

Marks and Spencer Group plc
Half Year Results 2008/09
26 weeks ended 27 September 2008

Half Year Results:

- Sales +0.8% at £4.2bn: UK -1.1%; International +23.9%
- UK like-for-like sales -5.7%: General Merchandise -6.2%; Food -5.3%
- Operating profit¹ £372.4m (last year £488.0m)
- Adjusted profit before tax £297.8m¹ (last year £451.8m)
- Profit before tax £307.8m (last year £550.1m)
- Adjusted basic earnings per share 13.7p¹ (last year 19.1p)
- Basic earnings per share 14.2p (last year 23.2p)
- Dividend per share maintained at 8.3p per share (last year 8.3p)
- Net debt £3.1bn (29 March 2008 £3.1bn)

¹From continuing operations before property disposals and exceptional items

Key priorities:

- to retain our market leading position in General Merchandise
- to improve our performance in Food
- to drive our International business
- to optimise margins and tightly control costs
- to maintain a strong balance sheet
- to uphold high ethical standards

Sir Stuart Rose, Chairman, said:

“Market conditions and consumer confidence declined through the half, leading to reduced profits year on year, due to lower sales and investment in margin. We have managed our cost base tightly. The interim dividend is maintained at 8.3p.

“Our plan is to manage the business through the economic downturn by tightly controlling costs, capital expenditure, cash flow and stock. We have a strong balance sheet underpinned by significant property assets and a secure funding position. We also have a strong brand and believe we are well positioned to compete by improving our operational delivery and continuing to focus on quality, value and choice. We are confident we have the right plan to bring M&S through these difficult times.

“Trading throughout October has been volatile with recent events in the financial markets and their impact on the wider economy further weakening consumer sentiment. We remain cautious about the outlook for the remainder of the year. We will update on our third quarter sales on 7 January 2009.”

Business Review:

Over the last four and a half years M&S has focussed on its core values of quality, value, service, innovation and trust. We have substantially improved profitability, invested over £2 billion in the business, returned almost £4 billion to our shareholders through dividends and share buy-backs and have a clear plan for long term growth, both in the UK and overseas.

The economic environment has changed dramatically and we are now facing the most difficult retail conditions since the early 90's. We remain confident in our long term growth prospects: to drive our brand in the UK and improve the quality of our trading space; to grow M&S Direct; and to develop our International business. We must also respond to the current climate and changing needs of our customers. Accordingly, our priorities for the remainder of this year and next place a greater emphasis on managing our business through the current downturn and underpinning our strong financial position to ensure that we come out of it in the best possible shape.

Our key priorities are:

- to retain our market leading position in General Merchandise
- to improve our performance in Food
- to drive our International business
- to optimise margins and tightly control costs
- to maintain a strong balance sheet
- to uphold high ethical standards

Retain our market leading position in General Merchandise

In General Merchandise we aim to appeal to everyone, every time they shop with us, whatever their budget or needs. We will do this by:

- offering our wide customer base authoritative product ranges across womenswear, menswear, lingerie, childrenswear and home; by maintaining a strong core offering under the Marks & Spencer brand and the continued development of selected brands. Newness, fashionability, styling, excitement and quality are the key drivers;
- maintaining our broad, highly competitive pricing proposition with continued reinforcement of our stance at entry price points and further development of our offer at better and best;
- reinforcing our leading market positions for the over 45s;
- growing areas of low market share with particular focus on childrenswear, home, footwear and accessories;
- developing our multi-channel offer by growing our M&S Direct business;
- stretching our brands into new areas; and
- maintaining our brand reputation for outstanding quality and innovation.

In the first half of this year we have maintained our position as the leading clothing retailer by value and volume in the UK. Clothing market share held steady over the period at 10.9% (*TNS Fashiontrak: 52 weeks ended 14 September 2008*). We continue to manage our stock levels and commitments tightly.

Keen values have enabled us to grow in categories such as schoolwear, lingerie and home. We continue to drive our Autograph brand across womenswear, menswear, lingerie, childrenswear and home. The brand is performing well as the core part of our offer for best product.

We will strengthen our customer proposition for our 45+ customer in womenswear with the addition of a new brand, Portfolio, in Spring '09. Increasing the appeal and continuing to develop Limited Collection will enable us to grow our share of the under 35 customer and stimulate more cross-shopping by these customers across our main ranges. We will continue to drive other areas of low market share such as childrenswear where we have grown share from 4.5% to 5.1% and have improved our market ranking. *(TNS Fashiontrak: 52 weeks ended 14 September 2008).*

Improve our performance in Food

We remain the leading retailer of high quality, innovative food in the UK and believe this market remains relevant to customers who want outstanding quality, greater convenience and something special. We continue to see an opportunity to grow our market share over the longer term.

Market conditions and increased competition through aggressive pricing, along with some key operational issues, impacted on our performance during the half. While overall our Food business continued to grow, market share declined from 4.3% to 4.0% *(TNS Worldpanel Food & Drink: 52 weeks ended 5th October 2008)*. However, our food inflation has been running at less than three percent against a significantly higher market average.

We have a clear plan for improving our performance in Food. This plan is focused on four key areas:

- Values
- Promotions
- Quality and Innovation
- Availability

In the current market customers are increasingly concerned about value and we know that we have to respond accordingly. During the half, we realigned prices on around 530 products comprising over 10% of our total food catalogue. These products are mainly Key Value Indicators (KVIs) which customers buy across the market and where we have less obvious ability to differentiate. These products are being marketed as 'Wise Buys'. Quality has been maintained. This investment has made us more competitive and customers are starting to respond positively.

In addition to our price realignment, we recognise the need to give customers a real treat and are therefore focussing on fewer, larger, more targeted promotions which offer customers great value but in an innovative way in keeping with the M&S brand. Our 'Dine in for £10' and our 'weekend specials' are starting to drive footfall and encourage renewed interest from our more occasional customer.

Quality is integral to everything we stand for in Food. Whilst we have worked hard to improve our values, this has never been at the expense of quality.

Innovation also has always been at the heart of our business and we believe it is critical that we continue to differentiate ourselves from the competition in this area. Our product development strategy focuses on driving newness, product differentiation and the upgrading of key ranges, such as our recently relaunched Italian range.

We are working hard to improve availability across our Food store base. We have focused on improving availability of key lines in our Top 100 stores. Sell-through in these stores is starting to improve and waste reduced. Our significant investment in supply chain systems is an important enabler to drive better availability over time.

Drive International

We have made substantial progress in International over the last few years and it remains a key long term objective to drive this business to around 15-20% of group revenues. We made further progress in the first half, opening 25 new stores, bringing the total to 291, and increasing our space by 2.8% to 2.95 million square feet.

We will continue to build our International business by:

- Investing in key territories and key franchise partners
- Developing new markets
- Continuing to grow our franchise business

Towards the end of the last financial year, we acquired controlling interest in our franchise businesses in Greece and the Czech Republic. We are pleased with the progress we have made in both businesses. We have introduced a number of operational improvements both in stores and in the supply chain and have stepped up the pace of store development. We have recently added to our investments with the acquisition by our Czech business of our franchise partner in Poland.

We have made progress developing our brand in India and China. Our partnership with Reliance Retail in India is progressing positively with plans to open 10-15 stores, representing around 250,000 sq ft, within the next two years. This will be an important step towards achieving our goal of establishing M&S as a major retail brand in India. In China, we opened our first 38,000 sq ft store in Shanghai in October. While it is early days, initial signs are encouraging.

Our franchise business remains a key part of our international plan and we have again made good progress in this half. We added stores in the Middle East, Russia, Turkey, Cyprus, South Korea, Indonesia and the Philippines and have a good pipeline of openings for the second half and for 2009/10.

We are now developing our supply chain and systems to support the future growth of International and are working with our partners more closely in areas such as buying, catalogue management and pricing.

Optimise margin and tightly control costs

In the current environment it is more important than ever to manage our gross margin and cost base to ensure we have the financial flexibility to improve our values for our customers whilst maximising our profitability.

We will work with our supply base in both GM and Food to mitigate the impact of higher cost prices and adverse currency movements and we will continue to manage our stock levels and commitments tightly. In the first half of this year, our gross margin was 135bps lower with further buying gains in GM being more than offset by higher markdowns and promotions in GM and investment in pricing in Food. For the full year we are expecting gross margin to be down by around 100bps.

We are managing our cost base tightly and will continue to do so. In the first half of this year costs were up 5.1%. After taking account of new space, growth in volumes and inflation, this represented a reduction in underlying costs of £48m. We are expecting cost growth of between 4% and 5% for the full year.

We are currently developing plans for further action in 2009/10 and have set ourselves an initial target to at least mitigate the impact of inflation through underlying cost reductions.

Maintain a strong balance sheet

We have a strong balance sheet, backed by substantial property assets and supported by secure funding. This is a position we aim to maintain during the current downturn through management of cash flow.

Following significant investment in the business over the last three years, we have cut back capital expenditure to £700m this year and to £400m next year. Going forward, the focus of our investment will move from store modernisation, as c. 80% of our store base is now modernised, and expansion, to investment in supply chain and information technology which will drive improvements in costs and operating efficiencies over time.

As well as reducing capital expenditure, we will continue to look for opportunities to dispose of non-strategic assets, building on the cash received of £154m on the sale of assets over the last 18 months. We will also place a renewed focus on the management of our working capital with particular attention on stock.

These actions, together with our focus on margin and costs, are targeted to enable us to be broadly cash neutral after interest, tax and dividends in 2008/09. In the first half we achieved this objective with net debt level at £3.1bn.

Uphold high ethical standards: Plan A

We continue to make good progress with Plan A, our 100 point 'eco-plan'. Although the plan is less than two years old we have completed 20 commitments and made progress on a further 75. Plan A is now part of the way we do business and has challenged us to think of new ways of working. Progress made on energy saving, reducing waste and increasing efficiency means that 22 months in, Plan A is cost neutral. Our customers expect us to demonstrate leadership on ethical and environmental issues and we remain completely committed to delivering. In a recent survey commissioned by The Times we were rated top ethical retailer in the UK.

Current trading and outlook

Trading throughout October has been volatile with recent events in the financial markets and their impact on the wider economy further weakening consumer sentiment. We remain cautious about the outlook for the remainder of the year. We will update on our third quarter sales on 7 January 2009.

Financial Review

<u>Summary of Results:*</u>	<u>26 weeks ended</u>		<u>% inc</u>
	<u>27 Sept 08</u> £m	<u>29 Sept 07</u> £m	
Total revenue	4,219.6	4,184.3	+0.8
UK	3,822.9	3,864.0	-1.1
International	396.7	320.3	+23.9
Operating profit before property disposals and exceptional items	372.4	488.0	-23.7
UK	318.0	435.5	-27.0
International	54.4	52.5	+3.6
Profit before tax, property disposals and exceptional items	297.8	451.8	-34.1
Profit on property disposals	10.0	3.3	
Exceptional pension credit	-	95.0	
Profit before tax	307.8	550.1	-44.0
Adjusted EPS	13.7p	19.1p	-28.3
Dividend per share (declared)	8.3p	8.3p	-

* From continuing operations

Revenues

Total revenues were up 0.8% driven by new space in the UK and a strong performance in our International business.

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

<u>Total revenue</u>	<u>Q1%</u>	<u>Q2%</u>	<u>H1%</u>
Clothing	-3.6	-3.5	-3.5
Home	+5.1	+2.9	+4.0
General Merchandise	-2.7	-2.9	-2.8
Food	+1.6	-0.5	+0.5
Total	-0.5	-1.6	-1.1

<u>Like-for-like revenue</u>	<u>Q1%</u>	<u>Q2%</u>	<u>H1%</u>
General Merchandise	-6.2	-6.4	-6.2
Food	-4.5	-5.9	-5.3
Total	-5.3	-6.1	-5.7

UK revenues were down 1.1% in total with a like-for-like decline of 5.7%, reflecting the deterioration in market conditions and consumer spending. During the half, we added 6.1% of space (on a weighted average basis), representing 8.2% in Food and 5.1% in General Merchandise.

International revenues were up 23.9%. This performance reflects continued strong growth in our franchise business, in particular in the Middle East, Russia and Turkey, and the impact of the investments in Greece and the Czech Republic.

Operating profit

Operating profit before property disposals and exceptional items was £372.4m, down 23.7%.

In the UK, operating profit before property disposals and exceptional items was down 27.0% at £318.0m. Gross margin was 1.35 percentage points down on the year at 42.2%, reflecting our investment in margin in reaction to market conditions. General merchandise gross margin was down 0.65 percentage points at 53.3%, reflecting further improvement in primary margin offset by higher promotions and markdowns. Food gross margin was 1.70 percentage points lower than last year at 32.1% reflecting investment in price realignment and increased promotional activity, along with the planned growth in franchised Simply Food stores.

UK operating costs were up 3.8% to £1,309.3m. A breakdown of UK operating costs is shown below:

	<u>26 weeks ended</u>		% inc
	27 Sept 08 £m	29 Sept 07 £m	
Retail staffing	400.1	400.1	-
Retail occupancy	449.2	402.9	+11.5
Distribution	199.9	174.8	+14.4
Marketing and related	66.0	62.2	+6.1
Support	191.4	203.4	-5.9
Total before bonus	1,306.6	1,243.4	+5.1
Bonus	2.7	17.8	- 84.8
Total including bonus	1,309.3	1,261.2	+3.8

Retail staffing costs were held level with last year despite growth in space, reflecting improved productivity without a material impact in levels of customer service. The increase in retail occupancy costs reflects both space growth and the increased depreciation related to the modernisation programme. The increase in distribution costs reflects continued growth in both General Merchandise and Food volumes, as well as the impact of strong growth in M&S Direct and higher fuel prices. 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 down 6%.

The UK operating profit includes a contribution of £13.8m (last year £12.9m) from the Group's continuing economic interest in M&S Money.

International operating profit before property disposals was £54.4m, up 3.6%. Owned store operating profits were £18.7m, down 17.3% reflecting difficult trading in Ireland and Hong Kong and start up costs associated with the Shanghai opening in China. Franchise operating profits grew by 19.4% to £35.7m.

Profit on property disposals

Profit on property disposals was £10.0m (last year £3.3m). This includes the proceeds from the sale of our old stores in Edinburgh and Derby where we relocated to new premises.

Net finance costs

	26 weeks ended	
	27 Sept 08 £m	29 Sept 07 £m
Interest payable	(83.2)	(53.6)
Interest income	12.0	2.0
Net interest payable	(71.2)	(51.6)
Unwinding of discount on partnership liability to the Marks and Spencer UK Pension Scheme	(19.3)	(13.4)
Pension finance income (net)	15.9	28.8
Net finance costs	(74.6)	(36.2)

Net interest payable was up 38.0% at £71.2m reflecting an increase in the average net debt over the half. Net finance costs were up £38.4m after pension finance income of £15.9m (last year £28.8m), and 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 at 5.9%.

Taxation

The taxation charge is based on an estimated full year pre-exceptional effective tax rate of 28.0% (last year 27.3%.) This is consistent with the UK statutory taxation rate of 28%.

Earnings per share

Adjusted earnings per share from continuing operations, which excludes the effect of property disposals and exceptional items, decreased by 28.3% to 13.7p per share. The weighted average number of shares in issue during the period was 1,573.5m (last year 1,693.3m).

Dividends

The Board is recommending an interim dividend of 8.3p per share, level year on year.

Share buyback

Since 29 March 2008, we have bought-back 10.9m shares for cancellation, for a consideration of £40.9m. This now takes the total of shares bought back as part of the buyback programme announced in November 2007 to 136.6m representing 8.0% of the shares in issue in July 2007.

Capital expenditure

	<u>26 weeks ended</u>	
	27 Sept 08 £m	29 Sept 07 £m
Modernisation programme	144.2	294.3
New stores	68.1	85.0
International	26.4	19.1
Supply chain and technology	84.4	49.8
Maintenance	13.4	42.4
Total capital expenditure	336.5	490.6

Capital expenditure was £336.5m compared with £490.6m last half year. Since September 2007 we have added 5.8% of trading space, representing over 315,000 square feet.

During the half year, this included:

- The opening of a major flagship store in Colliers Wood, South London in May.
- Improving the quality of space in a number of major out of towns and city centre stores through store extensions.
- Adding 35 stores to our Simply Food portfolio, including 25 BP franchised stores.

Since the end of the half year we opened a flagship store in the new Westfield Centre at White City, West London.

Cash flow and net debt

	<u>26 weeks ended</u>	
	27 Sept 08 £m	29 Sept 07 £m
Cash flow from continuing operations	722.0	351.0
Capex and disposals	(353.0)	(559.2)
Interest and taxation	(107.1)	(92.5)
Dividends and share issues	(221.4)	(197.9)
Share buyback/purchase of own shares	(40.9)	(31.9)
Other movements	(4.8)	-
Net cash flow	(5.2)	(530.5)
Opening net debt	(3,077.7)	(1,949.5)
Exchange and other non-cash movements	(23.5)	(1.9)
Closing net debt	(3,106.4)	(2,481.9)

The Group reported a net cash outflow of £5.2m (last year - £530.5m). Cash inflow from continuing operations increased by £371.0m, reflecting a working capital inflow of £150.2m compared with an outflow of £295.0m last year. Capital expenditure, net of disposals, was £353.0m (last year - £559.2m) reflecting further investment in our modernisation programme as well as new space growth. We generated £62.4m during the year from disposal of properties and equipment.

Pensions

At 27 September 2008 the IAS 19 net retirement benefit surplus was £276.4m (29 March 2008 £483.5m). The change is due to a £249m decrease in the market value of the assets offset in part by an increase in the discount rate used to calculate the liability at the year end in accordance with the accounting standard. The half year discount rate, which was 6.95% (last year – 6.8%), reflects corporate bond rates at 27 September 2008 and has led to a small reduction in the IAS 19 calculation of the pension liability for accounting purposes at 27 September 2008.

The partnership liability to the Marks and Spencer UK Pension scheme of £692.6m (29 March 2008 £723.2m) relates to the amortising liability in respect of the obligations to the Marks & Spencer UK Pension Scheme. The decrease in the liability is due to the first annual payment of £50m, offset by accrued interest.

Guidance:

- The planned opening of new footage in the UK will add around c. 5.5% to total space in 2008/09, representing a c. 4.5% increase in General Merchandise and c. 6.5% increase in Food, on a weighted average basis. Total square footage at 27 September 2008 was 14.6m square feet.
- UK gross margin is expected to reduce by around 100 bps.
- UK operating costs are expected to increase by c. 4 - 5%.
- Capital expenditure is expected to be around £700m in 2008/9 and around £400m in 2009/10.
- The planned opening of new footage in our International business will add around 20% to total space. Total square footage at 27 September 2008 was 2.95 million square feet.
- Pension finance income, based on the 29 March 2008 accounting of the pension fund, is expected to be £33m (2007/08: £59m).
- 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 (GMT) on 4 November 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 (GMT) on Tuesday 4 November 2008:

Dial in number: +44 (0) 207 190 1530

A recording of this call will be available until Tuesday 11 November 2008:

Dial in number: +44 (0) 207 190 5901 Access Code: 141131#

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.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group's long-term performance remain those detailed on pages 44 - 45 and 82 - 83 of the Group's 2008 Annual Report and Financial Statements, a copy of which is available on the Group's website www.marksandspencer.com. The Chairman's Business Review in these Half Year Results includes a commentary of the primary uncertainties affecting the Group for the remaining six months of the year.

Statement of Directors' responsibilities

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Half Year Results herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors of Marks and Spencer Group plc are listed in the Group's 2008 Annual Report and Financial Statements, with the exception of Steve Esom who resigned from the Board on 1 July 2008 and Jan du Plessis who was appointed as a non-executive director with effect from 1 November 2008. A list of current Directors is maintained on the Group's website: www.marksandspencer.com.

Consolidated income statement

	Notes	26 weeks ended		Year ended
		27 Sept 2008 £m	29 Sept 2007 £m	29 March 2008 £m
Revenue	2	4,219.6	4,184.3	9,022.0
Operating profit	3	382.4	586.3	1,211.3
Finance income	4	27.9	30.8	64.4
Finance costs	4	(102.5)	(67.0)	(146.6)
Profit on ordinary activities before taxation		307.8	550.1	1,129.1
Analysed between:				
Before property disposals and exceptional items		297.8	451.8	1,007.1
Profit on property disposals		10.0	3.3	27.0
Exceptional pension credit	3,8	-	95.0	95.0
Income tax expense	5	(86.1)	(156.8)	(308.1)
Profit on ordinary activities after taxation		221.7	393.3	821.0
Profit for the period		221.7	393.3	821.0
Attributable to:				
Equity shareholders of the Company		223.2	393.2	821.7
Minority interests		(1.5)	0.1	(0.7)
		221.7	393.3	821.0
Basic earnings per share	6A	14.2p	23.2p	49.2p
Diluted earnings per share	6B	14.2p	23.0p	48.7p
Non-GAAP measure:				
Adjusted profit before taxation (£m)	1	297.8	451.8	1,007.1
Adjusted basic earnings per share	6A	13.7p	19.1p	43.6p
Adjusted diluted earnings per share	6B	13.7p	18.9p	43.2p

All results are from continuing operations.

Consolidated statement of recognised income and expense

	26 weeks ended		Year ended
	27 Sept 2008 £m	29 Sept 2007 £m	29 March 2008 £m
Profit for the period	221.7	393.3	821.0
Foreign currency translation differences	(1.3)	6.8	21.3
Actuarial (loss)/gain on retirement benefit schemes	(233.2)	288.5	605.4
Cash flow and net investment hedges			
- losses deferred in equity	(65.3)	(15.7)	(33.5)
- recycled and reported in net profit	41.6	6.0	1.3
- amount recognised in inventories	3.9	3.2	2.4
Tax on items taken directly to equity	69.6	(93.6)	(185.7)
Net (losses)/gains not recognised in the income statement	(184.7)	195.2	411.2
Total recognised income and expense for the period	37.0	588.5	1,232.2
Attributable to:			
Equity shareholders of the Company	38.5	588.4	1,232.9
Minority interests	(1.5)	0.1	(0.7)
	37.0	588.5	1,232.2

The notes on pages 17 to 23 form an integral part of this condensed interim financial information.

Consolidated balance sheet

	Notes	As at 27 Sept 2008 £m	As at 29 Sept 2007 £m	As at 29 March 2008 £m
ASSETS				
Non-current assets				
Intangible assets		343.0	198.5	305.5
Property, plant and equipment		4,771.5	4,372.9	4,704.0
Investment property		24.9	25.1	25.0
Investment in joint venture		14.0	9.4	9.6
Other financial assets		3.4	3.0	3.0
Retirement benefit asset	8	297.0	149.0	504.0
Trade and other receivables		358.4	277.8	410.0
Derivative financial instruments		51.0	-	18.2
		5,863.2	5,035.7	5,979.3
Current assets				
Inventories		588.5	517.1	488.9
Other financial assets		47.6	47.7	48.8
Trade and other receivables		320.1	309.1	307.6
Derivative financial instruments		38.3	5.2	18.4
Cash and cash equivalents		353.2	207.3	318.0
		1,347.7	1,086.4	1,181.7
Total assets		7,210.9	6,122.1	7,161.0
LIABILITIES				
Current liabilities				
Trade and other payables		1,107.2	887.5	976.6
Derivative financial instruments		26.5	13.2	35.1
Borrowings and other financial liabilities		934.2	1,018.0	878.6
Partnership liability to the Marks & Spencer UK Pension Scheme		71.9	-	50.0
Current tax liabilities		93.2	96.1	37.5
Provisions		10.9	5.8	11.1
		2,243.9	2,020.6	1,988.9
Non-current liabilities				
Borrowings and other financial liabilities		2,005.7	1,271.0	1,936.5
Partnership liability to the Marks & Spencer UK Pension Scheme		620.7	510.3	673.2
Retirement benefit deficit	8	20.6	21.6	20.5
Trade and other payables		202.0	96.3	191.2
Derivative financial instruments		0.2	1.3	-
Provisions		11.3	14.5	14.6
Deferred tax liabilities		312.4	163.0	372.1
		3,172.9	2,078.0	3,208.1
Total liabilities		5,416.8	4,098.6	5,197.0
Net assets		1,794.1	2,023.5	1,964.0
EQUITY				
Called-up share capital - equity		394.2	425.4	396.6
Share premium account		233.9	208.0	231.4
Capital redemption reserve		2,202.6	2,168.5	2,199.9
Hedging reserve		15.5	(10.7)	(36.9)
Other reserve		(6,542.2)	(6,542.2)	(6,542.2)
Retained earnings		5,480.1	5,773.1	5,707.9
Total shareholders' equity	9	1,784.1	2,022.1	1,956.7
Minority interests in equity		10.0	1.4	7.3
Total equity		1,794.1	2,023.5	1,964.0

The notes on pages 17 to 23 form an integral part of this condensed interim financial information.

Consolidated cash flow information

CASH FLOW STATEMENT

	Notes	26 weeks ended		Year ended
		27 Sept 2008	29 Sept 2007	29 March 2008
		£m	£m	£m
Cash flows from operating activities				
Cash generated from operations	11A	722.0	351.0	1,236.0
Tax paid		(20.8)	(77.0)	(166.2)
Net cash inflow from operating activities		701.2	274.0	1,069.8
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired		-	-	(46.4)
Capital expenditure and financial investment	11B	(356.6)	(556.0)	(924.6)
Interest received		10.0	1.2	4.8
Net cash outflow from investing activities		(346.6)	(554.8)	(966.2)
Cash flows from financing activities				
Interest paid		(96.3)	(16.7)	(88.9)
Other debt financing	11C	66.0	534.1	954.5
Equity dividends paid		(224.1)	(203.5)	(343.6)
Other equity financing	11D	(38.2)	(26.3)	(556.2)
Net cash (outflow)/inflow from financing activities		(292.6)	287.6	(34.2)
Net cash inflow from activities		62.0	6.8	69.4
Effects of exchange rate changes		1.0	0.2	1.5
Opening net cash		117.9	47.0	47.0
Closing net cash		180.9	54.0	117.9

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	26 weeks ended		Year ended
	27 Sept 2008	29 Sept 2007	29 March 2008 Restated
	£m	£m	£m
Opening net debt	(3,077.7)	(1,949.5)	(1,949.5)
Net cash inflow from activities	62.0	6.8	69.4
Decrease in current financial assets	(1.2)	(3.2)	(2.8)
Increase in debt financing	(66.0)	(534.1)	(954.5)
Debt financing net of liquid resources acquired with subsidiaries	-	-	(29.6)
Partnership liability to the Marks & Spencer UK Pension Scheme (non-cash)	-	-	(199.0)
Exchange and other non-cash movements	(23.5)	(1.9)	(11.7)
Movement in net debt	(28.7)	(532.4)	(1,128.2)
Closing net debt	(3,106.4)	(2,481.9)	(3,077.7)

The notes on pages 17 to 23 form an integral part of this condensed interim financial information.

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 2008 Annual Report and Financial Statements, other than set out below. The financial information has been prepared in accordance with the Disclosure and Transparency rules of the Financial Services Authority and with International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' as endorsed by the European Union. These consolidated financial statements for the period do not constitute statutory financial statements within the meaning of s240 of the Companies Act 1985.

Following a review of the definition of net debt, a non-GAAP measure, the Directors believe that it is appropriate to include the fair value of derivatives which are directly related to debt instruments within net debt. The comparative net debt figure has been restated to reflect this change - see note 12.

IFRIC 13 'Customer Loyalty Programmes' was issued in June 2007 and has been adopted by the Group from 30 March 2008. The implementation has had no impact on the results or net assets of the Group, as the Group's accounting policy previously complied with this requirement.

The summary of results for the year ended 29 March 2008 is an extract from the published Annual Report and Financial Statements which 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. The adjustments made to reported profit before tax are to exclude the following:

- exceptional income and charges - these are largely one-off in nature and therefore create significant volatility in reported earnings; and
- profits and losses on the disposal of properties - these can vary significantly from year to year, again creating volatility in reported earnings.

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
	27 Sept 2008	29 Sept 2007	29 March 2008
	£m	£m	£m
UK Retail	3,822.9	3,864.0	8,309.1
International Retail			
Owned stores ¹	271.6	190.2	426.7
Franchised stores	125.1	130.1	286.2
	396.7	320.3	712.9
Total revenue	4,219.6	4,184.3	9,022.0

¹Owned stores consists of the Marks & Spencer owned businesses in the Republic of Ireland, Hong Kong, Taiwan, and since 29 February 2008, Greece, a number of other 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.

	26 weeks ended		Year ended
	27 Sept 2008	29 Sept 2007	29 March 2008
	£m	£m	£m
UK Retail			
General Merchandise	1,818.2	1,867.9	4,059.3
Food	2,004.7	1,996.1	4,249.8
	3,822.9	3,864.0	8,309.1
International Retail			
General Merchandise	276.6	228.4	491.7
Food	120.1	91.9	221.2
	396.7	320.3	712.9
Total revenue	4,219.6	4,184.3	9,022.0

Sales of General Merchandise and Food are subject to seasonality due to higher demand during the Christmas period which falls in the second half of the financial year.

3 Operating profit

	26 weeks ended		Year ended
	27 Sept 2008	29 Sept 2007	29 March 2008
	£m	£m	£m
UK Retail¹			
Before property disposals and exceptional items	318.0	435.5	972.9
Profit on property disposals	10.0	3.3	28.0
Exceptional pension credit ²	-	95.0	95.0
	328.0	533.8	1,095.9
International Retail			
Owned stores	18.7	22.6	44.5
Franchised stores	35.7	29.9	71.9
Before property disposals	54.4	52.5	116.4
Loss on property disposals	-	-	(1.0)
	54.4	52.5	115.4
Total operating profit	382.4	586.3	1,211.3

¹ UK Retail operating profit includes a contribution of £13.8m (last half year £12.9m) from M&S Money under the terms of our arrangement with HSBC.

² The exceptional pension credit arose 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 chose 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)

	26 weeks ended		Year ended
	27 Sept 2008	29 Sept 2007	29 March 2008
	£m	£m	£m
Finance income			
Bank and other interest receivable	12.0	2.0	5.5
Pension finance income (net)	15.9	28.8	58.9
Finance income	27.9	30.8	64.4
Finance costs			
Interest payable on bank borrowings, facilities and medium term notes	(77.4)	(51.8)	(115.6)
Amortisation of issue costs of bank loans	(0.9)	(0.5)	(0.3)
Interest payable on finance leases	(2.5)	(1.3)	(3.4)
Unwinding of discount on put option for acquisition of minority interest	(2.4)	-	-
Unwinding of discount on partnership liability to the Marks & Spencer UK Pension Scheme	(19.3)	(13.4)	(27.3)
Finance costs	(102.5)	(67.0)	(146.6)
Net finance costs	(74.6)	(36.2)	(82.2)

5 Taxation

The taxation charge for the 26 weeks ended 27 September 2008 is based on an estimated full year effective tax rate of 28.0% (last full year 27.3%).

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
	27 Sept 2008	29 Sept 2007	29 March 2008
	£m	£m	£m
Earnings after tax	223.2	393.2	821.7
Property disposals (net of tax)	(8.2)	(3.3)	(27.0)
Exceptional pension credit (net of tax)	-	(66.5)	(66.5)
Adjusted earnings after tax	215.0	323.4	728.2
	million	million	million
Weighted average number of ordinary shares in issue	1,573.5	1,693.3	1,671.3
Potentially dilutive share options under Group's share option schemes	1.4	19.4	16.0
Weighted average number of diluted ordinary shares	1,574.9	1,712.7	1,687.3

A Basic earnings per share

	pence	pence	pence
Basic earnings per share	14.2	23.2	49.2
Property disposals per share	(0.5)	(0.2)	(1.6)
Exceptional pension credit per share	-	(3.9)	(4.0)
Adjusted basic earnings per share	13.7	19.1	43.6

B Diluted earnings per share

	pence	pence	pence
Diluted earnings per share	14.2	23.0	48.7
Property disposals per share	(0.5)	(0.2)	(1.6)
Exceptional pension credit per share	-	(3.9)	(3.9)
Adjusted diluted earnings per share	13.7	18.9	43.2

7 Dividends

	26 weeks ended		Year ended
	27 Sept 2008	29 Sept 2007	29 March 2008
	£m	£m	£m
Final dividend of 14.2p per share (last year 12.0p per share)	224.1	203.5	203.5
Prior period interim dividend of 8.3p per share	-	-	140.1
	224.1	203.5	343.6

The Directors have approved an interim dividend of 8.3p per share (last half year 8.3p 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 £130.9m (last half year £140.1m) which will be paid on 9 January 2009 to shareholders whose names are on the Register of Members at the close of business on 14 November 2008. The ordinary shares will be quoted ex dividend on 12 November 2008. Shareholders may choose to take this dividend in shares or in cash.

8 Retirement benefits

	26 weeks ended		Year ended
	27 Sept 2008	29 Sept 2007	29 March 2008
	£m	£m	£m
Opening net retirement benefit asset/(deficit)	483.5	(283.3)	(283.3)
Current service cost	(37.1)	(55.1)	(106.1)
Exceptional pension credit (note 3)	-	95.0	95.0
Curtailment gain	4.0	-	3.0
Interest cost	(149.6)	(140.7)	(283.8)
Expected return on assets	165.5	169.5	342.7
Employer contributions	43.3	53.5	111.1
Actuarial (loss)/gain	(233.2)	288.5	605.4
Acquisition of subsidiary	-	-	(0.4)
Exchange movement	-	-	(0.1)
Closing net retirement benefit asset	276.4	127.4	483.5
Analysed on the balance sheet as:			
Retirement benefit asset	297.0	149.0	504.0
Retirement benefit deficit	(20.6)	(21.6)	(20.5)
Closing net retirement benefit asset	276.4	127.4	483.5
Total market value of assets	4,796.8	5,285.6	5,045.5
Present value of scheme liabilities	(4,500.6)	(5,135.1)	(4,542.3)
Funded pension plan asset	296.2	150.5	503.2
Unfunded pension plans	(1.1)	(1.0)	(1.3)
Post-retirement healthcare	(18.7)	(22.1)	(18.4)
Net retirement benefit asset	276.4	127.4	483.5

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 6.95% (last full year 6.8%) and 3.6% (last full year 3.5%) 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.£100m.

9 Statement of changes in shareholders' equity

	26 weeks ended		Year ended
	27 Sept 2008	29 Sept 2007	29 March 2008
	£m	£m	£m
Opening shareholders' equity as previously reported	1,956.7	1,646.8	1,646.8
Profit for the period attributable to shareholders	223.2	393.2	821.7
Dividends	(224.1)	(203.5)	(343.6)
Foreign currency translation differences	(1.3)	6.8	21.3
Shares issued on exercise of employee share options	2.7	5.6	31.6
Shares purchased in buy back	(40.9)	-	(555.9)
Purchase of shares held by employee trusts	-	(31.9)	(31.9)
Put option for acquisition of minority interest	-	-	(52.2)
Actuarial (loss)/gain on retirement benefit scheme	(233.2)	288.5	605.4
Deferred tax on retirement benefit scheme	65.3	(86.5)	(172.4)
Charge for share-based payments	11.6	16.7	29.0
Deferred tax on share schemes	(1.0)	(7.3)	(10.6)
Cash flow and net investment hedges	19.8	(6.5)	(29.8)
Tax on fair value gains	5.3	0.2	(2.7)
Closing shareholders' equity	1,784.1	2,022.1	1,956.7

10 Capital commitments and contingencies

A Capital commitments

	26 weeks ended		Year ended
	27 Sept 2008	29 Sept 2007	29 March 2008
	£m	£m	£m
Commitments in respect of properties in the course of construction	72.5	341.1	182.8

B Other material contracts

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.

11 Cash flow analysis

	26 weeks ended		Year ended
	27 Sept 2008	29 Sept 2007	29 March 2008
	£m	£m	£m
A Cash flows from operating activities			
Profit on ordinary activities after taxation	221.7	393.3	821.0
Income tax expense	86.1	156.8	308.1
Interest payable and similar charges	102.5	67.0	146.6
Interest receivable	(27.9)	(30.8)	(64.4)
Operating profit	382.4	586.3	1,211.3
Increase in inventories	(99.6)	(100.8)	(54.4)
Decrease/(increase) in receivables	16.5	(110.6)	(33.5)
Payments to acquire leasehold properties	-	(37.9)	(47.6)
Increase/(decrease) in payables	220.7	(62.4)	(61.9)
Exceptional operating cash outflow	1.0	-	(2.5)
Depreciation and amortisation	199.4	158.0	317.6
Share-based payments	11.6	16.7	29.0
Profit on property disposals	(10.0)	(3.3)	(27.0)
Exceptional pension credit	-	(95.0)	(95.0)
	722.0	351.0	1,236.0
B Capital expenditure and financial investment			
Purchase of property, plant and equipment	(375.5)	(552.9)	(958.4)
Proceeds from sale of property, plant and equipment	62.4	7.0	91.6
Purchase of intangible fixed assets	(39.9)	(13.3)	(60.6)
(Purchase)/sale of financial assets	(3.6)	3.2	2.8
	(356.6)	(556.0)	(924.6)
C Debt financing			
Cash (outflow)/inflow from borrowings	(25.8)	46.4	8.7
Drawdown of syndicated bank facility	106.9	488.8	317.6
Issue of medium term notes	-	-	631.7
Decrease in liability to the Marks & Spencer UK Pension Scheme	(15.1)	-	-
Decrease in obligations under finance leases	-	(1.1)	(3.5)
	66.0	534.1	954.5
D Other equity financing			
Shares issued under employee share schemes	2.7	5.6	31.6
Shares purchased in buy back	(40.9)	-	(555.9)
Purchase of own shares held in employee trusts	-	(31.9)	(31.9)
	(38.2)	(26.3)	(556.2)

12 Reconciliation of net debt to balance sheet

	26 weeks ended		Year ended
	27 Sept 2008	29 Sept 2007	29 March 2008 Restated
	£m	£m	£m
Balance sheet and related notes			
Cash and cash equivalents	353.2	207.3	318.0
Current financial assets	47.6	47.7	48.8
Bank loans and overdrafts	(203.9)	(226.4)	(257.4)
Syndicated bank facility	(722.3)	(787.9)	(615.0)
Medium term notes - net of US\$ hedging derivatives	(1,864.7)	(1,212.9)	(1,842.0)
Finance lease liabilities	(102.0)	(61.8)	(83.5)
Partnership liability to the Marks & Spencer UK Pension Scheme	(692.6)	(510.3)	(723.2)
	(3,184.7)	(2,544.3)	(3,154.3)
Interest payable included within related borrowings	78.3	62.4	76.6
Total net debt	(3,106.4)	(2,481.9)	(3,077.7)

Medium term notes have been restated for this note to include the derivatives relating to them.

13 Related party transactions

Supplier transactions occurred during the period between the Group and a company controlled by a close family member of Kate Bostock, a director of the Group. These transactions amounted to £2.7m during the period (last half year £2.8m) with an outstanding trade payable of £0.2m at 27 September 2008 (last half year £0.6m). The company was a supplier prior to Kate's employment by the Group.

Independent review report to Marks and Spencer Group Plc

Introduction

We been engaged by the company to review the condensed set of financial statements in the half year financial information for the 26 weeks ended 27 September 2008, which comprises the Consolidated income statement, the Consolidated balance sheet, the Consolidated statement of recognised income and expense, the Consolidated cash flow information and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half year financial information is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year financial information in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of half year financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year financial information for the 26 weeks ended 27 September 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

Chartered Accountants
London
3 November 2008