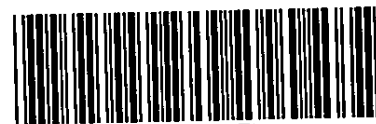


**Marks and Spencer
(Initial LP) Limited**

**Report and Financial Statements
For the year ended 31 March 2012**

Registered Number SC315365

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Marks and Spencer (Initial LP) Limited
Report and financial statements
For the year ended 31 March 2012

Report of the Directors

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2012.

Principal activities

The Company's principal activity is an investment vehicle. The directors consider that in the conditions prevailing during the year, the development of the Company's business and its financial position at the end of the year were satisfactory. The directors do not expect any development in the Company's business in the coming year that is significantly different from its present activities.

Marks and Spencer (Initial LP) Limited is domiciled in Scotland. The Company's registered office is No. 2 Lochrin Square, 96 Fountainbridge, Edinburgh, Midlothian, EH3 9QA. The Company is part of the Marks and Spencer group of companies (the 'Group').

The financial statements are made up to the nearest Saturday to 31 March each year. The current financial year is the 52 weeks ended 31 March 2012 (the 'year').

Results and dividends

The Company made a profit after tax of £5 (last year £5) during the year. The directors do not recommend the payment of a dividend (last year £nil).

Directors

The directors who held office during the year were as follows:

C Constantine
RJ Ivens
Alan Stewart

Principal risks and uncertainties

The directors of Marks and Spencer Group plc manage the Group's risk at a Group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the Company's risks would not be appropriate for an understanding of the development, performance or position of the Marks and Spencer (Initial LP) Limited business. The principal risks and uncertainties of Marks and Spencer Group plc which include those of the Company are discussed on pages 45 to 48 of the Group's annual report which does not form part of this report. Copies of the Marks and Spencer Group plc consolidated financial statements are available from the Company Secretary at Waterside House, 35 North Wharf Road, London W2 1NW or are available on the website www.marksandspencer.com/the company.

Key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Marks and Spencer (Initial LP) Limited
Report and financial statements
For the year ended 31 March 2012

Report of the Directors continued

Statement of directors' responsibilities

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

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

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

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

Statement of disclosure of information to auditors

The directors confirm that, so far as they are 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

A resolution to appoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the next Annual General Meeting.

On behalf of the Board



RJ Ivens
Director
18 June 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARKS AND SPENCER (INITIAL LP) LIMITED

We have audited the financial statements of Marks and Spencer (Initial LP) Limited for the year ended 31 March 2012 which comprise Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Stuart Watson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 June 2012

Marks and Spencer (Initial LP) Limited
Statement of comprehensive income

		52 weeks ended 31 March 2012	52 weeks ended 2 April 2011
	Notes	£	£
Revenue	2	5	5
Gross profit		5	5
Finance income		1	-
Profit before tax		6	5
Income tax expense	5	(1)	-
Profit and total comprehensive income for the year attributable to owners of the Company		5	5

The Company has no recognised gains or losses other than those included in the Statement of comprehensive income and therefore no separate Statement of other comprehensive income has been presented.

Marks and Spencer (Initial LP) Limited
Registered Number SC315365

Marks and Spencer (Initial LP) Limited
Statement of financial position

		As at 31 March 2012	As at 2 April 2011
ASSETS	Notes	£	£
Current assets			
Cash and cash equivalents		111	110
Amount receivable from another Group undertaking		25	20
Investment in another Group undertaking	6	100	100
		236	230
LIABILITIES			
Current liabilities			
Current tax liabilities		(1)	(1)
Amount payable to another Group undertaking		(8)	(7)
		(9)	(8)
Net assets		227	222
EQUITY			
Issued share capital	7	200	200
Retained earnings		27	22
Total shareholders' equity		227	222

The financial statements on pages 4 to 12 were approved by the Board of Directors and authorised for issue on 18 June 2012.



C Constantine
 Director

Marks and Spencer (Initial LP) Limited
Statement of changes in equity

	Issued Share capital £	Retained earnings £	Total £
At 4 April 2010	200	17	217
Profit for the year attributable to shareholders	-	5	5
At 2 April 2011	200	22	222
At 3 April 2011	200	22	222
Profit for the year attributable to shareholders	-	5	5
At 31 March 2012	200	27	227

Marks and Spencer (Initial LP) Limited
Statement of cash flows

	52 weeks ended 31 March 2012	52 weeks ended 2 April 2011
	£	£
Cash flows from operating activities		
Profit after tax	5	5
Income tax expense	1	-
Interest received	(1)	-
Cash generated from operations	5	5
Tax paid	(1)	(1)
Interest received	1	-
Net increase in intercompany receivables	(5)	(11)
Net increase in intercompany payables	1	7
Net cash inflow from operating activities	1	-
Cash and cash equivalents at beginning of year	110	110
Cash and cash equivalents at end of year	111	110

Marks and Spencer (Initial LP) Limited
Notes to the financial statements
For the year ended 31 March 2012

1 ACCOUNTING POLICIES

Basis of preparation

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

There are no IFRS or IFRS IC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on the Company.

A summary of the Company's significant accounting policies adopted is given below:

Accounting convention

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

Revenue

Revenue represents the Company's entitlement to income profits from a fellow Group undertaking which is recognised on an accruals basis. The annual allocation of income profits is equal to 5% of the capital contribution made by the Company to Marks and Spencer Scottish Limited Partnership.

Taxation

Tax expense comprises current tax only. Tax is recognised in the income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity.

Investments in other Group undertakings

Investments in other Group undertakings are classified as available for sale financial assets. They are initially measured at cost, including transactions costs, and subsequently at fair value. Gains or losses arising from changes in fair value are recognised directly in equity, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Share capital

Ordinary shares are classified as equity.

Financial Instruments

Financial assets

Loans to other Group undertakings and all other receivables are non-derivative financial assets, initially recognised at fair value, then subsequently carried at amortised cost. All receivables from other Group undertakings are not considered to be overdue or impaired.

Financial liabilities

Loans from other Group undertakings and all other payables are initially recorded at fair value, which is generally the proceeds received. They are then subsequently carried at amortised cost. All payables to other Group undertakings are repayable on demand.

Marks and Spencer (Initial LP) Limited
Notes to the financial statements
For the year ended 31 March 2012

1 ACCOUNTING POLICIES continued

Financial risk management

Interest rate risk

The Company has no exposure to interest rate fluctuations as it has no interest-bearing loans.

Liquidity risk

The Company's exposure to liquidity risk is managed by funding cash flow requirements from the parent company.

Credit risk

The Company's exposure to credit risk is limited to amounts receivable from and payable to other Group undertakings.

Fair value estimation

The fair values of receivables and payables are approximate to their book values.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide optimal return for shareholders.

2 REVENUE

	52 weeks ended	52 weeks ended
	31 March 2012	2 April 2011
	£	£

Income profits from another Group undertaking	5	5
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3 DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The Company had no employees during the year (last year nil). No director received emoluments in respect of their services to the Company during the year (last year £nil).

4 PROFIT BEFORE TAX

Auditors' remuneration of £3,000 (last year £3,000) in respect of the Company's annual audit has been borne by Marks and Spencer plc in the current and prior years.

Marks and Spencer (Initial LP) Limited
Notes to the financial statements
For the year ended 31 March 2012

5 INCOME TAX EXPENSE

A Tax charge

	52 weeks ended 31 March 2012	52 weeks ended 2 April 2011
	£	£
UK Corporation tax at 26% (last year 28%)		
- current year	1	1
- prior year	-	(1)
Total current tax	1	-
Total income tax expense	1	-

On 21 March 2012, the Chancellor of the Exchequer announced the main rate of corporation tax will reduce from 26% to 24% from 1 April 2012. This change of rate became substantively enacted for the purposes of IAS 12 "Income Taxes" on 26 March 2012 when the House of Commons passed a resolution in respect of it under the provisional Collection of Taxes Act 1968. This change has no impact in the financial statements of the Company for this period.

The Chancellor further stated his intention to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 and a further 1% reduction to 22% from 1 April 2014. These changes have not been substantively enacted at the date of the statement of financial position.

B Tax reconciliation

The tax on the Company's profit before tax differs from the amount that would arise by applying the current UK tax rate to profits of the Company as follows:

	52 weeks ended 31 March 2012	52 weeks ended 2 April 2011
	£	£
Profit before tax	6	5
Tax at the standard UK rate of 26% (last year 28%)	1	1
Adjustments in respect of prior years	-	(1)
Total income tax expense	1	-

Marks and Spencer (Initial LP) Limited
Notes to the financial statements
For the year ended 31 March 2012

6 INVESTMENT IN ANOTHER GROUP UNDERTAKING

	As at 31 March 2012 £	As at 2 April 2011 £
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Cost and net book value

At the start and end of the year	100	100
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The investment of £100 is in Marks and Spencer Scottish Limited Partnership, a partnership registered in Scotland and represents the Company's capital in its capacity as a Limited Partner.

7 ISSUED SHARE CAPITAL

	As at 31 March 2012 £	As at 2 April 2011 £
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Issued and fully paid

200 ordinary shares of £1	200	200
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8 RELATED PARTY DISCLOSURES

During the year the Company had the following related party transactions and balances.

	52 weeks ended 31 March 2012 £	52 weeks ended 2 April 2011 £
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Transactions:

Income profits from another Group undertaking	5	5
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	As at 31 March 2012 £	As at 2 April 2011 £
--	-----------------------------	----------------------------

Balances:

Current accounts receivable from other Group undertakings	25	20
Current accounts payable to other Group undertakings	(8)	(7)
Investment in another Group undertaking	100	100

There were no other transactions with related parties.

All current account balances are non-interest bearing.

Marks and Spencer (Initial LP) Limited
Notes to the financial statements
For the year ended 31 March 2012

9 ULTIMATE PARENT COMPANY

The immediate parent undertaking is Marks and Spencer plc which is the smallest group to consolidate these financial statements. The ultimate parent undertaking and controlling party is Marks and Spencer Group plc, a company registered in England and Wales, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the Marks and Spencer Group plc consolidated financial statements can be obtained from the Company Secretary at Waterside House, 35 North Wharf Road, London W2 1NW or are available on the website www.marksandspencer.com/the-company.