

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

Registered No: 2278807

**Financial Statements for the year ended 31 December 2014**

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**HSBC** 

**Financial Statements for the year ended 31 December 2014**

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**Contents**

Strategic Report .....	1
Directors' Report .....	2
Statement of Directors' Responsibilities .....	4
Independent auditor's report .....	5
Income Statement .....	6
Statement of Financial Position .....	7
Statement of Cash Flows .....	8
Statement of Changes in Equity .....	9
Notes on the Financial Statements .....	10-14

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

## **Strategic Report for the year ended 31 December 2014**

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### **Principal activities**

The Company is the holding company for the M&S Bank activities of the HSBC Group.

### **Review of the Company's business**

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

### **Performance**

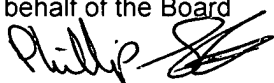
The Company's results for the year under review are as detailed in the income statement shown in these financial statements. Dividends totalling £4 million were received from subsidiary undertakings during 2014 (2013: £21 million). Dividends totalling £4 million were paid to the immediate parent undertaking during 2014 (2013: £21 million).

### **Principal risks and uncertainties**

The principal risks and uncertainties facing the Company are changes to legislation resulting from ongoing reviews into certain industry issues. These risks are monitored on an ongoing basis by the Board.

Signed on behalf of the Board

P W Scott  
Director



17 March 2015

Kings Meadow  
Chester Business Park  
Chester  
United Kingdom  
CH99 9FB

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Directors' Report for the year ended 31 December 2014**

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**Directors**

The Directors who served during the year were as follows:

<b>Name</b>	<b>Appointed</b>	<b>Resigned</b>
S Fox	22 May 2014	
P W Scott		
C M Kersley		22 May 2014
C P Prentice		11 Dec 2014

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 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 2014 (2013: £21 million).

**Significant events since the end of the financial year**

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

**Future developments**

No change in the Company's activities is expected.

**Going concern basis**

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company 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 Company 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 Company'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 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 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**

Pursuant to Section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore KPMG Audit Plc will continue in office for the financial period 1 January 2014 to 31 December 2014.

Following a tender process for the audit of HSBC Holdings plc and its subsidiaries that took place in 2013, it was recommended that PricewaterhouseCoopers LLP be appointed as auditors for the HSBC Group entities effective for periods ending on or after 1 January 2015.

As a result KPMG Audit Plc will not be seeking reappointment as the Company's auditor for the financial year commencing 1 January 2015 and PricewaterhouseCoopers LLP will seek appointment instead.

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Directors' Report for the year ended 31 December 2014**

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**Statement of Directors' responsibilities**

The following statement, which should be read in conjunction with the Auditor's 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 Company'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 Company and of the profit or loss of the Company 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 Company 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 Company and to prevent and detect fraud and other irregularities.

By order of the Board



S Siddiqui

Secretary

17 March 2015

Kings Meadow  
Chester Business Park  
Chester  
United Kingdom  
CH99 9FB

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Independent Auditor's Report to the Members of Marks and Spencer Retail Financial Services Holdings Limited**

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We have audited the financial statements of Marks and Spencer Retail Financial Services Holdings Limited for the year ended 31 December 2014 set out on pages 6 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 Auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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). Those standards require us to comply with the Auditing Practices Board'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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**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 2014 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.

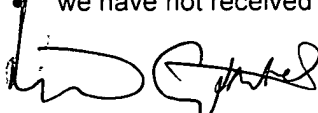
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and 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 we require for our audit.



Richard Gabbert (Senior Statutory Auditor)  
For and on behalf of KPMG Audit Plc, Statutory Auditor  
*Chartered Accountants*  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
17 March 2015

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

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**Income statement for the year ended 31 December 2014**

	<i>Notes</i>	<b>2014 £'000</b>	<b>2013 £'000</b>
Income from investment activities	6	<b>4,000</b>	21,000
<b>Total operating income</b>		<b>4,000</b>	21,000
<b>Total operating expenses</b>		-	-
<b>Profit before tax</b>		<b>4,000</b>	21,000
Tax	5	-	-
<b>Profit for the period</b>		<b>4,000</b>	21,000
<b>Total comprehensive income for the year</b>		<b>4,000</b>	21,000

All operations are continuing. There has been no other material comprehensive income or expenses in 2014 (2013: 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 2014**

	Notes	As at 31 Dec 2014 £'000	As at 31 Dec 2013 £'000
<b>ASSETS</b>			
Financial investments	7	38,100	38,100
Other assets	8	35,364	35,364
		<hr/>	<hr/>
Total assets		73,464	73,464
		<hr/>	<hr/>
<b>LIABILITIES AND EQUITY</b>			
		<hr/>	<hr/>
Total liabilities		-	-
		<hr/>	<hr/>
<b>Equity</b>			
Called up share capital	9	67,000	67,000
Retained earnings		6,464	6,464
		<hr/>	<hr/>
Total equity		73,464	73,464
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>73,464</b>	<b>73,464</b>
		<hr/>	<hr/>

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 2015 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 2014**

	<b>2014</b> <b>£'000</b>	<b>2013</b> <b>£'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	<b>4,000</b>	21,000
Net cash generated from operating activities	<b>4,000</b>	21,000
<b>Cash flows from financing activities</b>		
Dividends paid	<b>(4,000)</b>	(21,000)
Net cash generated from financing activities	<b>(4,000)</b>	(21,000)
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	-
Cash and cash equivalents brought forward	-	-
<b>Cash and cash equivalents carried forward</b>	<b>-</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**

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**Statement of changes in equity for the year ended 31 December 2014**

	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>

	Called up Share Capital	Retained earnings	Total equity
	£'000	£'000	£'000
<b>2013</b>			
<b>At 1 January 2013</b>	<b>67,000</b>	<b>6,464</b>	<b>73,464</b>
Profit for the year	-	21,000	21,000
Total comprehensive income for the year	-	21,000	21,000
Dividends to equity holders	-	(21,000)	(21,000)
Total contributions by and distributions to owners	-	(21,000)	(21,000)
<b>At 31 December 2013</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') as well as interpretations issued or adopted by the IFRS Interpretations Committee ('IFRS IC').

The financial statements of the Company 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 2014, there were no unendorsed standards effective for the year ended 31 December 2014 affecting these consolidated and separate 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 Company. Accordingly, the Company's financial statements for the year ended 31 December 2014 are prepared in accordance with IFRSs as issued by the IASB.

*Standards adopted during the year ended 31 December 2014*

On 1 January 2014, the Company adopted 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)', which clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments were applied retrospectively and did not have a material effect on the Company's financial statements.

**(b) Future accounting developments**

In addition to the projects to complete 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 standard is effective for annual periods beginning on or after 1 January 2017 with early adoption 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.

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.

The Company is currently assessing the impact of this standard but 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') have been included in the audited sections of the 'Report of the Directors: Capital Management' on page 2.

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

The functional currency of the Company is Sterling.

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

### **Notes on the Financial Statements**

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#### **(d) 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 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 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.

#### **(b) Post employment benefit plans**

The Company 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 Company. 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 Company becomes legally entitled to that income.

## **3 Remuneration of Directors**

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None of the Directors of the Company received any emoluments in respect of their services as Directors of the Company (2013: 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 (2013: nil) and 4 Directors (2013: 4) are entitled to receive, and have received, shares in the ultimate parent undertaking under a long-term incentive scheme.

One Director exercised options during the year (2013: 3).

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Notes on the Financial Statements**

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**4 Auditor's remuneration**

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Fees payable to auditors in relation to the Company were nil (2012: nil). Fees payable to auditors in relation to the Company's subsidiary undertakings were audit fees of £148,000 (2013: £148,000), and services relating to regulatory reviews of £17,000 (2012: £12,000).

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

**5 Tax**

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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:

	<b>2014</b> <b>£'000</b>	2013 £'000
Profit before tax	<b>4,000</b>	21,000
Tax at 21.50% (2013: 23.25%)	<b>860</b>	4,883
Non taxable income and gains	<b>(860)</b>	(4,883)
	<hr/>	<hr/>
Total tax charged to the statement of comprehensive income	-	-
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**6 Dividends**

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The aggregate amount of dividends comprises:

	<b>2014</b> <b>£'000</b>	2013 £'000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	-	19,000
Interim dividends paid in respect of the current year	<b>4,000</b>	2,000
Ordinary shares	<hr/>	<hr/>
Final and interim of £0.060 per share (2013: £0.313)	<b>4,000</b>	21,000
	<hr/>	<hr/>

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is nil (2013: £nil).

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Notes on the Financial Statements**

**7 Financial investments**

	As at 31 Dec 2014 £'000	As at 31 Dec 2013 £'000
Investment in subsidiaries	38,100	38,100
	<u>38,100</u>	<u>38,100</u>

All subsidiary companies 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**

	2014 £'000	2013 £'000
Amounts due from fellow subsidiaries	35,364	35,364
	<u>35,364</u>	<u>35,364</u>

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

**9 Share capital**

	As at 31 Dec 2014 £'000	As at 31 Dec 2013 £'000
Allotted, called up and fully paid: 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 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.

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Marks and Spencer Financial Services Plc		
Dividends received	-	17,000
Marks and Spencer Unit Trust Management Limited		
Dividends received	<b>4,000</b>	<b>4,000</b>

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

	<b>As at 31 Dec</b>	<b>As at 31 Dec</b>
	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Marks and Spencer Financial Services Plc	<b>35,364</b>	<b>35,364</b>

**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 Marks and Spencer Retail Financial Services Holdings Limited. 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)