

Issued: 7 November 2006

**Marks and Spencer Group plc
Interim Results 2006/07
26 weeks ended 30 September 2006**

Highlights:

Financial:

- Sales up 11.0% at £3,929.4m: UK up 10.5% at £3,647.9m; International up 17.7% at £281.5m;
- Adjusted profit before tax up 32.2% at £405.1m; unadjusted profit before tax £406.5m
- Adjusted earnings per share up 30.7% at 16.6p; unadjusted earnings per share 16.7p
- Interim dividend 6.3p, up 31.3%
- Net debt £1,745.6m (1 April 2006: £1,729.3m)

Trading:

- Q2 UK sales +10.5%: General Merchandise +10.0%; Food +10.9%;
- Q2 UK like for like sales up 6.4%: General Merchandise +7.9%; Food +4.7%;
- Market share growth in all product categories (total clothing market share up 90 basis points to 10.1%*)
- Food market share up 20 basis points to 4.0%**
- UK gross margin up 100 basis points to 43.6%
- Modernised stores delivering strong returns
- Agreement reached with BP to roll out Simply Food
- Acquisition of 12 stores to add to Simply Food portfolio

Lord Burns, Chairman, commented:

"The Group continues to make good progress and is stepping up its investment programme to secure future growth. In line with our new policy, the Board is proposing an interim dividend increase of 31.3% to 6.3p per share."

* *Clothing market share: TNS Worldpanel Fashion: 24 weeks ending 17 Sept 2006*

** *Food market share: Superpanel, Food & drink: 24 weeks ending 8 Oct 2006*

Stuart Rose, Chief Executive, said:

"We had a good first half. We have delivered better product, better service and better store environment. We have gained market share in all areas in which we trade.

We continue to invest in our stores to provide for future growth. Our property review has identified opportunities in existing and new markets. Modernised stores are generating strong returns.

We are increasing investment in some areas such as specialist staff which we believe will directly benefit our customers and top line growth. Although we continue to see costs rising ahead of inflation in many areas, we are controlling non customer facing costs well.

Our plan remains the same. While competition remains intense, we are focusing on driving profitable revenues and market share. We continue to improve and develop our customer offer in core areas through better product while also driving service levels and improving store environment. Opportunities to stretch our brand into new products and services and to broaden the business across new channels and overseas are now being pursued.

Trading for the first five weeks of the third quarter is in line with the first half run rate, despite tougher comparatives. We believe we are well positioned for the all important Christmas period."

Driving the business – Product, Service, Environment

Footfall increased significantly with 19 million more visits over the half, driven by better values, with style and innovation.

Market share in clothing increased by 90 basis points to 10.1%, reinforcing our position as the largest clothing retailer in the UK by both value and volume. Market share improved in all product areas. Foods also increased market share.

Buying efficiencies and increased volume delivered a gross margin increase of 100 basis points.

We continue to listen to our customers and brand momentum continues to improve, supported by strong advertising. The effectiveness of the 'Your M&S' campaign was acknowledged when it won the Grand Prix at the recent 2006 IPA Effectiveness Awards.

Product

General Merchandise

Quality and value remain our key drivers. Opening price points now represent around a third of our sales. Price deflation for the half was 5%, slowing in the second quarter as we came up against price reductions made last year. Volumes were up 17% over the same period.

Gross margins increased by 170 basis points, driven by better sourcing. We opened our office in Shanghai to add to our offices in Bangalore, Colombo, Dhaka, Hong Kong, and Istanbul. We now employ some 200 people overseas. Delhi will open in the second half. Stock control and speed to market continues to be a prime focus.

Womenswear made excellent progress with market share up from 9.4% to 10.5%. Core product performed well and our fast fashion ranges give us more fashion authority. Colour palettes have been strong and on target. We continue to refine our branding and segmentation to ensure we offer clear and focussed ranges. Per una continues to make strong progress. We now have a complementary offer of womenswear, enabling us to target the widest range of customers of any general merchandise retailer.

Lingerie performed well with market share up from 24.1% to 25.6%. We are the destination shop for lingerie in the UK. Our aspirational Autograph brand has now been extended into lingerie.

Menswear had an excellent half, building on its already strong base. Market share is up from 8.3% to 9.0%. Our branding is clear - Autograph, Blue Harbour and Collezione are understood by their target customers.

Childrenswear made its first market share improvement for six years, up from 4.0% to 4.4%. Both Boyswear and Girlswear are improving rapidly. Fast fashion is being used to deliver newness and excitement. Our Back to School campaign was particularly strong.

Home continues to grow. Having improved values across the ranges last year, the introduction of premium product such as the newly launched Autograph bedroom and bathroom ranges is enabling us to further stretch our price architecture while offering our customers greater choice. Furniture has performed well. We now have more authority across our core Home offer and are confident of further growth.

Food

Food had another successful half with total sales growing at twice the rate of the market. We continue to increase market share, up from 3.8% to 4.0%. Performance was driven by a relentless focus on quality, value and innovation, supported by powerful advertising. Our responsible approach to product development is being recognised by both our customers and campaigning and health groups.

We have a leading market position through the innovative development of first to market ranges. We are able to respond to key customer trends for healthier eating and 30% of our catalogue is now marketed under the Eat Well logo. We extended our Eat Well range by introducing new Nutritionally Balanced ready meals which, like the rest of our Eat Well range, are free of additives and preservatives. We have completed the removal of trans fats from all our foods and are the first UK retailer to have achieved this. There is increasing demand for responsibly sourced, healthy food; our additive-free 'Cook!' and Speciality ranges are well positioned to address this demand. Our value added organic food range was highlighted in our recent advertising campaign.

During the half we also launched new products where socially responsible and ethical considerations have helped to drive innovation. These included wider ranges of Fairtrade and Organic products as well as Omega-3 enriched Lochmuir Salmon which is bred to improved standards of animal welfare.

Service

There has been significant investment in staff training and career paths. Additionally we have increased pay rates to ensure competitiveness. We believe these investments will pay dividends through better service levels in our business. Mystery shopping scores continue to improve. This is more marked in our modernised stores. These improvements in service enabled us to cope with a 17% increase in General Merchandise volumes and significantly higher footfall.

Service initiatives in key areas such as Lingerie, Food and Menswear will continue to be rolled out. A serviced men's footwear concept in 16 stores giving better choice and service has been successful.

Environment

Property

We have undertaken a complete review of our property portfolio. The key objective is to ensure that we are in the right place with the right space meeting the needs of tomorrow's customers. We have one of the strongest and most recognised brands in the UK which needs a powerful showcase.

We have identified the following opportunities and over the next five years will:

- enhance our presence in major city centres through extensions, redevelopments and relocations;
- develop major out of town stores by extending existing space and seeking opportunities for new space;
- grow our presence in retail parks;
- develop our high street presence, expanding, relocating, consolidating or closing stores where appropriate;
- continue to develop our Simply Food business opening more owned and franchised stores

During this period, we expect to increase total owned space by 15-20% from 13.3 million square feet at the half year end. Overall, while we expect to have more stores, the emphasis is on quality of space.

Store Modernisations

Our store modernisation programme remains a priority. The four trial stores opened in 2004/05 continue to materially outperform. The 17 stores opened in 2005/06 have gained further momentum in the first half. Returns continue to be strong. We have opened a further 45 stores since the year end which are delivering strong incremental sales. We will have modernised 35% of our space by Christmas.

We plan to have some 70% of our space modernised by Christmas 2007. In order to open these stores well ahead of the peak third quarter, we will start some of these store modernisations in January this financial year. In addition, and following on from our property review, we will begin a number of significant developments in some of our key city centre and out of town stores.

New Space

During the half we opened stores in two retail parks in Teeside and Abbey Centre, Belfast. Bolton Middlebrook opened in October. In the half year we added 2% to our total footage on a weighted average basis, representing an increase of 1.4% in General Merchandise and 3.4% in Foods. Our full year space guidance remains unchanged.

We continue to open more space in Foods. During the half we opened 29 new Simply Food stores, 28 of which were acquired from Iceland last year. We are pleased with the performance of these stores. We expect to open around 20 stores in the second half, four of which have already opened. We have acquired 12 stores from Somerfield, eight of which will open this financial year.

The trial of a Simply Food offer in BP forecourt locations has been successful and we have now agreed with BP to roll this concept out to more forecourts starting next year. We believe there is an opportunity in some 200 locations going forward.

Stretching the brand

With the growing strength of the brand, we believe there are many opportunities for us to stretch our brand into new product areas.

In Foods, new initiatives, such as Hot Food to Go, Eat Over Delis and more recently a restaurant in Newcastle have been welcomed by customers.

Our trial of electrical products last year has now been extended in 13 stores with a wider offer including LCD TVs, DVDs, hi-fi, and laptops linked with a number of guest brands. While it is early days we are pleased with customer reaction.

E-commerce

Our on-line business continues to grow strongly from a relatively small base. We recognise the significant opportunity to develop this channel and together with Amazon have been working to redevelop our website to improve functionality and customer experience. We have restructured e-commerce which has now become a business unit in its own right. We will re-launch our web-site in Spring 2007.

International

International made good progress over the half. Our owned stores in the Republic of Ireland and Hong Kong performed well. The Republic of Ireland delivered strong sales growth, reflecting good underlying like for like performance, the opening of new stores in Drogheda and Newbridge, and the full year benefit of stores opened the previous year. During the half we modernised a third of our existing space. Hong Kong performance was also robust, despite the closure of one store and relocation of two stores in the second half of last year.

Our franchise operations also delivered a strong performance. During the half our franchisees opened a net of seven stores, including our first stores in Geneva, Riga, and Sofia, as well as adding to stores to our existing franchises in Greece, Hungary, India, Indonesia, Philippines, Romania, Singapore and Turkey. We expect to open around 15 stores in the second half, including new stores in Russia, India and a 52,000 square foot store in Festival City, Dubai.

Corporate Social Responsibility

Social responsibility and ethical trading is deeply rooted in our business. We continue to develop our 'Look behind the label' campaign to tell our customers about the effort that goes into ensuring that Marks & Spencer products are produced in a safe and ethical way. We receive wide recognition for our progress in this area.

- In July, M&S won Business in the Community's Company of the Year Award for the second time – the only company to do so.
- We received awards for our Breakthrough Breast Cancer cause-related marketing campaign and Marks & Start employability programme. We are now in our sixth year of supporting the Breakthrough Breast Cancer campaign and in October's Breast Cancer Awareness Month our customers helped us to raise £600,000.
- In the recent 2006 RSPCA Good Business Awards we won the Fashion and Food categories and came runners-up in cosmetics based on our animal welfare standards.
- We have been working closely with the Fairtrade Foundation on our range of Fairtrade food, clothing and home products which will be extended in the Spring.
- For the second year running, Greenpeace rated Marks & Spencer as the best food retailer for sourcing fish from well managed sources.

We recognise that there is much to do and are currently reviewing our total CSR policy to ensure that it meets the demands of customers today.

Summary

In summary the business is in good shape. Our investment in our core business is paying off. These results show that a combination of great value stylish product, exciting stores and good service are what customers want. We are now looking ahead for opportunities to drive the business and to broaden the business to new channels and overseas.

Financial Review:

Summary of Results: unaudited*

	<u>26 weeks ended</u>		<u>% inc</u>
	30 Sept 2006 £m	1 Oct 2005** £m	
Total revenue	3,929.4	3,541.5	+11.0
UK	3,647.9	3,302.3	+10.5
International	281.5	239.2	+17.7
Operating profit before asset disposals	447.4	366.1	+22.2
UK	407.4	335.9	+21.3
International	40.0	30.2	+32.5
Profit before tax and asset disposals	405.1	306.5	+32.2
Profit/(loss) on property disposals	1.4	(0.8)	
Profit before tax	406.5	305.7	+33.0
Adjusted earnings per share	16.6p	12.7p	+30.7
Dividend per share (declared)	6.3p	4.8p	+31.3

* From continuing operations

**2005/06 comparatives have been restated to exclude the results of Kings Super Markets which was disposed of in April 2006.

Revenues

Total revenues were up 11% with strong performances in both UK and International. Revenue growth by area, by quarter in the UK was:

<u>Revenue</u>	<u>Q1%</u>	<u>Q2%</u>	<u>H1%</u>
Clothing	+10.7	+9.3	+10.0
Home	+23.3	+17.7	+20.3
General Merchandise	+11.7	+10.0	+10.9
Food	+9.2	+10.9	+10.1
Total	+10.4	+10.5	+10.5
<u>Like-for-Like</u>	<u>Q1%</u>	<u>Q2%</u>	<u>H1%</u>
General Merchandise	+10.5	+7.9	+9.2
Food	+5.8	+4.7	+5.3
Total	+8.2	+6.4	+7.3

International revenues were up 17.7% with strong performances in both owned and franchised stores, up 14.7% and 22.5% respectively.

Operating profit

Operating profit was £448.8m, up 22.9%. Operating profit before asset disposals was £447.4m, up 22.2%.

In the UK, operating profit before asset disposals was up 21.3% at £407.4m. This reflects strong revenue growth and a further increase in the gross margin by 100 basis points to 43.6%, representing 170 basis points in the General Merchandise gross margin to 53.2%, and 30 basis points in the Food gross margin to 34.3%. Full year gross margin is expected to be broadly in line with the 100 basis point improvement in the first half.

UK operating costs, before bonus accrual, were up 11.3% to £1,161.3m (£1,043.7m last half year). This increase reflects the previously highlighted cost pressures being faced by the business in areas such as energy, fuel, rent and rates, plus the growth in the business which has encouraged us to make further investment in our staff, stores and in marketing. A breakdown of UK operating costs for the half is shown below:

	<u>26 weeks ended</u>		<u>Var %</u>
	30 Sept 2006	1 Oct 2005	
	£m	£m	
Retail staffing costs	389.6	327.7	+18.9
Retail occupancy costs	350.7	321.7	+9.0
Distribution costs	150.7	140.0	+7.6
Marketing & related costs	59.6	47.6	+25.2
Support costs	210.7	206.7	+1.9
Total before bonus	1,161.3	1,043.7	+11.3
Bonus	33.1	29.7	+11.4
Total	1,194.4	1,073.4	+11.3

The increase in retail staffing costs reflects the impact of space growth, additional staffing in our stores to manage growth in the business and to enhance service to our customers, and the one-off impact of the changes we made to pay structures in October last year. The increase in retail occupancy costs reflects space growth, accelerated depreciation on the store modernisation programme, and higher energy costs. Distribution costs increased, but below the level of sales growth for the half and well below volume growth. We invested further in marketing, including advertising and promotion, and this has supported our top line sales growth. Support costs, which include other non store related overheads, were broadly level on the year. We have made a provision for bonus of £33.1m (last half year £29.7m). Bonus payment for 2006/07 will depend on the full year financial performance of the Group.

In the second half, we expect the rate of cost growth to be slower than in the first. Our revised full year guidance for cost growth is now around 9%.

The UK operating profit includes a contribution of £11.4m (last half year £2.4m) from the Group's continuing economic interest in M&S Money.

International operating profit increased by 32.5% to £40.0m due to strong sales performance in both owned and franchised stores.

Interest

Net interest expense was £42.3m compared to £59.6m last half year. This largely reflects the reduction in average net debt which was £1.7bn (£2.1bn last half year). The average rate of interest on borrowings for the year was 5.9% (last half year 5.8%).

	<u>26 weeks ended</u>	
	30 Sept 2006	1 Oct 2005
	£m	£m
Interest payable	(59.3)	(71.8)
Interest receivable	7.0	4.0
Net interest payable	(52.3)	(67.8)
Pension finance income	10.0	8.2
Total	(42.3)	(59.6)

Taxation

The tax charge reflects an estimated effective tax rate for the full year of 31.0%, compared to 30.2% last full year.

Shareholder returns and dividends

Adjusted earnings per share from continuing operations, which excludes the effect of asset disposals, increased by 30.7% to 16.6p per share. The average number of shares in issue during the period was 1,684.2m (last half year 1,660.5m).

The Board is proposing an interim dividend of 6.3p per share (last half year 4.8p per share), an increase of 31.3%. This is in line with the dividend policy announced in May, to grow the half year dividend in line with adjusted EPS growth.

Capital expenditure

Capital expenditure for the half totalled £390.7m compared with £174.8m last half year, reflecting the roll-out of the store modernisation programme and new space.

Capital expenditure for the full year is expected to be £750m to £800m, which is higher than indicated in May. This reflects the planned earlier start to the 2007 modernisation programme in January, which means that £120m of capital spend is being brought forward from 2007/08. Modernisation costs remain £80 to £90 per square foot. In addition, we will be starting the development of a small number of our key city centre and out of town stores following the property review. This will add a further £50m to capital spend. Finally, this guidance includes capital expenditure of £60m relating to the acquisition and conversion of the 12 stores acquired for Simply Food from Somerfield.

Capital expenditure for 2007/08 is expected to be at least at the same level as 2006/07.

Cash flow and net debt

The Group reported a net cash outflow of £33.5m in the first half (last half year inflow £246.3m). Increased investment into stock, in line with the growth in revenues, and payment of the year-end bonus resulted in a net outflow of £94.4m on working capital. Net capital expenditure was up at £301.3m, primarily reflecting the store modernisation programme. We paid out £99.1m in interest and tax and £142.1m in dividends and share issues. As a result, net debt at the end of the half year was £1,745.6m (last half year £2,025.5m).

Pensions

The Group IAS 19 deficit at the half year was £1,051.4m (£794.9m at 1 April 2006). The IAS 19 liability at 30 September 2006 for the UK defined benefit scheme has been estimated using the revised demographic and actuarial assumptions contained in the preliminary actuarial valuation. The £256.5m increase in the Group's net post-retirement liability is driven largely by the application of these updated assumptions. However, this is an accounting valuation and subject to high volatility.

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.

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Investor & Analyst webcast:

There will be an investor and analyst presentation at 09.30 (BST) on Tuesday 7 November 2006: 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 Director* are be available on <http://w3.cantos.com/06/marksandspencer/thecompany> and on <http://www.cantos.com>. The interviews are also available in audio and transcript.

Consolidated income statement

	Notes	26 weeks ended		Year ended
		30 Sept 2006 £m	1 Oct 2005 £m	1 Apr 2006 £m
Revenue - continuing operations	2	3,929.4	3,541.5	7,797.7
Operating profit - continuing operations	3	448.8	365.3	850.1
Interest payable and similar charges		(59.3)	(71.8)	(134.9)
Interest receivable		17.0	12.2	30.5
Profit on ordinary activities before taxation - continuing operations		406.5	305.7	745.7
Analysed between:				
Before property disposals		405.1	306.5	751.4
Profit/(loss) on property disposals		1.4	(0.8)	(5.7)
Income tax expense	4	(126.0)	(95.3)	(225.1)
Profit on ordinary activities after taxation - continuing operations		280.5	210.4	520.6
Profit from discontinued operations	5	0.8	2.2	2.5
Profit for the period attributable to shareholders		281.3	212.6	523.1
Earnings per share	6A	16.7p	12.8p	31.4p
Diluted earnings per share	6B	16.5p	12.7p	31.1p
Earnings per share from continuing operations	6A	16.7p	12.7p	31.3p
Diluted earnings per share from continuing operations	6B	16.5p	12.6p	31.0p
Non-GAAP measure:				
Adjusted profit before tax (£m)	1	405.1	306.5	751.4
Adjusted earnings per share from continuing operations	6A	16.6p	12.7p	31.4p
Adjusted diluted earnings per share from continuing operations	6B	16.4p	12.6p	31.1p

Consolidated statement of recognised income and expense

	26 weeks ended		Year ended
	30 Sept 2006 £m	1 Oct 2005 £m	1 Apr 2006 £m
Profit for the period attributable to shareholders	281.3	212.6	523.1
Foreign currency translation differences	(13.0)	4.9	11.1
Actuarial losses on retirement benefit obligations	(244.4)	(142.0)	(169.3)
Tax on items taken directly to equity	86.9	49.2	80.7
Hedging reserve			
- fair value movement	7.6	(8.4)	(3.1)
- recycled and reported in net profit	-	0.6	(1.4)
- amount recognised in inventories	(4.8)	1.7	(3.8)
Net losses not recognised in the income statement	(167.7)	(94.0)	(85.8)
Total recognised income and expense for the period	113.6	118.6	437.3
Effect of changes in accounting policy:			
First time adoption of IAS 39 (net of tax)		(1.9)	(1.9)

Consolidated balance sheet

	As at 30 Sept 2006 £m	As at 1 Oct 2005 £m	As at 1 Apr 2006 £m
ASSETS			
Non-current assets			
Intangible assets	172.8	162.4	163.5
Property, plant and equipment	3,823.0	3,600.2	3,575.8
Investment property	38.4	38.5	38.5
Investments in joint venture	9.2	8.6	9.0
Other financial assets	3.0	3.4	3.3
Trade and other receivables	236.5	209.3	242.8
Derivative financial instruments	-	75.9	-
Deferred income tax assets	102.5	50.2	35.5
	4,385.4	4,148.5	4,068.4
Current assets			
Inventories	466.2	405.5	374.3
Other financial assets	48.3	51.2	48.8
Trade and other receivables	225.3	197.6	210.5
Derivative financial instruments	66.7	8.1	76.4
Cash and cash equivalents	218.9	321.1	362.6
Assets of discontinued operation	-	-	69.5
	1,025.4	983.5	1,142.1
Total assets	5,410.8	5,132.0	5,210.5
LIABILITIES			
Current liabilities			
Trade and other payables	953.3	837.8	867.8
Derivative financial instruments	6.3	7.3	8.0
Borrowings	915.1	504.4	1,052.8
Current tax liabilities	89.9	62.9	58.7
Provisions	7.0	14.5	9.2
Liabilities of discontinued operation	-	-	20.5
	1,971.6	1,426.9	2,017.0
Non-current liabilities			
Borrowings	1,159.5	1,954.8	1,133.8
Retirement benefit obligations	1,051.4	778.4	794.9
Other non-current liabilities	76.7	74.5	74.8
Derivative financial instruments	6.6	12.7	9.5
Provisions	17.7	20.1	19.1
Deferred income tax liabilities	6.1	4.7	6.1
	2,318.0	2,845.2	2,038.2
Total liabilities	4,289.6	4,272.1	4,055.2
Net assets	1,121.2	859.9	1,155.3
EQUITY			
Called up share capital - equity	421.7	415.7	420.6
Share premium account	173.7	117.9	162.3
Capital redemption reserve	2,168.5	2,108.1	2,113.8
Hedging reserve	(5.0)	(6.0)	(8.0)
Other reserves	(6,542.2)	(6,542.2)	(6,542.2)
Retained earnings	4,904.5	4,766.4	5,008.8
Total equity	1,121.2	859.9	1,155.3

Consolidated cash flow information

CASH FLOW STATEMENT

	Notes	26 weeks ended		Year ended
		30 Sept 2006	1 Oct 2005	1 Apr 2006
		£m	£m	£m
Cash flows from operating activities				
Cash generated from operations - continuing	9A	494.7	498.8	1,183.6
Cash generated from operations - discontinued	9B	0.7	7.5	13.9
Tax paid		(74.7)	(23.6)	(101.5)
Net cash inflow from operating activities		420.7	482.7	1,096.0
Cash flows from investing activities				
Disposal of subsidiary, net of cash disposed		48.5	-	-
Capital expenditure and financial investment	9C	(300.6)	(63.7)	(266.3)
Interest received		7.2	3.5	12.9
Net cash outflow from investing activities		(244.9)	(60.2)	(253.4)
Cash flows from financing activities				
Interest paid		(31.6)	(47.2)	(142.8)
Debt financing	9D	(145.5)	(152.5)	(420.0)
Equity dividends paid		(154.6)	(124.3)	(204.1)
Other equity financing	9E	(5.9)	12.5	55.8
Net cash outflow from financing activities		(337.6)	(311.5)	(711.1)
Net cash (outflow)/inflow from activities		(161.8)	111.0	131.5
Effects of exchange rate changes		(1.4)	1.2	1.6
Opening net cash		282.4	149.3	149.3
Closing net cash		119.2	261.5	282.4

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	26 weeks ended		Year ended
	30 Sept 2006	1 Oct 2005	1 Apr 2006
	£m	£m	£m
Opening net debt	(1,729.3)	(2,277.2)	(2,277.2)
Net cash (outflow)/inflow from activities	(161.8)	111.0	131.5
Cash inflow from decrease in current financial assets	(0.4)	(17.2)	(1.0)
Cash outflow from decrease in debt financing	145.5	152.5	420.0
Debt financing net of liquid resources disposed with subsidiary	(16.8)	-	-
Fair value movement on derivatives	19.4	3.9	(3.7)
Exchange and other movements	(2.2)	1.5	1.1
Movement in net debt	(16.3)	251.7	547.9
Closing net debt	(1,745.6)	(2,025.5)	(1,729.3)

1 General information and basis of preparation

The results for the first half of the financial year have not been audited and are prepared on the basis of the accounting policies set out in the Group's 2006 Annual Report and Financial Statements. The financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority.

The summary of results for the year ended 1 April 2006 does not constitute the full financial statements within the meaning of s240 of the Companies Act 1985. The full financial statements for that year have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under s237(2) or s237(3) of the Companies Act 1985.

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.

	26 weeks ended		Year ended
	30 Sept 2006	1 Oct 2005	1 Apr 2006
	£m	£m	£m
UK Retail	3,647.9	3,302.3	7,275.0
International Retail			
Owned stores ¹	169.8	148.0	324.2
Franchised stores	111.7	91.2	198.5
	281.5	239.2	522.7
Total revenue	3,929.4	3,541.5	7,797.7

¹Owned stores consists of the Marks & Spencer owned businesses in the Republic of Ireland and Hong Kong.

	26 weeks ended		Year ended
	30 Sept 2006	1 Oct 2005	1 Apr 2006
	£m	£m	£m
UK Retail			
General Merchandise	1,800.0	1,623.3	3,644.4
Food	1,847.9	1,679.0	3,630.6
	3,647.9	3,302.3	7,275.0
International Retail			
General Merchandise	196.2	169.3	366.0
Food	85.3	69.9	156.7
	281.5	239.2	522.7
Total revenue	3,929.4	3,541.5	7,797.7

3 Operating profit

	26 weeks ended		Year ended
	30 Sept 2006	1 Oct 2005	1 Apr 2006
	£m	£m	£m
UK Retail¹			
Before property disposals	407.4	335.9	790.1
Property disposals	1.4	(0.7)	(5.6)
	408.8	335.2	784.5
International Retail			
Owning stores	20.9	15.2	35.8
Franchised stores	19.1	15.0	29.9
Before property disposals	40.0	30.2	65.7
Property disposals	-	(0.1)	(0.1)
	40.0	30.1	65.6
Total operating profit	448.8	365.3	850.1

¹ UK Retail operating profit includes a contribution of £11.4m (last half year £2.4m) from M&S Money under the terms of our arrangement with HSBC.

4 Taxation

The taxation charge for the 26 weeks ended 30 September 2006 is based on an estimated effective tax rate of 31.0% (last full year 30.2%).

5 Discontinued operations

	26 weeks ended		Year ended
	30 Sept 2006	1 Oct 2005	1 Apr 2006
	£m	£m	£m
Revenue	13.0	109.3	228.2
Cost of sales	(8.2)	(69.0)	(144.7)
Gross profit	4.8	40.3	83.5
Net operating expenses	(4.5)	(37.9)	(80.5)
Net interest receivable	-	0.1	0.2
Profit before tax	0.3	2.5	3.2
Taxation on results	-	(0.3)	(0.7)
Profit after tax	0.3	2.2	2.5
Gain on disposal of subsidiary net assets	0.5	-	-
Taxation	-	-	-
Net gain on disposal	0.5	-	-
Profit from discontinued operations	0.8	2.2	2.5

On 31 March 2006, the Group announced the sale of Kings Super Markets Inc to a US investor group for \$61.5m excluding cash in the business at the date of disposal. The disposal of the business was completed on 28 April 2006.

6 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. 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 period.

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

	26 weeks ended		Year ended
	30 Sept 2006 £m	1 Oct 2005 £m	1 Apr 2006 £m
Earnings after tax and non-equity dividends	281.3	212.6	523.1
Profit from discontinued operations	(0.8)	(2.2)	(2.5)
Earnings after tax and non-equity dividends - continuing	280.5	210.4	520.6
Property disposals (net of taxation)	(1.4)	0.8	2.0
Adjusted earnings after tax and non-equity dividends - continuing	279.1	211.2	522.6
Weighted average number of ordinary shares in issue (millions)	1,684.2	1,660.5	1,667.0
Potentially dilutive share options under Group's share option schemes (millions)	22.6	11.6	14.5
	1,706.8	1,672.1	1,681.5
A Basic earnings per share			
Weighted average number of ordinary shares in issue (millions)	1,684.2	1,660.5	1,667.0
Basic earnings per share (pence)	16.7	12.8	31.4
Profit from discontinued operations per share (pence)	-	(0.1)	(0.1)
Basic earnings per share - continuing (pence)	16.7	12.7	31.3
Property disposals per share (pence)	(0.1)	-	0.1
Adjusted basic earnings per share - continuing (pence)	16.6	12.7	31.4
B Diluted earnings per share			
Weighted average number of ordinary shares in issue (millions)	1,706.8	1,672.1	1,681.5
Diluted earnings per share (pence)	16.5	12.7	31.1
Profit from discontinued operations per share (pence)	-	(0.1)	(0.1)
Diluted earnings per share - continuing (pence)	16.5	12.6	31.0
Property disposals per share (pence)	(0.1)	-	0.1
Diluted adjusted basic earnings per share - continuing (pence)	16.4	12.6	31.1

7 Dividends

	26 weeks ended		Year ended
	30 Sept 2006	1 Oct 2005	1 Apr 2006
	£m	£m	£m
Final dividend of 9.2p per share (last year 7.5p per share)	154.6	124.3	124.3
Interim dividend of 4.8p per share	-	-	79.8
	154.6	124.3	204.1

The Directors have approved an interim dividend of 6.3p per share (last half year 4.8p per share) which, in line with the requirements of IAS 10 - 'Events after the Balance Sheet Date', has not been recognised within these results. This results in an interim dividend of £106.3m (last half year £79.8m) which will be paid on 12 January 2007 to shareholders whose names are on the Register of Members at the close of business on 17 November 2006. The ordinary shares will be quoted ex dividend on 15 November 2006. Shareholders may choose to take this dividend in shares or in cash.

8 Statement of changes in shareholders' equity

	26 weeks ended		Year ended
	30 Sept 2006	1 Oct 2005	1 Apr 2006
	£m	£m	£m
Opening shareholders' equity	1,155.3	841.6	841.6
Profit for the period attributable to shareholders	281.3	212.6	523.1
Dividends	(154.6)	(124.3)	(204.1)
Purchase of shares held by employee trusts	(18.4)	-	(6.0)
Shares issued on exercise of share options	12.5	12.5	61.8
Actuarial losses on retirement benefit obligations	(244.4)	(142.0)	(169.3)
Foreign currency translation differences	(13.0)	4.9	11.1
Charge for share-based payments	12.8	11.5	24.7
Tax on items taken directly to equity	86.9	49.2	80.7
Profit/(loss) on cash flow hedges deferred in equity	2.8	(6.1)	(8.3)
Closing shareholders' equity	1,121.2	859.9	1,155.3

9 Cash flow analysis

	26 weeks ended		Year ended
	30 Sept 2006	1 Oct 2005	1 Apr 2006
	£m	£m	£m
A Cash flows from operating activities - continuing			
Profit on ordinary activities after taxation	280.5	210.4	520.6
Income tax expense	126.0	95.3	225.1
Interest payable and similar charges	59.3	71.8	134.9
Interest receivable	(17.0)	(12.2)	(30.5)
Operating profit	448.8	365.3	850.1
Increase in inventories	(92.4)	(65.3)	(42.2)
Decrease/(increase) in receivables	3.4	15.2	(4.1)
Payments to acquire leasehold properties	-	-	(38.0)
(Decrease)/increase in payables	(5.0)	58.1	128.0
Exceptional operating cash outflow	(0.5)	(11.5)	(14.6)
Depreciation and amortisation	129.0	124.7	274.0
Share-based payments	12.8	11.5	24.7
(Profit)/loss on property disposals	(1.4)	0.8	5.7
	494.7	498.8	1,183.6
B Cash flows from operating activities - discontinued			
Profit on ordinary activities after taxation	0.8	2.2	2.5
Profit on sale of business	(0.5)	-	-
Income tax expense	-	0.3	0.7
Net interest receivable	-	(0.1)	(0.2)
Operating profit	0.3	2.4	3.0
Decrease in working capital	0.1	1.6	3.5
Depreciation and amortisation	0.3	3.5	6.3
Loss on property disposals	-	-	1.1
	0.7	7.5	13.9
C Capital expenditure and financial investment			
Purchase of property, plant and equipment	(286.6)	(111.8)	(298.5)
Proceeds from sale of property, plant and equipment	1.5	37.5	45.1
Purchase of intangible fixed assets	(16.2)	(3.6)	(10.9)
Sale/(purchase) of non-current financial assets	0.3	(3.0)	(3.0)
Sale of current available for sale investments	0.4	17.2	1.0
	(300.6)	(63.7)	(266.3)
D Debt financing			
Cash outflow from borrowings	-	(144.6)	(144.6)
Repayment of syndicated bank facility	-	-	(200.0)
Redemption of securitised loan notes	(1.4)	(1.6)	(3.1)
Redemption of medium term notes	(92.2)	-	(58.3)
Increase/(decrease) in obligations under finance leases	2.8	(1.0)	(3.0)
Redemption of B shares	(54.7)	(5.3)	(11.0)
	(145.5)	(152.5)	(420.0)
E Other equity financing			
Shares issued under employee share schemes	12.5	12.5	61.8
Net purchase of own shares held in employee trusts	(18.4)	-	(6.0)
	(5.9)	12.5	55.8

Independent review report to Marks and Spencer Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2006 which comprises the consolidated interim balance sheet as at 30 September 2006 and the related consolidated interim statements of income, cash flows and consolidated statement of recognised income and expense for the six months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis of preparation set out in note 1.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

PricewaterhouseCoopers LLP
Chartered Accountants
London
6 November 2006

Notes:

- (a) The maintenance and integrity of the Marks and Spencer Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.