

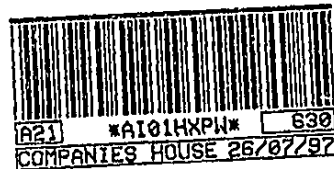
03 - 08 - 97

MARKS AND SPENCER RETAIL  
FINANCIAL SERVICES  
HOLDINGS LIMITED

FINANCIAL STATEMENTS

31 MARCH 1997

COMPANY REGISTRATION NUMBER 2278807



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

**INDEX**

1-2	Report of the Directors
3	Directors' Responsibilities
4	Report of the Auditors
5	Profit and Loss Account
6	Balance Sheet
7-10	Notes to the Financial Statements

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

1

**REPORT OF THE DIRECTORS**

**ACTIVITIES**

The Company is the holding company for the financial services retailing activities of Marks and Spencer, carried out by the following subsidiaries:-

Marks and Spencer Financial Services Limited - 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 - trades as a corporate personal equity plan manager

Marks and Spencer Life Assurance Limited - trades as an authorised life assurance company.

**RESULTS AND DIVIDENDS**

**The Year Ended 31 March 1997**

The Company made a loss after tax of £1,000. The directors do not recommend the payment of a dividend.

The Company aims to continue as the holding company for the financial services retailing activities.

**DIRECTORS**

The directors of the Company during the period under review were as follows:

J K Oates (Chairman)

R W C Colvill

P G McCracken

P L Salsbury

D M Towell

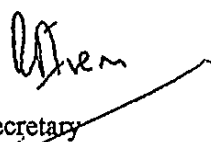
All of the directors served throughout the year.

MARKS AND SPENCER  
RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

2

With the exception of Mr D M Towell, the directors holding office at 31 March 1997 are also directors of Marks and Spencer plc and as such are not required to disclose in these financial statements their interests in the shares of companies in the Marks and Spencer Group. The interests of Mr D M Towell are disclosed in note 11 on page 10.

By order of the Board

  
Secretary

14 JULY 1997

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

3

**DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS**

---

The directors are obliged under company law to prepare financial statements for each financial year and to present them annually to the Company's members in Annual General Meeting.

The financial statements, of which the form and content is prescribed by the Companies Act 1985, must give a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit for that period, and they must comply with the applicable accounting standards.

The directors are also responsible for the adoption of suitable policies, their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements. They are also responsible for preparing the financial statements on the going concern basis.

The directors confirm that the above requirements have been complied with in the financial statements.

In addition, the directors are responsible for maintaining adequate accounting records and sufficient internal controls to safeguard the assets of the Company and to prevent and detect fraud or any other irregularities.

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

4

**REPORT OF THE AUDITORS**

**TO THE MEMBERS OF MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**

We have audited the financial statements on pages 5 to 10.

**Respective responsibilities of directors and auditors**

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 March 1997 and of its loss for the year ended and have been properly prepared in accordance with the Companies Act 1985.

*Cooper & Lybrand*

Chartered Accountants and Registered Auditors

London

14 JULY 1997

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

5

**PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 1997

	Notes	Continuing Operations 1997 £000	Continuing Operations 1996 £000
Other income		-	2
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		-	2
Taxation on profit on ordinary activities	6	1	-
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(1)	2
Dividends	7	-	30,000
<b>RETAINED PROFIT BOUGHT FORWARD</b>		9,103	39,101
<b>RETAINED PROFIT CARRIED FORWARD</b>		9,102	9,103

The company has no recognised gains or losses other than the loss for the year.

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

6

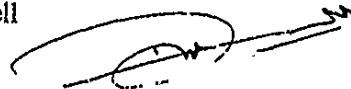
**BALANCE SHEET**

At 31 March 1997

	Notes	1997 £000	1996 £000
<b>Fixed assets</b>			
Investments in subsidiaries	8	76,100	76,100
<b>Current assets</b>			
Cash at bank and in hand		2	3
<b>Total assets</b>		<u>76,102</u>	<u>76,103</u>
<b>Capital and reserves</b>			
Called up share capital	9	67,000	67,000
Profit and loss account		<u>9,102</u>	<u>9,103</u>
<b>Total shareholders' funds</b>	10	<u>76,102</u>	<u>76,103</u>

The financial statements on pages 5 to 10 were approved by the board of directors on and signed on its behalf by:

D M Towell  
Director



14 JULY 1997

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

7

**NOTES TO THE FINANCIAL STATEMENTS**

- 1 **Accounting policies** The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. The principle accounting policies, which have been applied consistently, are described below.

**Basis of accounting**

The financial statements are drawn up on the historical cost basis of accounting.

- 2 **Cash flow statement** The Company is a wholly owned subsidiary of an EU company which publishes consolidated financial statements that include a consolidated cash flow statement and therefore is not required to produce a cash flow statement itself.

- 3 **Segmental reporting** The Company does not operate in more than one geographical segment, or in more than one class of business.

- 4 **Consolidated financial statements** Consolidated financial statements are not prepared as the Company is a wholly owned subsidiary of another company incorporated in Great Britain.

- 5 **Directors' emoluments** None of the directors of the Company received any emoluments in respect of their services as directors of the Company (1996 - NIL)

		1997 £000	1996 £000
6	<b>Taxation</b>		
	The taxation charge comprises:		
	Adjustment in respect of prior years	1	-
		1997 £000	1996 £000
7	<b>Dividends</b>		
	Interim paid £0.81 per share	-	30,000

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

8

**NOTES TO THE FINANCIAL STATEMENTS**

8 Investments in subsidiaries	1997 £000	1996 £000
Marks and Spencer Financial Services Limited	35,000	35,000
Marks and Spencer Unit Trust Management Limited	3,000	3,000
Marks and Spencer Savings and Investments Limited	100	100
Marks and Spencer Life Assurance Limited	38,000	38,000
	<u>76,100</u>	<u>76,100</u>

Marks and Spencer Financial Services Limited is a wholly owned subsidiary incorporated in Great Britain. The Company provides credit and associated services.

Marks and Spencer Unit Trust Management Limited is a wholly owned subsidiary incorporated in Great Britain. The Company trades as a unit trust manager.

Marks and Spencer Savings and Investments Limited is a wholly owned subsidiary incorporated in Great Britain. The Company operates as a corporate personal equity plan manager.

Marks and Spencer Life Assurance Limited is a wholly owned subsidiary incorporated in Great Britain. The Company trades as an authorised Life Assurance Company. The investment in Marks and Spencer Life Assurance Limited included a convertible loan of £60,000, the company exercised the conversion right in respect of the whole amount of the loan and agreed to accept 60,000 shares of £1 each in the capital of the Company, fully paid. The allotment and issue of all such shares was made on 28 March 1997.

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

9

**NOTES TO THE FINANCIAL STATEMENTS**

**9 Called up share capital**

	1997 £000	1996 £000
Authorised share capital 80,000,000 ordinary £1 shares	80,000	80,000
Allotted, called up and fully paid: 67,000,000 ordinary shares of £1 each	67,000	67,000

**10 Reconciliation of movements in shareholders' funds**

	1997 £000	1996 £000
(Loss)/Profit for the financial year	(1)	2
Dividends	-	(30,000)
Issue of Ordinary Share Capital	-	30,000
	<hr/>	<hr/>
Net movement in shareholders' funds	(1)	2
Opening shareholders' funds	76,103	76,101
	<hr/>	<hr/>
Closing shareholders' funds	76,102	76,103
	<hr/>	<hr/>

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

10

**NOTES TO THE FINANCIAL STATEMENTS**

---

11	<b>Directors' interests</b>	Interests in the Marks and Spencer Group.
		Ordinary shares of Marks and Spencer plc - beneficial and family interests
		D M Towell Number
		At 31 March 1996 shares 9,690
		total options 186,359
		exercisable options 32,633
		Options granted 20,177
		Options exercised or lapsed -
		At 31 March 1997 shares 16,756
		total options 206,536
		exercisable options 55,173
<hr/>		
12	<b>Ultimate holding company</b>	The ultimate holding company is Marks and Spencer plc, Michael House, Baker Street, London, W1A 1DN, a company incorporated in Great Britain.