



We are currently reviewing the trial of 'Simply Food' in eight BP forecourts, which we launched in autumn 2005, and one which we opened after the year end.

The market for M&S food is potentially much wider. In seven stores we tested new formats including 'Hot Food to Go', like hot wraps and soups, and in four stores we introduced new bakeries, selling fresh crusty bread and first class patisseries and delicatessens where customers can sit and eat breakfast, brunch, a light lunch or supper. These ideas help bring theatre and excitement to our stores.

Looking ahead

We will continue to provide innovative food of exceptional quality in 2006/07. Healthy eating will remain a priority for us.

We plan to increase our 'Eat Well' products, extend our additive-free 'Marks & Spencer Cook!' range and continue to reduce salt and remove hydrogenated fats from our food. We will also continue to highlight the special quality of our food and its provenance.

Building on our popularity at Christmas and other key times of the year, we will seek to become the preferred destination for personal celebrations like birthdays, weddings and anniversaries.

We will open more 'Simply Food' stores and extend the trial of new formats, like our 'Eat Over Deli' bars, bringing our food to a wider audience. Later this year we will open our first stand-alone restaurant at our Newcastle store, where customers will be able to dine out on a range of our food.

International

Our International business contributed 9.1% to the Group's pre-tax profits.

Comprising wholly-owned stores as well as franchise stores around the world, our International division continues to flourish. In 2005/06, it generated a turnover of £522.7m (last year £455.8m) and an operating profit of £65.6m (last year £60.4m). As part of our plan to refocus the business we agreed the sale of our US supermarket chain, Kings Super Markets, for £35.4m (\$61.5m) in March 2006.

Franchise

We operate 198 franchise stores in 30 territories around the world. During the year, 22 stores opened including two in Moscow, an additional four in the Czech Republic and three more in India. We have also closed a number of stores in the period, either to move to better sites or to concentrate on larger, more profitable stores. Total space grew from 1.30 million sq ft to 1.43 million sq ft.

We see considerable scope to increase the number of franchise stores in our current territories and to enter new ones. We opened in Switzerland in April 2006, and have plans to open in Ukraine and Latvia, as well as to expand our Russian presence to St Petersburg, in 2006/07. Franchise stores give us the opportunity to expand internationally without significant capital cost. By continuing to work with trusted partners, we benefit from both their local knowledge and increased economies of scale.

Wholly-owned

We have eight wholly-owned stores in Hong Kong and this continues to be an attractive and profitable market for us. Competition for good sites remains tough and rents are high, but we are keen to expand our presence there.

Our stores in the Republic of Ireland are thriving. In 2005/06, we opened two stores in Blackrock and Galway and in April 2006 we opened another in Newbridge Retail Park, west of Dublin. We will open in Drogheda in summer 2006, bringing the number of stores there to 13.

