Marks and Spencer Group plc
Preliminary Results 2007/08
52 weeks ended 29 March 2008

Full Year Results:

- Sales up 5.1% at £9,022.0m: UK up 4.2%; International up 16.8%
- UK like-for-like sales -0.5%: General Merchandise -0.5%; Food -0.4%
- Adjusted profit before tax up 4.3% at £1,007.1m[1]
- Profit before tax up 20.5% to £1,129.1m
- Adjusted basic earnings per share up 7.9% at 43.6p[1]
- Basic earnings per share up 25.8% to 49.2p
- Dividend per share up 23.0% at 22.5p per share
- Bought-back 7.4% of issued share capital for £555.9m

[1]*From continuing operations before property disposals and exceptional items*

Quarter 4 Trading:

- Q4 UK sales +3.7%: General Merchandise +0.1%; Food +6.8%
- Q4 UK like-for-like sales -1.7%: General Merchandise -3.1%; Food -0.5%

Highlights:

Good progress against our five priorities:

- UK: Profit up 1.7%; Clothing volume market share +50bps to 11.2%; value share held at 11.0%. Food share up 10bps to 4.3%;
- Property: 4.8% new space opened; 35% refurbished, taking total now modernised to 70%;
- M&S Direct: Growth of 63% online; market share up 200bps to 6.2%;
- International: Profit up 33.0%; 20% space added during year; investments made in Central and Eastern Europe and India; Store to open in Shanghai in Autumn;
- Plan A: 17 of the 100 commitments delivered; progress on 77 underway

Sir Stuart Rose, Chief Executive, said:

"Despite tougher economic conditions in the second half, M&S had a good year. Profit before tax was up at over £1.0bn with earnings per share up 8%. We have returned £914m to shareholders through the buy-back of 7.4% of our shares and a 23% increase in our dividend.

"The Company did not meet its internal bonus targets set in April 2007 and consequently will not be paying a bonus. However, we will be paying £12.8m to store teams recognising their hard work in delivering great service and dealing with significantly increased volumes.

"We expect market conditions to remain difficult for the foreseeable future and are managing our business accordingly. Tight stock control and management of costs are a priority. M&S is well positioned to compete in this challenging market. We are giving our customers better value and more choice than ever before. Brand momentum continues to strengthen and we have made significant investment to improve the quality of our trading space.

"We believe there is a real opportunity to expand our business in the UK and abroad, to stretch the brand into new product areas and to develop our Direct business. Capital expenditure is planned at £800-900m this year, demonstrating our confidence in the long term future of our business.

“Trading for the first seven weeks of the year has been mixed. April was, as expected, a difficult month, reflecting dramatically different weather patterns compared with the same period last year. May to date has shown a marked improvement although we remain cautious about consumer sentiment. We will update on our first quarter sales on 9 July 2008.”

Guidance for the financial year 2008/09

- The planned opening of new footage in the UK will add around 5.5% to total space, representing a c.4.5% increase in General Merchandise footage and c.7.5% increase in Food footage, on a weighted average basis. Total square footage at 29 March 2008 was 14.3m square feet.
- UK gross margin is expected to improve by 0 to +50bps. This will be driven mainly by improvements in primary margin from better buying and improved supplier terms.
- UK operating costs are expected to increase by c.7% with the impact of new openings and cost inflation being offset by a c.£50m reduction in our underlying cost base.
- Capital expenditure is expected to be £800-900m.
- The planned opening of new footage in our International business will add around 15-20% to total space. Total square footage at 29 March 2008 was 2.9 million square feet.
- We intend to complete the buy back of 10% of our issued share capital during 2008.
- Pension finance income, based on the 29 March 2008 accounting of the pension fund, is expected to be c£33m (2007/08: £58.9m).
- The effective tax rate is expected to be 28% (2007/08: 27%).

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Investor & Analyst webcast:
There will be an investor and analyst presentation at 09.30 (BST) on Tuesday 20 May 2008. This presentation can be viewed live on the Marks and Spencer Group plc website on: www.marksandspencer.com/thecompany.
Video interviews with Stuart Rose, Chief Executive and Ian Dyson, Group Finance and Operations Director will be available on the above website. The interviews are also available in audio and transcript.

Fixed Income Investor Conference Call:
This will be hosted by Ian Dyson at 15.30 (BST) on Tuesday 20 May 2008:
Dial in number: +44 (0) 207 190 1232
A recording of this call will be available until Friday 30 May 2008:
Dial in number: +44 (0)20 7190 5901 Access Code: 139454#

Chief Executive's Review:

Despite tougher market conditions, particularly in the second half, the company made good progress this year, delivering over £1bn of profit before tax for the first time since 1997/98.

In 2004/5 we outlined our plan to return the business to profitable growth. We focused on our core values of **quality, value, service, innovation** and **trust** through driving improvements in **product, service** and **environment**. Since then we have added nearly £1.5bn of sales in the UK and internationally, and improved market share across all areas of our business. Our UK operating margin has increased to 11.7%. Earnings per share has more than doubled to 43.6p. We have invested over £2bn in the business. We have a strong balance sheet and own substantial property assets.

We now have a strong senior management team in place. Not only have we strengthened the Board with the appointment of both Kate Bostock and Steven Esom, but we have also restructured and strengthened the supporting executive committee.

Business Review 2007/08

We are making good progress in our five priority areas:

- Driving the core business – product, service, environment and brand stretch
- Property – developing, extending and growing our trading space
- Growing M&S Direct
- Developing our International business
- Delivering our Plan A objectives

UK

In the last year we continued to drive footfall across our business, outperforming the market by over 3.2%. We now have over 21m customers a week shopping in our stores – 400,000 more than last year.

General Merchandise

In General Merchandise we took aggressive price action in a number of areas to protect our market share and maintain our competitive position. We are now offering our customers better value than at any time in the last decade. This has enabled us to attract a broader range of customers to our stores and also led to our biggest increase in volumes sold in eight years. Volume market share has grown by 50 basis points to 11.2%. We have also maintained our market leading position in terms of value at 11.0%. Price deflation for the year was around 6%, on top of deflation in each of the three preceding years. (*TNS Worldpanel Fashion: 52 weeks ended 30 March 2008)*.

However, our pricing stance is not all about opening price points. We have worked hard at stretching our price architecture to offer customers a wide choice of product whatever their needs and wants. We still have more to do to improve our offer and share at better and best price categories. Autograph has made good progress developing its reach at better and best prices across womens, mens, lingerie, kids and home. Additionally, Limited Collection has recently been extended from womens into lingerie. Per una had another good year. These brands account for around £1bn of sales and are all targeted at better and best price points.

We continue to focus on improving brand delivery in terms of price and styling, store cataloguing and in-store navigation. These remain priorities for 2008.

We will also continue to stretch our brand into new product areas. Our technology offer was added into a further 7 stores during the year, taking it to 20 stores in total. We also increased the number of brands and products on offer. Technology has also delivered good growth online.

Our Home business has performed well. Home has also seen strong growth from our Direct business. Our standalone M&S Home store, opened in Lisburn last year, has performed well and we now plan to open a further 2 standalone stores in 2008/09.

We continue to improve the flexibility and responsiveness of our supply chain and benefit from economies of scale with our key suppliers. We see further opportunities to improve fashionability across the business as well as increasing the proportion of new product within our offer.

Food

Food delivered further sales growth, reflecting the contribution from the 8.7% of space added during the year. Market share in Food increased to 4.3% (*TNS Worldpanel, Food & drink: 52 weeks ended 23 March 2008)*. While our Food business continues to extend its reach and grow its customer base there remains much to do.

The M&S brand is known for offering outstanding quality in Food. Our customers know we are passionate about where and how our food is sourced. Our reputation for quality positions us well for current food market trends at a time when the customer is particularly conscious of health, fats, sugars, artificial flavourings and colourings, as well as provenance, sourcing and ethics. We also have a reputation for great innovation, especially for prepared food where we have a strong market share although our growth today is also focused around fresh and pre-prepared ranges.

Our aim in Food is to give our customers greater convenience in their shopping experience with M&S – conveniently located shops, stocked with the highest quality food which caters for their needs and busy lifestyles. We want to be the destination shop for quality food. Provenance, sourcing and ethics will continue to underpin everything we do and stand for.

We are targeting a market share of 5% from our current 4.3%. We plan to do this by:

- Continuing to open more stores with flagships and out of town stores being destination shops and Simply Food for local convenience. Over 70 new Simply Food stores are planned this year;
- Enhancing the products and services in our largest stores to give a truly broad food shopping experience and leading hospitality offer;
- Expanding the food catalogue within all our stores;
- Ensuring everyday key product lines offer better value;
- Continuing to lead on innovation in all we do including sourcing and trading ethically; and
- Responding to our customer needs for wider goods and services.

In March, we realigned our pricing on over 120 key product lines without any compromise on quality. We are also adjusting our promotional stance to deliver a clearer, consistent message on promotions, and improving in-store navigation and point of sale messaging.

In January, we extended our product range, introducing over 300 food ingredients not previously available within M&S to give our customers more choice and make their shopping more convenient.

In June we will trial an offering of around 350 branded products, representing c.7% of our product range, in 19 stores in Tyneside and Teesside. This will enable customers to buy "must have" products such as Marmite, Heinz Tomato Ketchup, household products and toiletries. This trial aims to offer customers greater convenience but not to change the unique positioning of the M&S brand in Food.

Our food hospitality business has performed strongly, driving more customers into our stores and offering them an enhanced shopping experience especially in our flagship stores. We now have 239 in store Cafes, 34 Hot Food to Go counters, 7 eat over Delis, 5 restaurants and 2 M&S Kitchens and will seek to expand these further in the year ahead.

We have made progress in improving our operational execution. During the year we reviewed the entire supply base and renegotiated terms of trade with our suppliers to ensure we have the best base from which to deliver our planned future growth. We are targeting improvements in availability to drive our top line sales, control waste and to make our supply chain more efficient.

Property
During the year we added 4.8% of trading space, representing over 800,000 square feet. This included:
- Improving the quality of space in a number of major out of towns and city centre stores, adding 250,000 square feet through store extensions in Brooklands, Braehead, Belfast, Cheshunt, London Colney and Lisburn
- Growing our retail park portfolio by over 180,000 square feet with the additions of 7 new stores in West Cornwall, Preston Deepdale, Kinnaird Park, Orpington, Pollok, Llanelli and Silverlink (Newcastle);
- Adding 94 stores to our Simply Food portfolio, including 64 BP franchised stores.

We expect to add around 5.5% of space to our UK store base in 2008/09. This growth will include two major new flagship stores, Colliers Wood, South London, which opened in May 2008 and White City in West London, opening in October 2008. We continue to build a strong pipeline of new stores as part of our strategy to improve the quality of our trading space and tap into new market opportunities. We are on track to achieve our target of 15-20% more space in three to four years.

We have now broken the back of our store modernisation programme. We modernised a further 35% of our stores this year. This was a substantial undertaking which involved significant disruption to over 4 million square feet of our trading space. A total of 70% of our store portfolio is now trading in the new format. We are pleased with the performance of these modernised stores and the returns from this important investment in the business. By Christmas 2008 we expect to have 80% of our store portfolio trading in the new format.

M&S Direct
Our Direct business had an excellent year. Sales from our website increased by 63% driven by strong growth in customer numbers and conversion. Visits to our site were up by nearly 60% with significant repeat business. This progress enabled us to grow our online market share from 4.6% to 6.6%.

During the year we substantially expanded the offer of clothing and home products available to our online customers as well as introducing a number of exclusive products and services. This included fringe sizes such as Big and Tall in menswear, made to measure shirts, furniture to go in home, white goods in technology, garden equipment and jewellery. We now have the widest range of clothing and home products of any retailer online in the UK.

By extending our offer of flowers online, we are also the largest non-specialist online retailer of flowers in the UK with around a third of the market. We have expanded the wine range substantially during the year and now offer over 500 lines online with 100 exclusives.

We expect to continue to outperform the online market this year, making further progress against our goal to deliver £500m of sales by 2010/11.

International
International sales were up 16.8% at £712.9m. Operating profits grew 33% to £116.4m. During the year, we opened 38 new stores, bringing the total to 278, increasing our space by 20% to 2.9 million square feet. Since April 2007, we have opened new stores in the Republic of Ireland, Taiwan, Lithuania, Serbia, the Ukraine, Libya, Russia and Saudi Arabia, taking our global reach to 40 territories.

In November 2007 we announced plans to grow our International business. We have made good progress.

In February 2008 we invested £38m to acquire a 50% stake in the M&S Marinopoulos Group. Marinopoulos have been our partner for 30 years and the business currently operates 38 M&S stores in Greece, the Balkan states and Switzerland. We have assumed operational control and are targeting 50 new stores in these markets over the next few years.

In March 2008 we acquired a stake in another of our existing franchise partners, COMS a.s., to expand in Central and Eastern Europe. With a 51% stake, we will work with COMS to open around 30 stores in the Czech Republic, Slovakia, Latvia, Lithuania and Estonia over the next few years.

In April 2008 we announced an agreement with Reliance Retail, part of Reliance Industries Group in India, to take a 51% interest in Marks and Spencer Reliance India Pvt Ltd, subject to conditions. In addition to the existing 14 franchise stores we already operate in India, we plan to open 30-50 new stores within the next five years. This is an important step towards achieving our goal of establishing M&S as a major retail brand in India.

In November 2007, we announced our plans to enter China on a wholly-owned basis. Having secured a 52,000 sq ft landmark store in Shanghai, we look forward to opening later in the year what will be a significant new flagship for M&S. In Hong Kong, we will open two new stores.

We continue to explore further opportunities to grow our brand internationally and are confident we can make good progress towards our goal for International to contribute 15- 20% of total Group revenues within five years.

Plan A
Plan A, our 100 point 'eco-plan', continues to move forward. In the last year we've delivered 17 commitments and a further 77 are underway. Although we invested in areas such as improving refrigeration systems, we found Plan A to be cost neutral during the year, due to, for example, the reduction in energy use, improved logistics, and reducing food waste in-stores. We have also:

- reduced our CO_2 emissions in our stores, offices, warehouses and delivery vehicles by nearly

50,000 tonnes, which is a 9% decrease on last year, despite opening over 100 new stores;
- increased Fairtrade food sales by nearly 20% and increased organic food sales by 40%;
- sold over 4.8 million Fairtrade cotton garments, 700,000 organic cotton, wool and linen garments, and 300,000 garments, including fleeces, made from 4 million recycled PET plastic bottles.

Earlier this month, we became the first major high street retailer to roll-out a national carrier bag charging programme. All profits* raised from the 5p charge for single use food carrier bags, will be donated to the environmental charity, Groundwork, to support 'greener living spaces' projects to improve neighbourhoods across the UK.

We have also introduced the UK's biggest clothes recycling scheme with Oxfam. As part of the M&S and Oxfam Clothes Exchange, customers are encouraged to return unwanted M&S clothing to the charity's stores in return for a £5 M&S voucher. Up to 234,000 people have donated their M&S clothing to Oxfam since January, which to date has raised over £466,000 for the charity.

Our suppliers are also continuing to support Plan A, with our first two 'eco-factories' producing clothing, opening in Sri Lanka in April.

* All of the 1.85p profit from the sale of single use food carrier bags will be donated to Groundwork.

Current Trading
Trading for the first seven weeks of the year has been mixed. April was, as expected, a difficult month, reflecting dramatically different weather patterns compared with the same period last year. May to date has shown a marked improvement although we remain cautious about consumer sentiment. We will update on our first quarter sales on 9 July 2008.

Financial Review

Summary of Results:*	**52 weeks ended**		
	29 March 2008 £m	**31 March 2007 £m**	**% inc**
Total revenue	**9,022.0**	**8,588.1**	**+ 5.1**
UK	8,309.1	7,977.5	+4.2
International	712.9	610.6	+ 16.8
Operating profit before property disposals and exceptional items	**1,089.3**	**1,044.0**	**+ 4.3**
UK	972.9	956.5	+ 1.7
International	116.4	87.5	+ 33.0
Profit before tax, property disposals and exceptional items	**1,007.1**	**965.2**	**+ 4.3**
Profit on property disposals	27.0	1.9	
Exceptional pension credit	95.0	-	
Exceptional finance costs	-	(30.4)	
Profit before tax	**1,129.1**	**936.7**	**+20.5**
Adjusted EPS	**43.6p**	**40.4p**	**+ 7.9**
Dividend per share (declared)	**22.5p**	**18.3p**	**+ 23.0**

** From continuing operations*

Revenues
Total revenues were up 5.1% driven by new space in the UK and strong performance in our International business.

Revenue growth by area, by period in the UK was:

Total revenue	**Q4%**	**Q3%**	**H2%**	**FY%**
Clothing	-1.5	-1.2	-1.3	0.8
Home	12.8	3.2	6.5	7.9
General Merchandise	**0.1**	**-0.7**	**-0.4**	**1.6**
Food	6.8	5.1	5.9	6.8
Total	**3.7**	**2.0**	**2.7**	**4.2**
Like-for-like revenue				
General Merchandise	-3.1	-3.2	-3.2	-0.5
Food	-0.5	-1.5	-1.1	-0.4
Total	**-1.7**	**-2.2**	**-2.1**	**-0.5**

UK revenues were up 4.2% in total with a like-for-like decline of 0.5%. The performance in the first half of the year was strong, despite the unseasonable weather and significant disruption from our modernisation programme. However in the second half of the year the deterioration in the economic environment and consumer spending had an adverse impact on our performance.

During the year, we added 4.8% of space (on a weighted average basis), 8.7% in Food and 3.0% in General Merchandise.

International revenues were up 16.8% with good performances in both owned and franchised stores, up 15.5% and 18.7% respectively. This was driven by both strong like-for-like performance and 38 new store openings.

Operating profit

Operating profit before property disposals and exceptional items was £1,089.3m, up 4.3%.

In the UK, operating profit before property disposals and exceptional items was up 1.7% at £972.9m. The UK gross margin was 0.4 percentage points down on the year at 43.0%, mostly due to a greater proportion of Food sales in the overall mix. General merchandise gross margin was level on the year at 52.6%, with further improvement in primary margin being offset by higher markdowns. Food gross margin was 0.1 percentage points lower than last year at 33.9% due to higher waste and the growth in franchised Simply Food stores which generate a lower gross margin. The net operating margin for franchise stores is above that achieved by owned Simply Food stores.

UK operating costs were up 4.3% to £2,630.0m. A breakdown of UK operating costs is shown below:

	52 weeks ended		
	29 March 2008 £m	**31 March 2007 £m**	**%**
Retail staffing	834.8	819.5	+ 1.9
Retail occupancy	841.4	750.4	+ 12.1
Distribution	383.8	329.7	+16.4
Marketing and related	144.6	137.5	+ 5.2
Support	408.6	394.6	+ 3.5
Total before bonus	**2,613.2**	**2,431.7**	**+ 7.5**
Bonus	16.8	91.0	- 81.5
Total including bonus	**2,630.0**	**2,522.7**	**+ 4.3**

Despite the step up in space growth, retail staffing costs were well controlled, in response to the more difficult trading environment experienced over the year. Our mystery shop scores, which measure the quality of service in stores, continue to be very strong. The increase in retail occupancy costs reflects both space growth and the increased depreciation related to the modernisation programme. Increase in distribution costs reflects growth in both General Merchandise and Food volumes, as well as furniture order deliveries. Growth in marketing expenditure reflects higher in-store marketing costs due to new store openings and modernisations. Support costs, which include non-store related overheads, were well controlled.

We will be paying a bonus of £16.8m for 2007/08 (last year - £91.0m). The level of bonus payment reflects performance against our original operating plan.

The UK operating profit includes a contribution of £28.3m (last year - £19.5m) from the Group's continuing economic interest in M&S Money.

International operating profit before property disposals was £116.4m, up 33.0%, reflecting the strong sales performance of the business. Owned store operating profits decreased by 2.0% to £44.5m, largely due to the Republic of Ireland where operating results were affected by the new store opening costs, and start up losses relating to Taiwan. Franchise operating profits grew by 70.8% to £71.9m reflecting strong sales and margin performance.

Profit on property disposals
Profit on property disposals was £27.0m (last year - £1.9m). This relates to proceeds from the sale of stores where we have relocated, or plan to relocate at a later date.

Exceptional items
The exceptional pension credit of £95.0m (last year - £nil) has arisen due to the changes made in the terms of the UK defined benefit plan relating to how members' future benefits build up from 1 October 2007. To the extent that members have chosen the option to limit their future pensionable salary increases in line with inflation, there is a past service credit to reflect the impact of adjusting their projected final pensionable salaries.

Net finance costs

	29 March 2008 £m	**31 March 2007 £m**
Interest payable	(119.3)	(111.3)
Interest income	5.5	13.0
Net interest payable	**(113.8)**	**(98.3)**
Unwinding of discount on partnership liability	(27.3)	(1.3)
Pension finance income (net)	58.9	20.8
Net finance costs before exceptional items	**(82.2)**	**(78.8)**

Net interest payable was up 15.8% at £113.8m (last year - £98.3m) reflecting an increase in the average net debt for the year. Consequently net finance costs before exceptional items were up 4.3% after pension finance income of £58.9m (last year - £20.8m), and of the unwinding of the discount on the partnership liability to the pension scheme. Despite widening credit spreads within the debt capital markets and rising short-term LIBOR rates the Group's average cost of funding remained level on the year at 5.9%.

Taxation
The taxation charge reflects a pre-exceptional effective tax rate of 27.0% for the full year (last year - 29.4%). The decrease reflects a restatement of UK deferred tax liabilities resulting from the reduction in Corporation tax rates on 1 April 2008, and a prior year credit. The 2008/09 tax rate is expected to be 28.0%.

Earnings per share
Adjusted earnings per share from continuing operations, which excludes the effect of property disposals and exceptional items, increased by 7.9% to 43.6p per share. The weighted average number of shares in issue during the period was 1,671.3m (last year - 1,688.6m).

Dividends
The Board is recommending a final dividend of 14.2p per share. This will result in a total dividend of 22.5p, an increase of 23.0%. This reflects a base uplift of 15% on the prior year

dividend plus the growth in adjusted earnings per share. In 2008/09 the Board will return to its existing policy of growing dividends broadly in line with adjusted earnings per share.

Share buyback

In November 2007 we announced our intention to purchase up to 10% of the Company's issued share capital, using the authority given by shareholders at the AGM in July 2007. As at 29 March 2008, we bought-back a total of c126m shares for cancellation, for a total consideration of £555.9m. This represents 7.4% of the shares in issue in July 2007. We intend to complete the 10% buy back programme during the summer of 2008.

Capital expenditure

	52 weeks ended	
	29 March 2008 £m	**31 March 2007 £m**
Modernisation programme	536	479
New stores	203	120
International	48	27
Supply chain and technology	162	114
Maintenance	106	52
Total capital expenditure	**1,055**	**792**

Investing in the business continues to be a key part of our strategy. Capital expenditure for the year was £1,054.5m compared with £792.4m last year.

The increased spend on the modernisation programme reflects a record 35% of our space being developed or modernised, including a number of significant projects such as Belfast, Edinburgh, London Colney, Braehead and Cheshunt. Capital expenditure on new stores was up to £203.1m reflecting the increase in new space coming on stream. We stepped up the investment in our supply chain and technology with the roll-out of the POS system in stores and investment in further distribution capacity.

Cash flow and net debt

	52 weeks ended	
	29 March 2008 £m	**31 March 2007 £m**
Cash flow from continuing operations	1,236.0	1,442.6
Cash flow from discontinued operations	-	0.7
Capex and disposals	(927.4)	(710.5)
Interest and taxation	(250.3)	(282.6)
Dividends and share issues	(312.0)	(215.7)

Share buyback	(555.9)	-
Acquisition of subsidiaries, net of cash acquired	(46.4)	-
Disposal of subsidiaries, net of cash disposed	-	48.8
Other movements	(61.5)	(52.2)
Net cash flow	**(917.5)**	**231.1**
Opening net debt	(1,949.5)	(1,729.3)
Contribution to the UK Pension Scheme	(199.0)	(495.6)
Exchange and other non-cash movements	(28.9)	44.3
Closing net debt	**(3,094.9)**	**(1,949.5)**

The Group reported a net cash outflow of £917.5m (last year - inflow £231.1m). Cash inflow from continuing operations decreased by £206.6m, reflecting a higher working capital outflow due to the timing of pension payments, the 2006/07 bonus, increased investment in inventories and leasehold prepayments in respect of new stores. Cash outflow on capital expenditure, net of disposals, was £927.4m (last year - £710.5m) reflecting increased investment in our modernisation programme as well as more aggressive new space growth. We generated £91.6m during the year from disposal of properties.

On 28 February 2008, the Group acquired Board control and 50% of the issued share capital of the Marinopoulos Group, located in Greece, Bulgaria, Croatia, Romania and Switzerland for cash consideration of £38.1m, transaction costs of £0.8m and net cash acquired of £2.0m. On 20 March 2008, the Group acquired 51% of the issued share capital of COMS a.s., located in the Czech Republic, Latvia, Lithuania and Slovakia for cash consideration of £10.6m, transaction costs of £0.8m and net cash acquired of £1.9m.

Pensions

At 29 March 2008 the IAS 19 net retirement benefit surplus was £483.5m (last year - deficit £283.3m). The change is due to a £95m decrease in the liabilities arising from the change in the UK defined benefit plan, as well as the increase in the discount rate used to calculate the liability at the year end in accordance with the accounting standard. The year end discount rate, which was 6.8% (last year – 5.3%), reflects corporate bond rates at the year end and has led to a significant reduction in the IAS 19 calculation of the pension liability for accounting purposes at 29 March 2008.

The partnership liability to the Marks and Spencer UK Pension scheme of £723.2m (last year - £496.9m) relates to the amortising liability in respect of the obligations to the Marks & Spencer UK Pension Scheme. The increase in the liability is due to the decision by the Group to pre-fund £200m of its annual contributions to the pension scheme, by placing £400m of additional properties into the partnership established with the Pension Scheme in 2007. The impact of the transaction will be to increase the annual distribution out of the partnership to the pension scheme by £21.9m for the 14 year period from July 2009.

Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences and prospects are "forward-looking statements" within the meaning of the United States federal securities laws. These forward-looking statements reflect Marks & Spencer's current expectations concerning future events and actual results may differ materially from current expectations or historical results.

Any such forward-looking statements are subject to various risks and uncertainties, including failure by Marks & Spencer to predict accurately customer preferences; decline in the demand for products offered by Marks & Spencer; competitive influences; changes in levels of store traffic or consumer spending habits; effectiveness of Marks & Spencer's brand awareness and marketing programmes; general economic conditions or a downturn in the retail or financial services industries; acts of war or terrorism worldwide; work stoppages, slowdowns or strikes; and changes in financial and equity markets.

Consolidated income statement

	Notes	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
Revenue - continuing operations	2	**9,022.0**	**8,588.1**
Operating profit - continuing operations	3	**1,211.3**	**1,045.9**
Finance income	4	64.4	33.8
Finance costs	4	(146.6)	(143.0)
Analysed between:			
Before exceptional finance costs		(146.6)	(112.6)
Exceptional finance costs	4	-	(30.4)
Profit on ordinary activities before taxation - continuing operations		**1,129.1**	**936.7**
Analysed between:			
Before property disposals and exceptional items		1,007.1	965.2
Profit on property disposals		27.0	1.9
Exceptional pension credit	3,9	95.0	-
Exceptional finance costs		-	(30.4)
Income tax expense	5	(308.1)	(277.5)
Profit on ordinary activities after taxation - continuing operations		**821.0**	**659.2**
Profit from discontinued operation	6	-	0.7
Profit for the year		**821.0**	**659.9**
Attributable to:			
Equity shareholders of the Company		**821.7**	**659.9**
Minority interests		**(0.7)**	**-**
		821.0	**659.9**

Basic earnings per share	7A	49.2p	39.1p
Diluted earnings per share	7B	48.7p	38.5p
Basic earnings per share from continuing operations	7A	49.2p	39.1p
Diluted earnings per share from continuing operations	7B	48.7p	38.5p

Non-GAAP measure:			
Adjusted profit before taxation (£m)	1	1,007.1	965.2
Adjusted basic earnings per share from continuing operations	7A	43.6p	40.4p
Adjusted diluted earnings per share from continuing operations	7B	43.2p	39.8p

Consolidated statement of recognised income and expense

	Year ended 29 March 2008 £m	Year ended 31 March 2007 £m
Profit for the year	821.0	659.9
Foreign currency translation differences	21.3	(14.0)
Actuarial gains/(losses) on retirement benefit scheme	605.4	(8.6)
Cash flow and net investment hedges		
- losses deferred in equity	(33.5)	(7.4)
- recycled and reported in net profit	1.3	10.7
- amount recognised in inventories	2.4	2.1
Tax on items taken directly to equity	(185.7)	24.5
Net gains not recognised in the income statement	411.2	7.3
Total recognised income and expense for the year	**1,232.2**	**667.2**
Attributable to:		
Equity shareholders of the Company	**1,232.9**	**667.2**
Minority interests	**(0.7)**	**-**
	1,232.2	**667.2**

Consolidated balance sheet

	As at	As at

	Notes	29 March 2008 £m	31 March 2007 £m
ASSETS			
Non-current assets			
Intangible assets		305.5	194.1
Property, plant and equipment		4,704.0	4,044.5
Investment property		25.0	25.1
Investment in joint venture		9.6	9.3
Other financial assets		3.0	3.0
Retirement benefit asset	9	504.0	-
Trade and other receivables		410.0	247.0
Derivative financial instruments		18.2	-
Deferred tax assets		-	11.6
		5,979.3	4,534.6
Current assets			
Inventories		488.9	416.3
Other financial assets		48.8	50.9
Trade and other receivables		307.6	196.7
Derivative financial instruments		18.4	2.4
Cash and cash equivalents		318.0	180.1
		1,181.7	846.4
Total assets		**7,161.0**	**5,381.0**
LIABILITIES			
Current liabilities			
Trade and other payables		976.6	1,043.9
Derivative financial instruments		35.1	8.3
Borrowings and other financial liabilities		878.6	461.0
Partnership liability to the Marks & Spencer UK Pension Scheme		50.0	-
Current tax liabilities		37.5	87.3
Provisions		11.1	5.7
		1,988.9	1,606.2
Non-current liabilities			
Borrowings and other financial liabilities		1,936.5	1,234.5
Partnership liability to the Marks & Spencer UK Pension		673.2	496.9

Scheme			
Retirement benefit deficit	9	20.5	283.3
Trade and other payables		191.2	87.6
Derivative financial instruments		-	0.2
Provisions		14.6	16.8
Deferred tax liabilities		372.1	7.3
		3,208.1	2,126.6
Total liabilities		**5,197.0**	**3,732.8**
Net assets		**1,964.0**	**1,648.2**
EQUITY			
Called up share capital - equity		396.6	424.9
Share premium account		231.4	202.9
Capital redemption reserve		2,199.9	2,168.5
Hedging reserve		(36.9)	(4.4)
Other reserve		(6,542.2)	(6,542.2)
Retained earnings		5,707.9	5,397.1
Total shareholders' equity	10	**1,956.7**	**1,646.8**
Minority interests in equity		**7.3**	**1.4**
Total equity		**1,964.0**	**1,648.2**

Consolidated cash flow information

CONSOLIDATED CASH FLOW STATEMENT

	Notes	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
Cash flows from operating activities			
Cash generated from operations - continuing	12A	1,236.0	1,442.6
Cash generated from operations - discontinued	12B	-	0.7
Tax paid		(166.2)	(150.8)
Net cash inflow from operating activities		**1,069.8**	**1,292.5**

Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(46.4)	-
Disposal of subsidiary, net of cash disposed		-	48.8
Capital expenditure and financial investment	12C	(924.6)	(712.8)
Interest received		4.8	13.2
Net cash outflow from investing activities		**(966.2)**	**(650.8)**
Cash flows from financing activities			
Interest paid		(88.9)	(123.4)
Exceptional interest paid		-	(21.6)
Other debt financing	12D	954.5	(479.2)
Equity dividends paid		(343.6)	(260.6)
Other equity financing	12E	(556.2)	9.2
Net cash outflow from financing activities		**(34.2)**	**(875.6)**
Net cash inflow/(outflow) from activities		**69.4**	**(233.9)**
Effects of exchange rate changes		1.5	(1.5)
Opening net cash		47.0	282.4
Closing net cash		**117.9**	**47.0**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
Opening net debt	**(1,949.5)**	**(1,729.3)**
Net cash inflow/(outflow) from activities	69.4	(233.9)
(Decrease)/increase in current financial assets	(2.8)	2.6
(Increase)/decrease in debt financing	(954.5)	479.2
Debt financing net of liquid resources disposed with subsidiary	-	(16.8)
Debt financing net of liquid resources acquired with subsidiary	(29.6)	-
Fair value movement on derivatives	-	67.0
Partnership liability to the Marks & Spencer UK Pension Scheme (non-cash)	(199.0)	(495.6)
Exchange and other non-cash movements	(28.9)	(22.7)
Movement in net debt	**(1,145.4)**	**(220.2)**

Closing net debt	**(3,094.9)**	**(1,949.5)**

1 General information and basis of preparation

The financial information which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated cash flow statement and related notes do not constitute full accounts within the meaning of s240 of the Companies Act 1985. The auditors have reported on the Group's statutory accounts for each of the years 2007/08 and 2006/07 under s235 of the Companies Act 1985, which do not contain statements under s237(2) or s237(3) of the Companies Act 1985 and are unqualified. The statutory accounts for 2006/07 have been delivered to the Registrar of Companies and the statutory accounts for 2007/08 will be filed with the Registrar in due course.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payments and retirement benefits.

IFRIC 14 - 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' was issued in July 2007. It limits the recognition of a defined benefit asset when minimum funding requirements exist within a plan. It was implemented by the Group from 1 April 2007 and had no material impact on the result or net assets of the Group.

The Directors believe that the ‘adjusted’ profit and earnings per share measures provide additional useful information for shareholders on underlying performance of the business, and are consistent with how business performance is measured internally. It is not a recognised profit measure under IFRS and may not be directly comparable with 'adjusted' profit measures used by other companies.

2 Revenue

The Group's primary reporting segments are geographic, with the Group operating in two geographic areas being the UK and International. The geographic segments disclose revenue and operating profit by destination and reflect management responsibility. Within each geographic segment the Group sells both Food and General Merchandise and secondary segment disclosure is given for revenue.

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m

UK Retail	8,309.1	7,977.5
International Retail		
Owned stores[1]	426.7	369.5
Franchised stores	286.2	241.1
	712.9	610.6
Total revenue	**9,022.0**	**8,588.1**

[1]Owned stores consists of the Marks & Spencer owned businesses in the Republic of Ireland, Hong Kong and Taiwan and, since 29 February 2008, Greece, a number of Balkan states and Switzerland, and since 20 March 2008, the Czech Republic, Slovakia, Latvia and Lithuania, which were included in franchised stores up to that date.

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
UK Retail		
General Merchandise	4,059.3	4,002.8
Food	4,249.8	3,974.7
	8,309.1	7,977.5
International Retail		
General Merchandise	491.7	423.9
Food	221.2	186.7
	712.9	610.6
Total revenue	**9,022.0**	**8,588.1**

3 Operating profit

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m

UK Retail[1]		
Before property disposals and exceptional items	972.9	956.5
Property disposals	28.0	0.2
Exceptional pension credit[2]	95.0	-
	1,095.9	**956.7**
International Retail		
Owned stores	44.5	45.4
Franchised stores	71.9	42.1
Before property disposals	**116.4**	**87.5**
Property disposals	(1.0)	1.7
	115.4	**89.2**
Total operating profit	**1,211.3**	**1,045.9**

[1] UK Retail operating profit includes £28.3m (last year £19.5m) in respect of fees received from HSBC in relation to M&S Money.

[2] The exceptional pension credit has arisen due to changes in the UK defined benefit plan relating to how members' benefits build up from 1 October 2007. To the extent that members have chosen the option to limit their future pensionable salary increases to inflation there is a past service credit to reflect the impact of adjusting their projected final pensionable salaries.

4 Finance income/(costs)

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
Finance income		
Bank and other interest receivable	5.5	13.0
Pension finance income (net)	58.9	20.8
	64.4	**33.8**
Finance costs		
Interest payable on bank borrowings, facilities and medium term notes	(115.6)	(107.4)
Amortisation of issue costs of bank loans	(0.3)	(1.5)
Interest payable on finance leases	(3.4)	(2.2)
Dividend on non-equity B shares	-	(0.2)
Unwinding of discount on partnership liability to the Marks & Spencer UK Pension Scheme	(27.3)	(1.3)

Before exceptional finance costs	(146.6)	(112.6)
Exceptional finance costs[1]	-	(30.4)
	(146.6)	**(143.0)**
Net finance costs	**(82.2)**	**(109.2)**

[1] Last year exceptional finance costs represented the unamortised transaction costs, a one-off make-whole premium and the cancellation of the swaps arising on the redemption of £317.2m of secured bonds. These bonds were redeemed in order to release properties for the use in the limited partnership with the Marks & Spencer UK Pension Scheme.

5 Taxation

The post-exceptional effective tax rate was 27.3% (last year 29.6%) and the pre-exceptional effective tax rate was 27.0% (last year (29.4%).

The change in the standard UK Corporation tax rate to 28% from April 2008 has resulted in a deferred tax credit of £16.7m, reducing the total effective tax rate by 1.5%.

6 Discontinued operation

On 28 April 2006, the Group disposed of Kings Super Markets Inc to a US investor group for $61.5m excluding cash in the business at the date of disposal.

7 Earnings per share

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the period.

The adjusted earnings per share figures have been calculated in addition to the earnings per share required by IAS 33 - 'Earnings per Share' and are based on earnings excluding the effect of property disposals and exceptional items. These have been calculated to allow the shareholders to gain an understanding of the underlying trading performance of the Group.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has only one class of dilutive potential ordinary shares being those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

Details of the adjusted earnings per share are set out below:

	52 weeks ended	52 weeks ended

	29 March 2008 £m	31 March 2007 £m
Earnings after tax	**821.7**	**659.9**
Profit from discontinued operation	-	(0.7)
Earnings after tax - continuing	**821.7**	**659.2**
Property disposals (net of tax)	(27.0)	(1.4)
Exceptional pension credit (net of tax)	(66.5)	-
Exceptional finance costs (net of tax)	-	23.9
Adjusted earnings after tax - continuing	**728.2**	**681.7**
Weighted average number of ordinary shares in issue (millions)	**1,671.3**	**1,688.6**
Potentially dilutive share options under Group's share option schemes (millions)	16.0	26.3
Weighted average number of diluted ordinary shares (millions)	**1,687.3**	**1,714.9**

A Basic earnings per share

	pence	pence
Basic earnings per share	**49.2**	**39.1**
Profit from discontinued operation per share	-	-
Basic earnings per share - continuing	**49.2**	**39.1**
Property disposals per share	(1.6)	(0.1)
Exceptional pension credit per share	(4.0)	-
Exceptional finance costs per share	-	1.4
Adjusted basic earnings per share - continuing	**43.6**	**40.4**

B Diluted earnings per share

	pence	pence
Diluted earnings per share	**48.7**	**38.5**
Profit from discontinued operation per share	-	-
Diluted earnings per share - continuing	**48.7**	**38.5**
Property disposals per share	(1.6)	(0.1)
Exceptional pension credit per share	(3.9)	-
Exceptional finance costs per share	-	1.4
Adjusted diluted earnings per share - continuing	**43.2**	**39.8**

8 Dividends

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
Paid final dividend of 12.0p per share (last year 9.2p per share)	203.5	154.6
Paid interim dividend of 8.3p per share (last year 6.3p per share)	140.1	106.0
	343.6	260.6

In addition the directors have proposed a final dividend in respect of the year ended 29 March 2008 of 14.2p per share amounting to a dividend of £217.9m. It will be paid on 11 July 2008 to shareholders who are on the Register of Members on 30 May 2008. In line with the requirements of IAS 10 - 'Events after the Balance Sheet Date', this dividend has not been recognised within these results.

9 Retirement benefits

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
Opening net retirement benefit deficit	**(283.3)**	**(794.9)**
Current service cost	(106.1)	(113.9)
Exceptional pension credit (note 3)	95.0	-
Curtailment gain	3.0	2.0
Interest cost	(283.8)	(261.2)
Expected return on assets	342.7	282.0
Employer contributions	111.1	611.3
Actuarial gain/(loss)	605.4	(8.6)
Acquisition of subsidiary	(0.4)	-
Exchange movement	(0.1)	-
Closing net retirement benefit asset/(deficit)	**483.5**	**(283.3)**

Analysed on the balance sheet as:		
Retirement benefit asset	504.0	-
Retirement benefit deficit	(20.5)	(283.3)
Closing net retirement benefit asset/(deficit)	**483.5**	**(283.3)**

The main financial assumptions used to assess the liabilities of the scheme have been updated by independent qualified actuaries to assess the liabilities of the scheme. The most significant of these are the discount rate and the inflation rate which are 6.8% (last year 5.3%) and 3.5% (last year 3.0%) respectively.

The amount of the surplus varies if the main financial assumptions change, particularly the discount rate. If the discount rate increased/decreased by 0.1% the IAS 19 asset would increase/decrease by c.£100 m.

10 Statement of changes in shareholders' equity

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
Opening shareholders' equity	**1,646.8**	**1,203.7**
Profit for the period attributable to shareholders	821.7	659.9
Dividends	(343.6)	(260.6)
Foreign currency translation	21.3	(14.0)
Shares issued on exercise of employee share options	31.6	44.9
Shares purchased in buy-back	(555.9)	-
Purchase of shares held by employee trusts	(31.9)	(18.4)
Put option for acquisition of minority interest	(52.2)	-
Purchase of call option for Company's shares	-	(17.3)
Actuarial gain/(loss) on retirement benefit scheme	605.4	(8.6)
Deferred tax on retirement benefit scheme	(172.4)	4.0
Deferred tax on share schemes	(10.6)	22.3
Charge for share-based payments	29.0	27.3
Cash flow and net investment hedges	(29.8)	5.4
Deferred tax on cash flow and net investment hedges	(2.7)	(1.8)
Closing shareholders' equity	**1,956.7**	**1,646.8**

11 Capital commitments

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
Commitments in respect of properties in the course of construction	**182.8**	**265.8**

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

12 Cash flow analysis

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
A Cash flows from operating activities - continuing		
Profit on ordinary activities after taxation	821.0	659.2
Income tax expense	308.1	277.5
Interest payable and similar charges	146.6	143.0
Interest receivable	(64.4)	(33.8)
Operating profit	**1,211.3**	**1,045.9**
Increase in inventories	(54.4)	(42.8)
(Increase)/decrease in receivables	(33.5)	12.5
Payments to acquire leasehold properties	(47.6)	(13.5)
(Decrease)/increase in payables	(61.9)	136.6
Exceptional operating cash outflow	(2.5)	(4.2)
Depreciation and amortisation	317.6	282.7
Share-based payments	29.0	27.3
Profit on property disposals	(27.0)	(1.9)
Exceptional pension credit	(95.0)	-
	1,236.0	**1,442.6**

B Cash flows from operating activities - discontinued

Last year £0.7m cash was generated from the discontinued operations of Kings Super Markets Inc.

C Capital expenditure and financial investment		
Purchase of property, plant and equipment	(958.4)	(666.9)
Proceeds from sale of property, plant and equipment	91.6	2.9
Purchase of intangible fixed assets	(60.6)	(46.5)
Sale of non-current financial assets	-	0.3
Sale/(purchase) of current financial assets	2.8	(2.6)
	(924.6)	**(712.8)**

D Debt financing		
Cash inflow from borrowings	8.7	21.6
Drawdown of syndicated bank facility	317.6	296.4
Redemption of securitised loan notes	-	(319.6)
Redemption of medium term notes	-	(818.2)
Issue of medium term notes	631.7	397.5
Decrease in obligations under finance leases	(3.5)	(2.2)
Redemption of B shares	-	(54.7)
	954.5	**(479.2)**

E Other equity financing		
Shares issued under employee share schemes	31.6	44.9
Purchase of shares in buy-back	(555.9)	-
Purchase of own shares held in employee trusts	(31.9)	(18.4)
Purchase of call option for Company's shares	-	(17.3)
	(556.2)	**9.2**

13 Reconciliation of net debt to balance sheet

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
Balance sheet and related notes		
Cash and cash equivalents	318.0	180.1
Current financial assets	48.8	50.9
Bank loans, overdrafts and commercial paper	(257.4)	(159.7)
Syndicated bank facility	(615.0)	(296.9)
Medium term notes	(1,859.2)	(1,177.3)

Finance lease liabilities	(83.5)	(61.6)
Partnership liability to the Marks & Spencer UK Pension Scheme	(723.2)	(496.9)
	(3,171.5)	(1,961.4)
Interest payable included within related borrowings	76.6	11.9
Total net debt	**(3,094.9)**	**(1,949.5)**