

**MARKS AND SPENCER**  
**RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**FINANCIAL STATEMENTS**

**For the year ended 31 December 2009**

**Company Registration Number: 2278807**



**MARKS AND SPENCER**  
**RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**FINANCIAL STATEMENTS**

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**Report of the Directors for the Year Ended 31 December 2009**

The directors present their report and the audited financial statements for the year ended 31 December 2009

**Results and Dividends**

The Company's results for the year under review are as detailed in the statement of comprehensive income shown in these accounts

Dividends totalling £118 million were paid during 2009 (2008 £20 million) £45m was in relation to dividends declared for the year ending 31 December 2008 and a further £73m of interim dividends were paid relating to 2009

The directors declared a further dividend of £22 million payable on 31 March 2010 in respect of the year ended 31 December 2009 (2008: £45 million) which has not been included within creditors having been approved post the end of the financial year under review

**Directors**

The Directors who served during the year were as follows

Name	Appointed	Resigned
B A Cook		1 January 2009
M J J R Golby	28 September 2009	
C M Kersley	29 January 2009	
A J Ripley		28 September 2009
P W Scott	28 September 2009	
P M Spencer		7 September 2009

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006 and the UK Companies Act 2006 Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors

**Business Review**

The Company is the holding company for the Marks and Spencer Money activities of the HSBC Group

**Disclosure of information to auditors**

Each person who is a director at the date of approval of this report confirms that so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 418 of the UK Companies Act 2006 and should be interpreted in accordance therewith.

# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

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## Auditors

It is the intention of the Directors to reappoint KPMG Audit plc as the Company's auditor for the forthcoming financial year.

## Statement of Directors' Responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditor's statement of their responsibilities, is made with a view to distinguishing for the shareholder the respective responsibilities of the directors and of the auditor in relation to the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



**R Musgrove**  
Secretary

4 March 2010

Kings Meadow  
Chester  
Cheshire  
United Kingdom  
CH99 9FB

# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

## **Independent Auditors' report to the Members of Marks and Spencer Retail Financial Services Holdings Limited**

We have audited the financial statements of Marks and Spencer Retail Financial Services Holdings Limited for the year ended 31 December 2009 set out on pages 4 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the Financial Statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on Financial Statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matters prescribed by the Companies Act 2006**

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

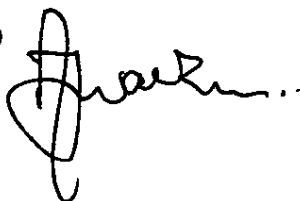
### **Matters on which we are required to report by exception**

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

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

**Andrew Walker (Senior Statutory Auditor)**  
for and on behalf of **KPMG Audit Plc**

Chartered Accountants  
St James' Square  
Manchester  
M2 6DS  
Registered Auditor



4 March 2010

# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

## Statement of Comprehensive Income For the Year Ended 31 December 2009

	Notes	2009 £000	2008 £000
Income from investment activities	6	158,000	20,000
<b>Total operating income</b>		158,000	20,000
Provision for diminution in value of Marks and Spencer Life Assurance Limited		(40,000)	-
<b>Total operating expenses</b>		(40,000)	-
<b>Profit before tax</b>		118,000	20,000
Tax expense	7	-	-
<b>Profit for the period</b>		118,000	20,000
Attributable to equity shareholders of the Company		118,000	20,000

All operations are continuing

There were no recognised income or expenses other than those shown in the statement of comprehensive income

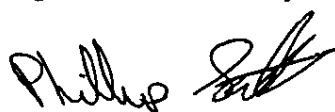
The notes on pages 8 to 14 are an integral part of these accounts

# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

## Statement of Financial Position For the Year Ended 31 December 2009

	Notes	As at 31 Dec 2009 £000	As at 31 Dec 2008 £000
<b>ASSETS</b>			
Financial investments	9	78,600	118,600
Other assets	10	10,002	-
<b>Total assets</b>		<b>88,602</b>	<b>118,600</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Other liabilities	11	-	29,998
<b>Total liabilities</b>		<b>-</b>	<b>29,998</b>
<b>Equity</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Called-up share capital	12	67,000	67,000
Retained earnings		21,602	21,602
<b>Total equity</b>		<b>88,602</b>	<b>88,602</b>
<b>Total equity and liabilities</b>		<b>88,602</b>	<b>118,600</b>

The financial statements on pages 4 to 14 were approved by the Board of Directors on 4 March 2010 and signed on its behalf by:



**Phillip Scott**  
**Director**

The notes on pages 8 to 14 are an integral part of these accounts.

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**

**Statement of Cash Flows**

**For the Year Ended 31 December 2009**

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	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	118,000	20,000
	<hr/>	<hr/>
Net cash from operating activities	118,000	20,000
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Dividends paid	(118,000)	(20,000)
	<hr/>	<hr/>
Net cash used in financing activities	(118,000)	(20,000)
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents at the beginning of the period	-	-
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	-	-
	<hr/>	<hr/>

# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

## Statement of Changes in Equity For the Year Ended 31 December 2009

	Share Capital £000	Retained earnings £000	Other reserves £000	Total equity £000
<b>Balance at 1 January 2009</b>	67,000	21,602	-	88,602
Profit or loss	-	118,000	-	118,000
Total comprehensive income for the period	-	118,000	-	118,000
Dividends to equity holders	-	(118,000)	-	(118,000)
Total contributions by and distributions to owners	-	(118,000)	-	(118,000)
<b>Balance at 31 December 2009</b>	67,000	21,602	-	88,602

	Share Capital £000	Retained earnings £000	Other reserves £000	Total equity £000
<b>Balance at 1 January 2008</b>	67,000	21,602	-	88,602
Profit or loss	-	20,000	-	20,000
Total comprehensive income for the period	-	20,000	-	20,000
Dividends to equity holders	-	(20,000)	-	(20,000)
Total contributions by and distributions to owners	-	(20,000)	-	(20,000)
<b>Balance at 31 December 2008</b>	67,000	21,602	-	88,602

# **MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**

## **Notes to the Financial Statements For the Year Ended 31 December 2009**

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### **1 Summary of significant accounting policies**

#### **Basis of preparation**

The Company has prepared its financial statements in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU and effective for the Company's reporting for the year ended 31 December 2009. IFRSs comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

These financial statements comply with all current IFRSs. Current IFRSs include certain amendments that have yet to be endorsed by the EU, but are expected to be endorsed.

In the opinion of management, all normal adjustments considered necessary for a fair presentation of the Company's net income, financial position and cash flows for the year ended 31 December 2009 have been made.

The accounting policies below were in force during the prior period and remain unchanged unless otherwise stated.

#### **New Accounting Standards**

The directors have adopted IAS 1 Presentation of Financial Statements (2007), IAS 23 Borrowing Costs (Revised), amendments to IFRS 7 Improving Disclosures about Financial Instruments and IFRS 8 Operating Segments.

IAS 1 Presentation of Financial Statements (2007) replaces the current IAS 1 Presentation of Financial Statements and is effective from 1 January 2009. In summary, IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. This standard has impacted the presentation of the financial statements, however, it has not changed the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs.

IAS 23 Borrowing Costs (Revised) relates to interest costs on assets that take a substantial time to get ready for intended use or sale. This standard is effective from 1 January 2009. The option to recognise all borrowing costs immediately as an expense is eliminated, such costs must be capitalised. All other borrowing costs should be expensed as incurred. This had no impact on these financial statements in 2009.

Amendment to IFRS 7 Financial Instruments Disclosures. The amendments to this standard were endorsed on 1 December 2009 and are effective from 1 January 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. This has had no impact on these financial statements in 2009.

# **MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**

## **Notes to the Financial Statements**

**For the Year Ended 31 December 2009**

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### **1 Summary of significant accounting policies (continued)**

IFRS 8 Operating Segments was issued on 30 November 2006 and replaces IAS 14 Segment Reporting. In summary, this standard requires entities to report segmental information on the same basis it is reported internally to the Chief Operating Decision Maker which for Marks and Spencer Retail Financial Services Holdings Limited is the CEO, Colin Kersley

#### **Standards applicable but not yet effective**

The directors have not adopted IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) which although endorsed by the EU are not currently mandatory

#### **Financial investments**

There is no quoted market price and fair value cannot be reliably measured for the fixed asset investments held by the Company. Therefore fixed asset investments are stated at cost less any provision for permanent diminution in value

#### **Segment reporting**

The Company does not operate in more than one geographical segment, or in more than one class of business. For this reason, there is no additional disclosure required under IFRS 8 Operating Segments

### **2 Consolidated financial statements**

The Company has taken advantage of the exemption available under Section 400 of the Companies Act 2006 from preparing consolidated financial statements as it is a wholly owned subsidiary of an undertaking incorporated in the European Union and the ultimate parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards

The Company has therefore prepared separate financial statements. Investments in subsidiaries are shown in Note 9 on page 11, and the accounting policy is shown in Note 1 above. Note 14 on page 13 provides the address where the consolidated financial statements are available.

### **3 Staff costs**

The Company does not have any direct employees. The directors and staff are all employees of other group undertakings

### **4 Directors' emoluments**

No directors of the Company received emoluments in respect of their services as directors of the Company (2008: nil). No retirement benefits are accruing for any of the directors under either defined benefit or defined contribution schemes in respect of their services to the Company. Three directors (2008: 4) are entitled to receive and have received shares in the ultimate parent undertaking under a long-term incentive scheme.

No directors have exercised options during the year (2008: 2)

# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

## Notes to the Financial Statements For the Year Ended 31 December 2009

### 5 Audit and non-audit fees

Fees payable to auditors in relation to the Company were nil (2008 nil). Fees payable to auditors in relation to the Company's subsidiary undertakings were audit fees of £148,000 (2008: £148,000), and services relating to regulatory reviews of £9,000 (2008: £10,000).

All audit and non-audit fees have been paid by subsidiary undertakings and have been separately disclosed in their accounts.

### 6 Income from investment activities

Income from investment activities is recognised where the company becomes legally entitled to that income.

### 7 Taxation on profit on ordinary activities

	2009 £000	2008 £000
<b>Current tax</b>		
Tax expense	-	-

The tax on the Company's profit before tax differs from the standard rate of corporation tax in the UK (28%). The differences are explained below.

	2009 £000	2008 £000
Profit before tax	118,000	20,000
Tax calculated at a tax rate of 28% (31 December 2008 28.5%)	33,040	5,700
UK dividends not subject to corporation tax	(33,040)	(5,700)
Tax expense	-	-

# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

## Notes to the Financial Statements

For the Year Ended 31 December 2009

### 8 Dividend

	2009 £000	2008 £000
Ordinary shares		
Final of £1.761 per share (2008 £0 299)	118,000	20,000

### 9 Financial investments

	As at 31 Dec 2009 £000	As at 31 Dec 2008 £000
Investment in subsidiaries	78,600	118,600

All subsidiary companies are wholly owned and registered in England and Wales

Marks and Spencer Financial Services Plc provides credit and associated services

Marks and Spencer Unit Trust Management Limited trades as a unit trust manager

Marks and Spencer Savings and Investments Limited operates as a share plan manager for Marks and Spencer shareholders

Marks and Spencer Life Assurance Limited trades as an authorised Life Assurance Company

	2009 £000	2008 £000
Opening balance	118,600	118,600
Provision for diminution in value of Marks and Spencer Life Assurance Limited	(40,000)	-
Closing balance	78,600	118,600

The provision for diminution in value represents the reduction in value of the asset following payment of £70m dividend in year ended 31 December 2009

# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

## Notes to the Financial Statements

For the Year Ended 31 December 2009

### 10 Other assets

	As at 31 Dec 2009 £000	As at 31 Dec 2008 £000
Amounts due from subsidiaries	10,002	-
	<u>10,002</u>	<u>-</u>

Amounts due from subsidiary undertakings are unsecured, interest free and have no fixed date of repayment.

### 11 Other liabilities

	As at 31 Dec 2009 £000	As at 31 Dec 2008 £000
Amounts owed to subsidiaries	-	29,998
	<u>-</u>	<u>29,998</u>

Amounts owed to subsidiary undertakings are unsecured, interest free and have no fixed date of repayment

### 12 Called-up share capital

	As at 31 Dec 2009 £000	As at 31 Dec 2008 £000
<b>Authorised:</b>		
80,000,000 ordinary shares of £1 each	80,000	80,000
	<u>80,000</u>	<u>80,000</u>
<b>Issued, allotted, called up and fully paid:</b>		
67,000,000 ordinary shares of £1 each	67,000	67,000
	<u>67,000</u>	<u>67,000</u>

# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

## Notes to the Financial Statements

For the Year Ended 31 December 2009

### 13 Related party transactions

Marks and Spencer Retail Financial Services Holdings Ltd is the immediate parent undertaking of Marks and Spencer Financial Services Plc, Marks and Spencer Life Assurance Ltd, Marks and Spencer Savings and Investments Ltd and Marks and Spencer Unit Trust Management Ltd. The transactions that took place within the year and their values are shown below.

	2009 £000	2008 £000
<b>Marks and Spencer Financial Services Plc</b>		
Dividend received	80,000	15,000
<b>Marks and Spencer Unit Trust Management Ltd</b>		
Dividend received	8,000	5,000
<b>Marks and Spencer Life Assurance Ltd</b>		
Dividend received	70,000	-

The amounts payable at the end of the period were as follows

	As at 31 Dec 2009 £000	As at 31 Dec 2008 £000
<b>Marks and Spencer Financial Services Plc</b>	-	(29,998)

The amounts receivable at the end of the period were as follows.

	As at 31 Dec 2009 £000	As at 31 Dec 2008 £000
<b>Marks and Spencer Financial Services Plc</b>	10,002	-

### 14 Ultimate holding company

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings Plc which is the parent undertaking of the largest group to consolidate these financial statements. HSBC Bank Plc is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is HSBC Bank Plc. All companies are registered in England and Wales.

Copies of HSBC Holdings Plc and HSBC Bank Plc consolidated financial statements can be obtained from the Company Secretary at 8 Canada Square, London, E14 5HQ.

# **MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**

## **Notes to the Financial Statements**

**For the Year Ended 31 December 2009**

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### **15 Events after the statement of financial position date**

Subsequent to the year end, subsidiary companies declared dividend payments totalling £22 million (2008 £45 million), payable to Marks and Spencer Retail Financial Services Holdings Limited. On the same day, the Board declared the payment of a dividend of £22 million (2008 £45 million)