable better understanding about the issues we face and our deliberations on them, as they relate to our business and people.

We welcome calls for greater openness and transparency on Board deliberations, which in turn challenge us to plan our agendas to maximise our impact, look at the way we do things and reflect on the quality of the decisions we have made. We have worked hard to build an engaged, trusted team and an environment where we can all be honest and direct about what we have done well and where we can do better.

We will not get everything right all of the time, but will learn where we make mistakes – our annual Board evaluation assists us in highlighting areas in which improvements can be made. Last year we made good progress in achieving our plans, including hosting our first Board meeting in Turkey.

Our Committees and Committee Chairmen



For more on our Governance framework go to marksandspencer.com/thecompany

This year, our Action Plan again sets out specific objectives to improve our Board performance. Some of these are now part of a longer term journey, but all aim to enable the right environment for debate and reflection on the quality of our decisions. These should enhance and underpin trust and sustain our values longer term.

We do not see governance therefore as simply a box-ticking exercise, nor as a generality related to processes or control. We see it more about testing whether we do the right things, in the right way, ensuring we have the right safeguards, checks and balances in place and that the right considerations underpin every decision we take. We believe that this practical approach will support our performance for the long-term and protect the trust, integrity and value of our business and our brand.

UK Corporate Governance Code

The UK Corporate Governance Code 2010 (the 'Code') remained the standard against which we were required to measure ourselves throughout 2012/13. We are pleased to confirm that we complied with all of the provisions set out in the Code for the period under review. We remain committed to the very highest standards of corporate governance and as such have benchmarked ourselves against the UK Corporate Governance Code 2012 which we are not formally required to report against until 2014. We already comply with a significant number of the additional provisions and expect to be fully compliant by 2013/14.

To see how we comply with the Code go to the investor section of marksandspencer.com/thecompany

Those with a QR reader can use the link on the bottom right of this page

The Governance report explaining our governance policies and practices can be found in the Annual report, with a full account of how we have complied with the UK Corporate Governance Code, on our website.

Our Governance Framework is reviewed every year and sets out the roles, accountabilities and expectations for our directors and our structures. This format has been adopted widely across the business and can be viewed in the 'Investors' section of marksandspencer.com/thecompany.

Appointments and succession

The Nomination Committee has continued to work on ensuring appropriate succession and mix amongst both the executive and non-executive directors. We have set out our ambitions and objectives in shaping the Board for the future in our Board Diversity Policy. We are conscious that, following Kate Bostock's departure and the subsequent appointments of Steve Rowe and Andy Halford, the percentage of women on the Board has fallen to 21% this year, below our target of 30%. However, this will increase to 23% following Jeremy Darroch's departure from the Board on 19 June 2013. We remain committed to our target and advocating the role women play at

the top of organisations and at M&S in particular. However, we continue to make appointments based on objective criteria to ensure we appoint the best individuals with diverse experience and background for the role.

In July 2012, we announced that Kate Bostock would be leaving M&S after eight years. In September, John Dixon was appointed Executive Director, General Merchandise, moving across from his previous role in Food. Steve Rowe, previously Director of Retail, was appointed to the Board to succeed John as Executive Director, Food.

As part of our succession planning, in December we announced that Jeremy Darroch would be leaving M&S in 2013, after seven years on the Board and as Chairman of our Audit Committee. We appointed Andy Halford as non-executive director in January and he will succeed Jeremy as Chair of the Audit Committee in June 2013. At that time we also announced that Steven Holliday will remain on the Board for a further year, stepping down at the 2014 AGM, by which time he will have served ten years on the Board. This will allow us to phase the change in Chairman of these two important Committees. In spite of the proposed length of Steve's tenure, the Board is confident that he will continue to provide strong and independent oversight to Board debate while continuing to bring his significant experience, knowledge and leadership to the Chairmanship of the Remuneration Committee.

On 21 May, we announced that Steven Sharp, Executive Director Marketing, will be retiring from the business. He will step down from the Board following the AGM and will continue as Creative Director until 28 February 2014. Patrick Bousquet-Chavanne will take over responsibility for marketing and will be put forward for election to the Board as Executive Director, Marketing and Business Development at the 2013 AGM.

The Nomination Committee has also reviewed our future talent pool and longer-term succession potential. In supporting this debate on talent and future leadership for the business, the Remuneration Committee has continued to develop and test the setting and disclosure of objectives and targets. In line with last year, the Committee has also been an active voice in a number of formal consultations and engaged with shareholders and shareholder representative bodies on the broader UK remuneration debate and need for greater transparency.

Monitoring risk

In view of our longer term ambitions and the significant business initiatives currently underway across the business, the Audit Committee has played a substantial role in ensuring appropriate governance and challenge around our risk and assurance processes.

Overall, I am pleased with the Board's activity across the governance agenda, some of which is highlighted on the following pages. Further detail is available on our website. We continue to challenge ourselves and the business and to reflect and learn from our decisions and debate.

Robert Swannell
Chairman



Board of directors


Robert Swannell
Chairman
Appointed:

Non-executive director in October 2010 and Chairman in January 2011.

Experience: Robert is a Chartered Accountant and Barrister. He

possesses a wealth of knowledge of many different business sectors, banking and the City acquired over a 33 year career in investment banking and extensive government and regulatory experience from roles with BIS, the Take-Over Appeal Board and the FCA. His significant board experience covers a diverse range of industries including retail, private equity and real estate. His leadership in the area of governance continues to promote robust debate and drive a culture of openness in the boardroom. Robert was previously Senior Independent Director of both British Land and 3i Group and Chairman of HMV.

Other roles: Chairman of Governing body of Rugby School, Trustee of Kew Foundation.

Committees: Nomination (Chairman)


Marc Bolland
Chief Executive Officer
Appointed: May 2010

Experience: Marc joined M&S from Morrisons where, as CEO, he successfully led the development and implementation of its long-term strategy. Prior to this, Marc built up significant consumer marketing and international experience at Heineken NV, which he joined in 1987. He was appointed to Heineken's Board in 2001, with responsibility for global marketing and the regions of Western Europe, the USA, Latin America and North Africa, becoming Chief Operating Officer in 2005. As CEO, Marc continues to work with the Board in developing and implementing our strategy to become an international, multi-channel retailer.

Other roles: Non-executive director of Manpower Inc, USA, Honorary Vice President of UNICEF UK and Director of the Consumer Goods Forum.

Committees: Nomination


Alan Stewart
Chief Finance Officer
Appointed: Oct 2010

Experience: Alan brings extensive corporate finance and accounting experience in highly competitive industries as varied as retail, travel and banking. Alan joined M&S from the aircraft leasing company AWAS Aviation Capital, where he was Chief Financial Officer. Alan previously spent nine years in investment banking at HSBC before joining Thomas Cook in 1996, where he held a number of senior roles including Chief Executive of Thomas Cook UK and Group Chief Financial Officer of Thomas Cook Holdings. Following his appointment as Group Finance Director of WH Smith plc in 2005, Alan played a central role in improving the Group's financial performance. He was previously a non-executive director of Games Workshop Group plc.


John Dixon
Executive Director, General Merchandise
Appointed: Oct 2012

Experience: John has a wide range of retail and product experience acquired from across the business. John began his

career with M&S in store management in 1986 before moving to Paris, where he spent three years in various commercial roles at M&S' European stores and Paris Head Office. He joined the UK Head Office as a Food Buyer before progressing to Category Manager for Fresh Produce. John has held a range of senior roles including Executive Assistant to the Chief Executive, Director of M&S Direct and Director of Home. He became Director of Food in July 2008 and was appointed Executive Director, Food in 2009, moving to Executive Director, General Merchandise in October 2012.


Laura Wade-Gery
Executive Director, Multi-channel E-commerce
Appointed: July 2011

Experience: Laura has considerable retail and consumer experience, including significant e-commerce knowledge acquired from her previous roles at Tesco plc, including Chief Executive Officer of Tesco.com and Tesco Direct. Laura continues to drive the improvement and modernisation of our e-commerce and multi-channel capabilities. She was previously a non-executive director of Trinity Mirror plc and has held a variety of roles at Gemini Consulting and Kleinwort Benson.

Other roles: Trustee of Royal Opera House Covent Garden Limited, Member of the Government's Digital Advisory Board and a Trustee of Aldeburgh Music.


Steve Rowe
Executive Director, Food
Appointed: Oct 2012

Experience: Steve joined M&S in 1989 and progressed through a variety of roles within store management before moving to Head Office in 1992. He has acquired considerable experience from senior positions across the Group. Steve spent seven years in Menswear, during which he held a number of roles including Head of Merchandising, prior to his appointment as Director of Home in 2004. He was appointed Director of Retail in 2008 and Director of Retail and E-commerce in 2009, briefly reverting to Director of Retail in 2011 before his appointment to the Board in 2012.

Other roles: Director, Strategic Board of the New West End Company.


Jan du Plessis
Senior Independent Director
Appointed:

Non-executive director in 2008 and Senior Independent Director in March 2012.

Experience: Jan has considerable business and brand experience having sat on the boards of several leading companies across a range of industries. Jan was formerly Chairman of British American Tobacco plc and a non-executive director of Lloyds Banking Group. He was Group Finance Director of Richemont, the Swiss luxury goods group, until 2004 and Chairman of RHM from 2005 until its takeover by Premier Foods in 2007. Jan is a South African Chartered Accountant.

Other roles: Chairman of Rio Tinto.

Committees: Audit, Nomination, Remuneration


Vindi Banga
Non-executive director
Appointed: Sept 2011

Experience: Vindi has extensive consumer brand knowledge and global business experience, acquired over 33 years in senior roles within the consumer goods industry at Unilever plc, including President of the Global Foods, Home and Personal Care businesses and as a member of the Executive Board. Vindi was previously Chairman and Managing Director of Hindustan Lever Limited. He is the recipient of the Padma Bhushan, one of India's highest civilian honours.

Other roles: Partner at Clayton Dubilier & Rice, non-executive director of Thomson Reuters and Maruti Suzuki India, Board member of B&M Retail and a member of the Prime Minister of India's Council of Trade and Industry.

Committees: Nomination, Remuneration


Miranda Curtis
Non-executive director
Appointed: Feb 2012

Experience: Miranda brings a wealth of experience of the international consumer and technology sectors and extensive knowledge of the global broadband cable industry. During Miranda's 20-year career with Liberty she led the company's investments in digital distribution and content operations across Continental Europe and Asia-Pacific, most notably in Japan. She was previously a non-executive director of National Express Group plc.

Other roles: Chairman of Waterstones, non-executive director of Liberty Global, board member of both the Institute for Government and the Royal Shakespeare Company, Deputy Chairman of Garsington Opera and Vice Chairman of African girls' education charity, Camfed.

Committees: Nomination, Remuneration



Martha Lane Fox
Non-executive director

Appointed: June 2007

Experience: Martha brings extensive experience in the successful operation of online and consumer facing businesses. Her input continues to challenge and influence the development of our multi-channel strategy. Martha co-founded lastminute.com in 1998, taking it public in 2000 and selling it in 2005. Martha was awarded a CBE in 2013 and was appointed a crossbench peer in the House of Lords in March 2013.

Other roles: UK Digital Champion, chair of Go On UK, MakieLab, Founders Forum for Good and the Government's Digital Service Advisory Board. Co-founder and chair of Lucky Voice, non-executive director of MyDeco.com, the Women's Prize for Fiction and founder of her own charitable foundation, Antigone.

Committees: Audit, Nomination



Steven Sharp
Executive Director, Marketing

Appointed: Nov 2005

Experience: After nine years at M&S Steve will be retiring from the business. Therefore he will not be standing for election this year and he will step down from the Board following the AGM on 9 July 2013. Steve will continue to work in the business as Creative Director until 28 February 2014. Steve has built up extensive marketing experience over a career that began when he joined Bejam as a Marketing Manager in 1978. He progressed to the Argyll Group and moved to ASDA in 1987, where he became Marketing Director. Steve's other senior marketing roles have included the Burton Group, Booker plc and Arcadia Group plc. He joined M&S in 2004.

Other roles: Non-executive director of Adnams plc, Fellow of the Chartered Institute of Marketing, The Marketing Society and The Royal Society of Arts and a Visiting Professor of Glasgow Caledonian University.



Andy Halford
Non-executive director

Appointed: Jan 2013

Experience: Andy brings invaluable international, consumer and digital experience, as well as a strong finance background. He joined Vodafone in 1999 as Financial Director of Vodafone Limited, becoming Financial Director for Vodafone's Northern Europe, Middle East and Africa Regions in 2001. He was previously Chief Financial Officer of Verizon Wireless in the US and Group Finance Director of East Midlands Electricity plc. Andy is a former Chairman of The Hundred Group of Finance Directors in the UK. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other roles: Chief Financial Officer of Vodafone Group plc and a member of the Board of Representatives of the Verizon Wireless Partnership.

Committees: Audit (Chairman Designate), Nomination



Jeremy Darroch
Non-executive director

Appointed: 2006, Jeremy will step down from the board on 19 June 2013.

Experience: Jeremy has considerable expertise in the consumer retail environment built up over a successful career at some of the UK's most high profile organisations. A qualified Chartered Accountant, Jeremy spent 12 years in a range of roles at Proctor and Gamble, including European Finance Director for their Healthcare division. He was Group Finance Director and Retail Director at Dixons Retail before his move to British Sky Broadcasting in 2004, where he was appointed Chief Financial Officer, later becoming CEO in 2007. Jeremy will step down from the Board of M&S on 19 June 2013.

Other roles: CEO of British Sky Broadcasting. **Committees:** Audit (Chairman), Nomination



Steven Holliday
Non-executive director

Appointed: July 2004

Experience: Our longest serving non-executive director, Steve has extensive knowledge of corporate business and has held a variety of senior executive and boardroom level roles within the challenging utility and oil and gas industries. He spent 19 years with Exxon and was an executive director of British Borneo Oil and Gas before joining National Grid as Group Director, UK and Europe in 2001 and became CEO in 2006. His international experience includes a four year spell in the US and he has developed business opportunities in countries including China, Brazil, Australia and Japan.

Other roles: Group CEO of National Grid; Chairman of both Board of Trustees of homeless charity Crisis and Business In The Community's Talent and Skills Leadership Team.

Committees: Audit, Nomination, Remuneration (Chairman)



Patrick Bousquet-Chavanne

Executive Director, Marketing and Business Development

Appointed: Following the AGM on 9 July 2013
Experience: Patrick joined M&S in September 2012 as Director of Strategy implementation and Business Development and has played a key role in creating the new marketing strategy for Womenswear. Patrick's extensive experience of the consumer goods industry was built up over a career spanning more than 25 years, with 15 years spent in senior global brand management positions in London, Paris and New York. He joined Estée Lauder in 1989 as Vice President and General Manager of Aramis International and was appointed to Lauder's executive committee in 1998. Patrick became Group President of the Estée Lauder Companies in 2001, stepping down in 2008 to pursue opportunities in the internet and new technology fields.
Other roles: Non-executive director of Brown-Forman Inc

Board diversity

This year we continued to make progress in shaping our Board for the future, ensuring that diversity, in its broadest definition, is at its heart. From a practical perspective, our focus on diversity means we look hard at our mix of skills and experience. New Board appointments will always seek to complement these as well as ensuring that a good balance of skill set, international experience and gender is maintained.

Board experience

Retail

93%



Consumer

100%



Finance

36%



E-commerce & technology

29%



International

21%



Women on the board*

21%



Executive

17%



Non-executive

25%



Executive recruitment

Internally

33%



Externally

67%



Non-executive Board tenure

0–1 years

12%



1–3 years

38%



3–6 years

25%



6–9 years

25%



*Women on the Board will increase to 23% following Jeremy Darroch's departure on 19 June 2013.



Amanda Mellor
Group Secretary and Head of Corporate Governance

Appointed: July 2009

Other roles: Non-executive director of Kier Group plc.

Consolidated income statement

	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Revenue	10,026.8	9,934.3
Operating profit	756.0	746.5
Finance income	26.5	48.3
Finance costs	(218.2)	(136.8)
Profit before tax	564.3	658.0
Income tax expense	(106.3)	(168.4)
Profit for the year	458.0	489.6
Attributable to:		
Equity shareholders of the Company	466.7	513.1
Non-controlling interests	(8.7)	(23.5)
	458.0	489.6
Basic earnings per share	29.2p	32.5p
Diluted earnings per share	29.0p	32.2p
Non-GAAP measures: Underlying profit before tax		
Profit before tax	564.3	658.0
Adjusted for:		
Strategic programme costs	6.6	18.4
Restructuring costs	9.3	–
IAS 36 Impairment of assets	–	44.9
IAS 39 Fair value movement of put option over non controlling interest in Czech Business	–	(15.6)
IAS 39 Fair value movement of embedded derivative	(5.8)	0.2
Fair Value movement on buy back of the Puttable Callable Reset medium-term notes	75.3	–
Reduction in M&S Bank income for the impact of the financial product mis-selling provision	15.5	–
Underlying profit before tax	665.2	705.9
Underlying basic earnings per share	32.7p	34.9p
Underlying diluted earnings per share	32.5p	34.6p

Consolidated statement of financial position

	As at 30 March 2013 £m	As at 31 March 2012 £m
Assets		
Non-current assets		
Intangible assets	695.0	584.3
Property, plant and equipment	5,033.7	4,789.9
Investment property	15.8	15.9
Investment in joint ventures	15.5	14.4
Other financial assets	3.0	3.0
Retirement benefit asset	206.1	91.3
Trade and other receivables	265.4	270.2
Derivative financial instruments	65.3	44.2
	6,299.8	5,813.2
Current assets		
Inventories	767.3	681.9
Other financial assets	16.9	260.5
Trade and other receivables	245.0	253.0
Derivative financial instruments	42.5	67.0
Current tax assets	3.1	1.6
Cash and cash equivalents	193.1	196.1
	1,267.9	1,460.1
Total assets	7,567.7	7,273.3
Liabilities		
Current liabilities		
Trade and other payables	1,503.8	1,449.1
Partnership liability to the Marks & Spencer UK Pension Scheme	71.9	71.9
Borrowings and other financial liabilities	558.7	327.7
Derivative financial instruments	13.7	60.5
Provisions	19.2	8.4
Current tax liabilities	71.0	87.8
	2,238.3	2,005.4
Non-current liabilities		
Retirement benefit deficit	13.1	13.3
Trade and other payables	292.1	280.8
Partnership liability to the Marks & Spencer UK Pension Scheme	550.7	–
Borrowings and other financial liabilities	1,727.3	1,948.1
Derivative financial instruments	13.1	27.2
Provisions	16.0	24.0
Deferred tax liabilities	230.7	195.7
	2,843.0	2,489.1
Total liabilities	5,081.3	4,494.5
Net assets	2,486.4	2,778.8
Equity		
Issued share capital	403.5	401.4
Share premium account	315.1	294.3
Capital redemption reserve	2,202.6	2,202.6
Hedging reserve	9.2	14.8
Other reserve	(6,542.2)	(6,114.3)
Retained earnings	6,117.2	5,991.4
Total shareholders' equity	2,505.4	2,790.2
Non-controlling interests in equity	(19.0)	(11.4)
Total equity	2,486.4	2,778.8

The financial statements were approved by the Board and authorised for issue on 20 May 2013.

Marc Bolland Chief Executive Officer

Alan Stewart Chief Finance Officer

Consolidated cash flow information

	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Summary statement of cash flows		
Operating activities		
Operating profit	756.0	746.5
Increase in inventories	(91.2)	(0.1)
Decrease/(increase) in receivables	9.5	(17.1)
Payments to acquire leasehold properties	—	(1.2)
Increase in payables	77.0	103.4
Non-underlying operating cash outflows	(21.4)	(22.9)
Depreciation, amortisation and asset write-offs	467.4	479.7
Share-based payments	25.8	32.5
Adjustment for retirement benefit obligations	(2.5)	(32.2)
Non-underlying operating profit items	25.6	63.5
Cash generated from operations	1,246.2	1,352.1
Income tax paid	(106.0)	(149.1)
Net cash generated from operating activities	1,140.2	1,203.0
Capital expenditure and financial investment	(586.3)	(765.5)
Net interest paid	(129.3)	(128.2)
Other debt financing	(212.2)	(138.4)
Equity dividends paid	(271.3)	(267.8)
Other equity financing	22.9	31.1
Net cash outflow from activities	(36.0)	(65.8)
Effects of exchange rate changes	0.9	(1.9)
Opening net cash	195.8	263.5
Closing net cash	160.7	195.8
Reconciliation of net cash flow to movement in net debt		
Opening net debt	(1,857.1)	(1,900.9)
Net cash outflow from activities	(36.0)	(65.8)
(Decrease)/increase in current financial assets	(243.4)	44.8
Decrease in debt financing	132.7	138.4
Partnership liability to the Marks & Spencer UK Pension Scheme (non-cash)	(606.0)	(71.9)
Exchange and other non-cash movements	(4.5)	(1.7)
Movement in net debt	(757.2)	43.8
Closing net debt	(2,614.3)	(1,857.1)

Group financial record

	2013 52 weeks £m	2012 52 weeks £m	2011 52 weeks £m	2010 53 weeks £m	2009 52 weeks £m
Revenue – continuing operations					
UK	8,951.4	8,868.2	8,733.0	8,567.9	8,164.3
International	1,075.4	1,066.1	1,007.3	968.7	897.8
Operating profit – continuing operations					
UK	635.8	658.0	679.0	701.1	755.0
International	120.2	88.5	157.9	150.9	115.7
Profit before taxation – continuing operations					
Underlying profit before tax	665.2	705.9	714.3	694.6	604.4
Profit before tax	564.3	658.0	780.6	702.7	706.2
Basic earnings per share from continuing operations (pence)	29.2	32.5	38.8	33.5	32.3
Underlying basic earnings per share from continuing operations (pence)	32.7	34.9	34.8	33.0	28.0
Dividend per share declared in respect of the year (pence)	17.0	17.0	17.0	15.0	17.8
Statement of financial position					
Net assets (including retirement benefit asset/deficit)	2,486.4	2,778.8	2,677.4	2,185.9	2,100.6
Net debt	2,614.3	1,857.1	1,900.9	2,068.4	2,490.8
Capital expenditure	821.3	737.5	491.5	397.1	653.3
Staffing (full-time equivalent)					
UK	51,835	49,867	49,922	48,722	50,614
International	5,683	5,016	4,753	4,272	3,539

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 and summary financial statements 2013 in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the Annual review and summary financial statements 2013 with the full annual 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 summary financial statements 2013 and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements. The other information comprises pages 1 to 17 only.

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 52 weeks ended 30 March 2013 and complies 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 20 May 2013

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 2013. The aim is to provide shareholders with the key financial information in a clear and concise manner. For this reason, the Annual Review does not contain all the information to give a full understanding of the results of the Group and state of affairs of the Company and the Group. Copies may be obtained free of charge from the Company as noted on the inside back cover of this booklet.

Summary Group Directors' report

Principal activities and Business review

Marks and Spencer Group plc (the 'Company') is the holding company of the Marks & Spencer Group of companies (the 'Group'). M&S has grown from a single market stall to become an international, multi-channel retailer. With 766 stores across the UK and a growing e-commerce business, we sell high quality, great value food and remain the UK market leaders in womenswear, lingerie and menswear. We aim to provide the best shopping experience for our customers. We now operate in 51 territories across Europe, the Middle East and Asia and continue to grow our international presence through a multi-channel approach.

Profit and dividends

The profit for the financial year, after taxation, amounts to £466.7m (last year £573.1m). The directors have declared dividends as follows:

Ordinary shares	£m
Paid interim dividend of 6.2p per share (last year 6.2p per share)	99.0
Proposed final dividend of 10.8p per share (last year 10.8p per share)	173.5
Total ordinary dividend, 17.0p per share (last year 17.0p per share)	272.5

The final ordinary dividend will be paid on 12 July 2013 to shareholders whose names are on the Register of Members at the close of business on 31 May 2013.

Board of directors

The membership of the Board and biographical details of the directors are given on page 16 and 17 and are incorporated into this report by reference.

Disclosure of information to auditors

The information contained in the Summary financial statements do not constitute the Group's statutory accounts for the year ended 30 March 2013, but is derived from those accounts. The auditors have reported on those accounts; their report was unqualified. Each director confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware and that each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Resolutions to reappoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Audit Committee to determine their remuneration will be proposed at the 2013 AGM.

Remuneration report



"We have a straightforward and transparent approach to executive remuneration."

Steven Holliday
Chairman of the Remuneration Committee

Remuneration Committee

What is the remit of the Remuneration Committee?

The role of the Remuneration Committee is to make recommendations regarding the senior remuneration strategy and framework to the Board to ensure the executive directors and senior management are appropriately rewarded for their contribution to the Company's performance, taking into account the financial and commercial position of the Company.

The full terms of reference for the Committee can be found on the Company's website at marksandspencer.com. The key responsibilities are summarised below:

- 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;
- considering the appropriateness of the senior remuneration policy when reviewed against 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 arrangements;
- approving the design, targets and payments for all annual incentive schemes that include executive directors and senior managers;
- agreeing the design, targets and annual awards made for all share incentive plans requiring shareholder approval; and
- assessing the appropriateness and subsequent achievement of performance targets relating to any share incentive plan.

In carrying out these responsibilities, the Committee seeks independent external advice as necessary and continued to retain the services of Deloitte LLP during the year. Deloitte provide independent commentary on matters under consideration by the Committee and updates on legislative requirements, best practice and market practice.

The Committee also seeks internal support from the Chairman, Group Secretary, Director of Human Resources and Head of Reward as required. All 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 survey and bespoke benchmarking data including that published by Aon Hewitt (through the New Bridge Street consultancy), KPMG, PwC and Towers Watson.

Senior remuneration framework

What are the details of fixed remuneration?

Executive directors

Salary

In reviewing executive director salary levels for 2013, the Committee took into account Company performance in 2012/13, external market data and the salary review principles applied to the rest of the organisation to ensure a consistent approach.

Marc Bolland has, at his own request, not received a salary increase since his appointment in 2010. He again proposed not to receive any increase in 2013, which the Committee agreed. John Dixon and Steve Rowe received salary increases on appointment to their new roles in October 2012, John's to reflect the additional scope and responsibility and Steve's to reflect his promotion to executive director. Neither received a further increase in January 2013. Steven Sharp, Alan Stewart and Laura Wade-Gery received increases of 2% in January 2013 in line with the Company's broader salary review policy.

Benefits

With the exception of the CEO, executive directors receive a 25% salary supplement in lieu of membership of the Group Pension Scheme. The CEO receives a salary supplement of 30%. Executive directors also receive life assurance provided through a separate policy. In addition, each executive director receives a car or car cash allowance and is offered the benefit of a driver. Executive directors also receive employee product discount in line with all other employees.

Chairman

The fee for the Chairman is determined by the Remuneration Committee and reflects the commitment, demands and responsibility of the role. The fee is paid monthly in cash inclusive of all committee roles and is not performance-related or pensionable. No increase has been awarded since the Chairman's appointment in 2010 and following the 2013 fee review it was decided not to increase the fee at this time. The Chairman is entitled to the use of a car and driver provided by the Company. The Chairman also receives employee product discount in line with other employees.

Non-executive directors

The fees for non-executive directors are determined by the Chairman and executive directors. Fees are set at an appropriate level to attract and retain individuals with the necessary experience, knowledge and skills to ensure the Board is able to carry out its duties effectively. The fees recognise the scope of the role and time commitment required. Fees are paid monthly in cash and are not performance-related or pensionable. Non-executive directors receive employee product discount in line with other employees. No other benefits are provided.

Non-executive director fees were revised in 2010 and no further increases were awarded in 2011 or 2012. Following the 2013 fee review it was decided not to increase the current fees.

Remuneration report continued

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

Annual Bonus Scheme: short-term incentive Deferred Share Bonus Plan: long-term incentive Structure for 2013/14

The Annual Bonus Scheme is structured to drive profitability and individual performance across the organisation. The bonus potential for executive directors is up to 200% of salary for 'maximum' performance. 50% of their bonus is deferred into shares that will vest after three years subject to continued employment.

In line with best practice, malus provisions have been introduced to all the Company's senior share schemes. The provisions will take effect for all awards granted from 2013 onwards. Under the terms of the provisions, the Committee will have the discretion to reduce, cancel or impose further conditions on awards in circumstances it considers appropriate.

The primary performance measure is Underlying Group Profit Before Tax (Group PBT). 60% of the annual bonus is determined by performance against demanding profit targets set by the Committee at the start of the year. 40% of the annual bonus is determined by performance against individual objectives independent of Group PBT.

The Committee believes this approach provides an appropriate focus on annual profit targets whilst ensuring directors focus on driving the Company's medium-term strategy.

Group PBT targets

Group PBT targets have again been set taking into consideration the Company's own internal operating plan, external forecasts for the retail sector and analysts' profit forecasts. This means that there will need to be significant outperformance of the operating plan in order to achieve the highest payment levels.

Individual objectives

2013/14 individual objectives will continue to be aligned to the Company's strategic plan and the specific programmes that support it.

Performance Share Plan Awards 2013/14

Performance metric	Commercial rationale	Basis of measurement
Earnings Per Share (EPS)	Rewards focus on bottom-line performance	Based on annualised underlying basic EPS growth over three-year performance period
Return on Capital Employed (ROCE)	Rewards efficient use of capital	Based on average ROCE % over three year performance period against pre-determined targets
Revenue	Rewards top line growth in line with business strategy	Based on strategic growth targets: - 10% on UK - 10% on International - 10% on Multi-channel

	% Vesting ¹	Annualised EPS growth (%)	ROCE (%)	Revenue (FY16 - £)		
				UK ²	Multi-channel ³	International ⁴
Weighting (% of total award)		50%	20%	10%	10%	10%
'Threshold' performance	20%	5%	15.0%	£8,900m	£900m	£1,400m
'Maximum' performance	100%	12%	18.5%	£9,600m	£1,100m	£1,800m

¹ % Vesting is a straight line between 'threshold' and 'maximum' performance.

² Excluding Multi-channel.

³ Net of VAT / gross of returns.

⁴ Excluding Multi-channel / including Republic of Ireland.

Challenging and quantifiable individual objectives are set which are subject to rigorous review by the Committee.

Each executive director will be assessed on targets set in relation to four clearly defined business objectives. Two objectives will be 'collective' so that all directors are focused on these common goals encouraging collaboration across the senior management group. Within these, each director will have specific actions or targets. The two 'collective' objectives will continue to be delivery against UK operating plan cost targets and progress against Plan A goals.

The remaining two individual objectives will relate to each executive director's business area or to key operating challenges.

The Committee has agreed quantifiable performance metrics for each objective. 'Threshold' and 'stretch' targets must be achieved to demonstrate value-added performance.

No individual objective element of the bonus can be earned unless a 'threshold' level of Group PBT has been achieved, subject to the Committee's overall assessment of the performance of the business during the period. The Group PBT 'threshold' for this purpose is set below the entry point for Group PBT performance.

Performance Share Plan structure for 2013/14

The Performance Share Plan (PSP) continues to be the primary long-term incentive. The maximum award opportunity is 300% of salary, however, the Committee's intention is that awards will normally be referenced to 250% of salary. A malus provision will take effect for all awards granted from 2013.

The Committee reviewed the PSP performance measures and their alignment to business strategy in 2013 and concluded that the balance of EPS, Revenue and ROCE continues to appropriately reflect the key drivers of shareholder value. For 2012 awards, the EPS measure was based on cumulative underlying basic EPS over the three year performance period. For 2013 awards, the EPS measure is annualised growth in underlying basic EPS which the Committee believes is a more appropriate method of assessing company performance over the next three years.

Executive Share Option Scheme: long-term incentive

No grants were awarded under the Scheme for 2012/13. The Committee will continue to review the use of the scheme and retain the flexibility to grant awards if appropriate. A malus provision will take effect for any awards granted from 2013.

All-Employee Share Schemes: long-term incentive

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

What were the outcomes in 2012/13 for the short-term and long-term incentive schemes?

Annual Bonus Scheme outcome for 2012/13

In 2012/13, 60% of the executive directors' bonus was based on Group PBT performance with the remaining 40% based on the achievement of individual objectives, independent of Group PBT (and subject to achieving the 'threshold' Group PBT target).

Group PBT objective (60% of total)

Group PBT targets were set by the Committee at the start of the year with reference to the Company's own internal operating plan, external forecasts for the retail sector and analysts' profit forecasts. Targets were designed to be stretching in order to increase motivation and focus and drive desired behaviours.

The underlying Group PBT performance was £665.2m which was above the minimum target set by the Remuneration Committee. As a result, the percentage of salary for the Group PBT objective was 33% for all executive directors.

Individual objectives (40% of total)

Each executive director had four individual objectives for 2012/13, each accounting for 10% of the total bonus.

'Collective' individual objectives (20% of total)

Two objectives were 'collective' i.e. individual targets set for each director under shared objectives so that all directors focused on common goals encouraging collaboration across the senior management team. The Committee reviewed the performance of each executive director against the quantifiable performance targets that were set at the start of the year.

Summary of bonus earned in 2012/13

Group PBT Target	'Collective' objectives	Business area objectives	Total bonus earned		
			% of salary	% of salary	£000
Maximum bonus potential	120%	40%	40%	200%	—
Actual bonus earned					
Marc Bolland	33%	26%	26%	85%	829
John Dixon	33%	34%	24%	91%	546
Steve Rowe ¹	33%	34%	17%	84%	221
Steven Sharp	33%	25%	19%	77%	531
Alan Stewart	33%	28%	24%	85%	492
Laura Wade-Gery	33%	26%	26%	85%	469

¹ The bonus amount for Steve Rowe reflects his period of service as an executive director.

Remuneration report continued

Performance Share Plan outcome for 2012/13

2010 Award Final Measurement

The underlying basic EPS figure for 2012/13 was 32.7p which was below the 'threshold' targets of RPI + 3% for awards of up to 200% of salary and RPI + 4% for awards of between 200% and 400% of salary. As a result, there was no vesting of awards made in 2010 and these will lapse in full.

The targets for 2010 awards are shown in the table below:

2010 Awards

Award		Average annual EPS growth in excess of inflation (RPI)			EPS for start of scheme ¹
		20% vesting	100% vesting		
2010	(for awards up to 200% of salary)	3%	9%	30.0p	
	(for awards between 200% and 400% of salary)	4%	12%	30.0p	

¹ The EPS for the start of the 2010 scheme is based on the 52 week result, ensuring a like-for-like measure.

The targets for outstanding 2011 and 2012 awards are shown in the table below:

2011 and 2012 Awards

	% Vesting ¹	Cumulative EPS (p)	ROCE (%)	Revenue (£) ⁵		
Weighting (% of total award)		50%	20%	UK ²	Multi-channel ³	International ⁴
2011 Award						
'Threshold' performance	20%	110p	17.0%	£9,200m	£700m	£1,100m
'Maximum' performance	100%	130p	18.5%	£9,900m	£1,000m	£1,400m
2012 Award						
'Threshold' performance	20%	110p	15.0%	£8,900m	£800m	£1,300m
'Maximum' performance	100%	130p	18.5%	£9,600m	£1,000m	£1,700m

¹ % Vesting is a straight line between 'threshold' and 'maximum' performance.

² Excluding Multi-channel.

³ Net of VAT/gross of returns.

⁴ Excluding Multi-channel/including Republic of Ireland.

⁵ FY 2014 for 2011 award and FY 2015 for 2012 award.

The above targets do not take into consideration changes in accounting treatments adopted by the Group after the award date. The impact of these changes will be taken into consideration when performance is assessed at the end of the three year performance period.

Total shareholder return

Performance graph

The graph below illustrates the Company's performance against the FTSE 100 over the past five years:



Board appointments and contracts

Name	Date of appointment	Notice period/unexpired term	Basic salary/fee £000	Committee chair/SID fee £000	Current annual salary/fee £000	Total 2012 £000	Change £000
Chairman							
Robert Swannell	23/08/2010	6 mths / 6 mths	450	—	450	450	—
Chief Executive Officer							
Marc Bolland	01/05/2010	12 mths / 6 mths	975	—	975	975	—
Executive directors							
John Dixon	09/09/2009	12 mths / 6 mths	600	—	600	562	38
Steve Rowe	01/10/2012	12 mths / 6 mths	525	—	525	—	—
Steven Sharp	08/11/2005	12 mths / 6 mths	689	—	689	675	14
Alan Stewart	28/10/2010	12 mths / 6 mths	579	—	579	567	12
Laura Wade-Gery	04/07/2011	12 mths / 6 mths	552	—	552	541	11
Non-executive directors							
Vindi Banga	01/09/2011	3 mths / 3 mths	70	—	70	70	—
Miranda Curtis	01/02/2012	3 mths / 3 mths	70	—	70	70	—
Jeremy Darroch	01/02/2006	3 mths / 3 mths	70	15	85	85	—
Martha Lane Fox	01/06/2007	3 mths / 3 mths	70	—	70	70	—
Andy Halford	01/01/2013	3 mths / 3 mths	70	—	70	—	—
Steven Holliday	15/07/2004	3 mths / 3 mths	70	15	85	85	—
Jan du Plessis	01/11/2008	3 mths / 3 mths	100	—	100	100	—

What were the changes to the Board during the year?

Directors appointed to the Board

John Dixon

John Dixon was appointed Executive Director, General Merchandise on 1 October 2012 on a salary of £600,000. John was originally appointed to the Board as Executive Director, Food on 9 September 2009.

Steve Rowe

Steve Rowe was appointed Executive Director, Food on 1 October 2012 on a salary of £525,000.

Andy Halford

Andy Halford was appointed to the Board of Marks and Spencer Group plc as a non-executive director on 1 January 2013. He is a member of the Audit and Nomination Committees. He receives a basic fee of £70,000.

Directors retiring from the Board

Kate Bostock

Kate Bostock, Executive Director, General Merchandise retired from the Board and ceased to be an employee of the Company on 1 October 2012. She received salary and benefits up to her leaving date and received no further payments on leaving other than an amount in respect of accrued but untaken holiday entitlement. The Remuneration Committee exercised its discretion and no payments were made under either the 2011/12 or the 2012/13 Annual Bonus Scheme.

In accordance with the terms of the Performance Share Plan, Kate was entitled to all vested options granted in 2009 under the Performance Share Plan (which vested in June 2012), but all other outstanding awards made under this Plan lapsed on leaving. With regard to outstanding awards made under the Deferred Share Bonus Plan, the Remuneration Committee exercised its discretion and on leaving she received the full entitlement of options granted in 2010 and the award made in 2011 was pro-rated for time held from date of grant to her leaving date. No award was made in 2012 under the Deferred Share Bonus Plan.

What will be the changes to the Board in 2013/14?

Directors joining the Board

Patrick Bousquet-Chavanne

Patrick Bousquet-Chavanne will join the Board as Executive Director, Marketing & Business Development on 10 July 2013. He will receive an annual salary of £525,000 and is entitled to receive benefits and participate in the executive incentive schemes in line with the framework for other executive directors.

Directors retiring from the Board

Steven Sharp

Steven Sharp, Executive Director, Marketing will retire from the Board following the Annual General Meeting on 9 July 2013 and will continue to work in the business as Creative Director until 28 February 2014 when he will leave the Company. As a result, Steven will be paid in line with his contractual arrangements. He will not receive any lump sum payment in lieu of notice, but will be entitled to receive a payment under the Annual Bonus Scheme, pro-rated for the months worked in 2013/14. Steven will not receive any award to be made in 2013 under the Company's Performance Share Plan. In line with the Plan rules, he will be entitled to all outstanding share awards made under the Company's long-term incentive schemes. For unvested awards made under the Performance Share Plan, the number of shares he will receive will be determined by achievement against the measures and targets at the end of the respective performance period.

Jeremy Darroch

Jeremy Darroch has served as a non-executive director and Chairman of the Audit Committee since February 2006. He has decided to step down and retires from the Board on 19 June 2013.

Remuneration report continued

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 the Company. The individual director retains any fee. External board appointments for the 2013/14 financial year are shown below:

Name	Company	Fee £'000
Marc Bolland	Manpower Inc	124 ¹
Steven Sharp	Adnams plc	28

¹ Marc Bolland's fee is paid in cash and stock units and in US dollars. For the purposes of this table the values were converted to sterling using the £:\$ spot rate as at 30 March 2013 for stock units and the average rolling £:\$ rate during the year for cash payments.

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 in the table 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 22 May 2013. No director had an interest in any of the Company's subsidiaries at the beginning or end of the year.

	Ordinary shares as at 1 April 2012 or at date of appointment	Ordinary shares as at 30 March 2013
Robert Swannell	100,000	100,000
Marc Bolland	147,430	147,430
John Dixon	156,295	156,407
Steve Rowe	177,423	185,926
Steven Sharp	397,044	399,560
Alan Stewart	10,000	10,000
Laura Wade-Gery	55,055	55,055
Miranda Curtis	5,500	5,500
Vindi Banga	2,000	2,000
Jeremy Darroch	2,000	2,000
Martha Lane Fox	20,100	20,100
Andy Halford	—	3,000
Steven Holliday	2,500	2,500
Jan du Plessis	20,000	20,000

Directors' emoluments

	Salary/fee ¹ £'000	Cash allowance ² £'000	Benefits ³ £'000	Dividend equivalents £'000	Bonus ⁴ £'000	Total 2013 £'000	Total 2012 £'000
Chairman							
Robert Swannell	450	—	20	—	—	470	451
Chief Executive Officer							
Marc Bolland	975	297	40	193	414	1,919	1,682
Executive directors							
John Dixon	581	162	26	65	273	1,107	891
Steve Rowe ⁵	263	74	21	11	110	479	—
Steven Sharp	679	170	36	75	265	1,225	1,065
Alan Stewart	570	143	33	15	246	1,007	905
Laura Wade-Gery	544	153	7	23	235	962	1,377
Non-executive directors							
Vindi Banga	70	—	—	—	—	70	41
Miranda Curtis	70	—	—	—	—	70	12
Jeremy Darroch	85	—	—	—	—	85	85
Martha Lane Fox	70	—	—	—	—	70	70
Andy Halford	18	—	—	—	—	18	—
Steven Holliday	85	—	—	—	—	85	85
Jan du Plessis	100	—	—	—	—	100	73
Directors retiring from the Board during the year							
Kate Bostock ⁵	306	97	12	67	—	482	780
Total	4,866	1,096	195	449	1,543	8,149	7,517

¹ Executive director salary increases, where applicable, were effective from 1 January 2013. John Dixon and Steve Rowe received salary increases on appointment to their new roles on 1 October 2012.

² The elements included in the Cash allowance column of the table include pension supplement and car allowance, as applicable to each director.

³ The elements included in the Benefits column of the table include car, driver and life assurance, as applicable to each director.

⁴ For executive directors, 50% of the total bonus earned is paid in cash as shown in the table above. The remaining 50% is deferred into shares which will be granted in June 2013.

⁵ The amounts for Steve Rowe and Kate Bostock reflect their periods of service as executive directors. For Steve Rowe, his total bonus earned in 2012/13 was £441,000 of which £220,500 was earned as an executive director. For Kate Bostock, the 2012 total reflects a £164,000 reduction to the total shown in last year's report as no payment was made under the 2011/12 Annual Bonus Scheme.

Approved by the Board

Steven Holliday, Chairman of the Remuneration Committee

London

20 May 2013

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 at the bottom of the page. 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 account to ensure efficient payment and cleared funds on the payment date. Those selecting this payment method receive an annual consolidated tax voucher in January, showing both 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 the donation of small, unwanted shareholdings to good causes. You can find out more by visiting sharegift.org or by calling +44 (0)207 930 3737.

Key dates

29 May 2013	Ex-dividend date – Final dividend
31 May 2013	Record date to be eligible for the final dividend
9 July 2013*	Results – Quarter 1 Interim Management Statement [†]
9 July 2013	Annual General Meeting (11am)
12 July 2013	Final dividend payment date for the year to 30 March 2013
November 2013*	Results – Half Year [†]
13 November 2013*	Ex-dividend date – Interim dividend
15 November 2013*	Record date to be eligible for the interim dividend
January 2014*	Results – Quarter 3 Interim Management Statement [†]
10 January 2014*	Interim dividend payment date

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

* provisional dates.

How to get in touch

Registered office and Head Office

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

Registrars

Equiniti Limited,
Aspect House, Spencer Road, Lancing,
West Sussex BN99 6DA
United Kingdom
Telephone 0845 609 0810
and outside the UK +44 (0) 121 415 7071
Online: help.shareview.co.uk
From here, you will be able to securely
email Equiniti with your enquiry.

Electronic communication

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

An increasing number shareholders have been contacting us to report receiving suspicious phone calls from 'brokers' offering to buy their shares at a price far in excess of their market value. We believe this may be a scam, commonly referred to as a 'boiler room'. Callers obtain your details from publicly available sources of information, including the Company Share Register, and are extremely persistent and persuasive.

Shareholders are cautioned to be very wary of any unsolicited advice, offers to buy shares at a discount, sell your shares at a premium or requests to complete confidentiality agreements.

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

More detailed information and guidance is available on the 'Investors' section of our corporate website and at www.actionfraud.police.uk.

MARKS & SPENCER

View the Annual Report and our Plan A Report online
marksandspencer.com/annualreport2013
marksandspencer.com/plana2013

