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**Principal activities**

The Entity is the holding entity for the M&S Bank activities of the HSBC Group.

**Review of the Entity's business**

The Entity remains the holding entity for M&S Bank activities of the HSBC Group. There have been no changes to the principal activities of the Entity.

**Performance**

The Entity's results for the year under review are as detailed in the income statement shown in these financial statements. Dividends totalling £4 million were received from subsidiary undertakings during 2015 (2014: £4 million). Dividends totalling £4 million were paid to the immediate parent undertaking during 2015 (2014: £4 million).

**Principal risks and uncertainties**

The principal risks and uncertainties facing the Entity are changes to legislation resulting from ongoing reviews into certain industry issues, along with cyber risk and IT resilience. These risks are monitored on an ongoing basis by the Board.

Signed on behalf of the Board



P W Scott  
Director

17 March 2016

Kings Meadow  
Chester Business Park  
Chester  
United Kingdom  
CH99 9FB

## Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
S Fox		
P W Scott		
K Woollard	16 Feb 2015	08 Dec 2015

The Articles of Association of the Entity provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Entity 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 Companies Act 2006.

Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors.

## Dividends

Dividends of £4 million have been paid during the year ended 31 December 2015 (2014: £4 million).

## Significant events since the end of the financial year

No important events affecting the Entity have occurred since the end of the financial year.

## Future developments

No change in the Entity's activities is expected.

## Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

## Capital Management

The Entity defines capital as total shareholders' equity. It is Marks and Spencer Retail Financial Services Holdings Limited's objective to maintain a strong capital base to support the development of its business. There were no changes to the Entity's approach to capital management during the year.

## Disclosure of information to the auditor

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 Entity'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 Entity's auditors are aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

## Auditor

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

**Statement of Directors' responsibilities**

The following statement, which should be read in conjunction with the Auditors' statement of their responsibilities set out in their report on the next page, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing, in accordance with applicable law and regulations, a Strategic Report, a Directors' Report and financial statements for each financial year.

The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and have elected to prepare the Entity's financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Entity and of the profit or loss of the Entity for that period.

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; and
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The Directors have responsibility for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Entity and enable them to ensure that its financial statements comply with the Companies Act 2006.

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

By order of the Board



S Siddiqui

Secretary

17 March 2016

Kings Meadow  
Chester Business Park  
Chester  
United Kingdom  
CH99 9FB

## Report on the financial statements

### Our opinion

In our opinion, Marks and Spencer Retail Financial Services Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2015;
- the Income statement for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### Opinion on other matter prescribed by the Companies Act 2006

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

### Other matters on which we are required to report by exception

#### *Adequacy of accounting records and information and explanations received*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

#### *Directors' remuneration*

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit

#### *Our responsibilities and those of the directors*

As explained more fully in the Statement of the Directors' responsibilities, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

*H Varley*

Heather Varley (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
17 March 2016

# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

## Financial Statements

### Income statement for the year ended 31 December 2015

	<i>Notes</i>	<b>2015 £'000</b>	<b>2014 £'000</b>
Income from investment activities	6	4,000	4,000
<b>Total operating income</b>		<b>4,000</b>	<b>4,000</b>
<b>Total operating expenses</b>		<b>-</b>	<b>-</b>
<b>Profit before tax</b>		<b>4,000</b>	<b>4,000</b>
Tax	5	-	-
<b>Profit for the period</b>		<b>4,000</b>	<b>4,000</b>
<b>Total comprehensive income for the year</b>		<b>4,000</b>	<b>4,000</b>

All operations are continuing. There has been no other material comprehensive income or expenses in 2015 (2014: nil).

The notes on pages 10 to 14 are an integral part of these accounts.



# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

## Financial Statements

### Statement of financial position as at 31 December 2015

	Notes	2015 £'000	2014 £'000
<b>ASSETS</b>			
Financial investments	7	38,100	38,100
Other assets	8	35,364	35,364
Total assets		73,464	73,464
<b>LIABILITIES AND EQUITY</b>			
Total liabilities		-	-
<b>Equity</b>			
Called up share capital	9	67,000	67,000
Retained earnings		6,464	6,464
Total equity		73,464	73,464
Total equity and liabilities		73,464	73,464

The notes on pages 10 to 14 form an integral part of these financial statements.

The financial statements on pages 6 to 14 were approved by the Board of Directors on 17 March 2016 and signed on its behalf by:



P W Scott  
Director

Company Registered Number: 2278807

## MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

### Financial Statements

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#### Statement of cash flows for the year ended 31 December 2015

	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>		
Profit before tax	4,000	4,000
Net cash generated from operating activities	4,000	4,000
<b>Cash flows from financing activities</b>		
Dividends paid	(4,000)	(4,000)
Net cash generated from financing activities	(4,000)	(4,000)
<b>Net increase in cash and cash equivalents</b>	-	-
Cash and cash equivalents brought forward	-	-
<b>Cash and cash equivalents carried forward</b>	-	-

The notes on pages 10 to 14 form an integral part of these financial statements.

# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

## Financial Statements

### Statement of changes in equity for the year ended 31 December 2015

	Called up Share Capital	Retained earnings	Total equity
	£'000	£'000	£'000
<b>2015</b>			
<b>At 1 January 2015</b>	<b>67,000</b>	<b>6,464</b>	<b>73,464</b>
Profit for the year	-	4,000	4,000
Total comprehensive income for the year	-	4,000	4,000
Dividends to equity holders	-	(4,000)	(4,000)
Total contributions by and distributions to owners	-	(4,000)	(4,000)
<b>At 31 December 2015</b>	<b>67,000</b>	<b>6,464</b>	<b>73,464</b>

	Called up Share Capital	Retained earnings	Total equity
	£'000	£'000	£'000
<b>2014</b>			
<b>At 1 January 2014</b>	<b>67,000</b>	<b>6,464</b>	<b>73,464</b>
Profit for the year	-	4,000	4,000
Total comprehensive income for the year	-	4,000	4,000
Dividends to equity holders	-	(4,000)	(4,000)
Total contributions by and distributions to owners	-	(4,000)	(4,000)
<b>At 31 December 2014</b>	<b>67,000</b>	<b>6,464</b>	<b>73,464</b>

The notes on pages 10 to 14 form an integral part of these financial statements.

**1 Basis of preparation**

**(a) Compliance with International Financial Reporting Standards**

International Financial Reporting Standards ('IFRSs') comprise accounting standards issued or adopted by the International Accounting Standards Board ('IASB') and interpretations issued or adopted by the IFRS Interpretations Committee ('IFRS IC').

The financial statements of the Entity have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU. EU-endorsed IFRSs could differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs were not to be endorsed by the EU.

At 31 December 2015, there were no unendorsed standards effective for the year ended 31 December 2015 affecting these financial statements and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Entity. Accordingly, the Entity's financial statements for the year ended 31 December 2015 are prepared in accordance with IFRSs as issued by the IASB.

*Standards adopted during the year ended 31 December 2015*

There were no new standards applied during the year ended 31 December 2015.

**(b) Future accounting developments**

In addition to completing its projects on revenue recognition and financial instrument accounting, discussed below, the IASB is working on projects on insurance and lease accounting which could represent significant changes to accounting requirements in the future.

*Standards and amendments issued by the IASB but not endorsed by the EU*

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers'. The original effective date of IFRS 15 has been delayed by one year and the standard is now effective for annual periods beginning on or after 1 January 2018 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The group has assessed the impact of IFRS 15 and it expects that the standard will have no significant effect, when applied, on the consolidated financial statements of the group and the separate statements of HSBC Bank plc.

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Entity is currently assessing the impact of IFRS 16 and it is not practicable to quantify the effect as at the date of the publication of these financial statements.

**(c) Presentation of information**

Capital disclosures under IAS 1 'Presentation of Financial Statements' ('IAS 1') are included in the audited sections of 'Report of the Directors: Capital' on page 2.

The financial statements present information about the Entity as an individual undertaking and not about its group.

The functional currency of the Entity is Sterling.

**Notes on the Financial Statements**

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**(d) Consolidated financial statements**

The Entity has taken advantage of the exemption in 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 Entity has therefore prepared separate financial statements. Investments in subsidiaries are shown in Note 7, and the accounting policy is shown in Note 1 above. Note 11 provides the address where the consolidated financial statements are available.

**2 Summary of significant accounting policies**

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**(a) Segment reporting**

The Entity 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.

**(b) Post employment benefit plans**

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

**(c) Financial investments**

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

**(d) Income from investment activities**

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

**3 Remuneration of Directors**

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None of the Directors of the Entity received any emoluments in respect of their services as Directors of the Entity (2014: 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 Entity (2014: nil) and 2 Directors (2014: 4) are entitled to receive, and have received, shares in the ultimate parent undertaking under a long-term incentive scheme.

2 Directors exercised options during the year (2014: 1).

## MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

### Notes on the Financial Statements

#### 4 Auditors' remuneration

Fees payable to auditors in relation to the Entity were nil (2014: nil). Fees payable to auditors in relation to the Entity's subsidiary undertakings were audit fees of £148,000 (2014: £148,000), and services relating to regulatory reviews of £66,000 (2014: £17,000).

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

#### 5 Tax

The following table provides a reconciliation between the tax expense which would apply if all profits had been taxed at the UK Corporation Tax rate and the actual tax expense:

	2015 £'000	2014 £'000
Profit before tax	4,000	4,000
Tax at 20.25% (2014: 21.50%)	810	860
Non taxable income and gains	(810)	(860)
Total tax charged to the statement of comprehensive income	-	-

#### 6 Dividends

The aggregate amount of dividends comprises:

	2015 £'000	2014 £'000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	-	-
Interim dividends paid in respect of the current year	4,000	4,000
Ordinary shares Final and interim of £0.060 per share (2014: £0.060)	4,000	4,000

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is nil (2014: £nil).

# MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

## Notes on the Financial Statements

### 7 Financial investments

	2015 £'000	2014 £'000
Investment in subsidiaries	38,100	38,100
	<hr/>	<hr/>

All subsidiary entities are wholly owned and registered in England and Wales. Ownership in all subsidiaries is 100% of ordinary share capital.

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.

### 8 Other assets

	2015 £'000	2014 £'000
Amounts due from fellow subsidiaries	35,364	35,364
	<hr/>	<hr/>
	35,364	35,364
	<hr/>	<hr/>

Amounts due from fellow subsidiary undertakings are unsecured and repayable on demand.

### 9 Share capital

	2015 £'000	2014 £'000
Alloted, called up and fully paid:		
67,000,000 ordinary shares of £1 each	67,000	67,000
	<hr/>	<hr/>
	67,000	67,000
	<hr/>	<hr/>

## MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

### Notes on the Financial Statements

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#### 10 Related party transactions

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

	2015 £'000	2014 £'000
Marks and Spencer Financial Services Plc Dividends received	-	-
Marks and Spencer Unit Trust Management Limited Dividends received	4,000	4,000

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

	2015 £'000	2014 £'000
Marks and Spencer Financial Services Plc	35,364	35,364

#### 11 Parent undertakings

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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:

8 Canada Square  
London  
E14 5HQ  
[www.hsbc.com](http://www.hsbc.com)