

Marks and Spencer Investments Limited

Report and Financial Statements

Year ended 1 April 2006

Registered Number 04903061



Marks and Spencer Investments Limited
Report and financial statements
Year ended 1 April 2006

Report of the Directors

The directors present their report and the audited financial statements for the year ended 1 April 2006.

Principal activities

Marks and Spencer Investments Limited is incorporated and domiciled in England and Wales. The Company's registered address is Waterside House, 35 North Wharf Road, London W2 1NW.

The Company is a financing vehicle for the Marks and Spencer Group. The directors consider that in the conditions prevailing during the year, the development of the Company's business and its financial position at the end of the year were satisfactory. The directors do not expect any development in the Company's business in the coming year that is significantly different from its present activities.

Results and dividends

The Company made a profit after taxation of £6,300k (last year £3,956k) during the year. The directors do not recommend the payment of a dividend (last year £nil).

Directors and their interests

The directors who held office during the year were as follows:

I Dyson	Appointed 17 November 2006
GJ Oakley	
S Harris	Resigned 31 August 2005
P Hay-Plumb	Resigned 30 June 2005
AC Reed	Resigned 30 April 2005

I Dyson was also a director of Marks and Spencer Group plc, the ultimate holding company, and as such disclosure in these financial statements of his interests in the shares of companies in the Marks and Spencer Group is not required as they are disclosed in the financial statements of Marks and Spencer Group plc.

The interest of GJ Oakley in the shares of the ultimate holding company, Marks and Spencer Group plc, is as follows:

	Ordinary Shares at 3 April 2005	Ordinary Shares at 1 April 2006	Options at 3 April 2005	Options granted in period	Options exercised and lapsed during period	Options at 1 April 2006	Options exercisable at 3 April 2005	Options exercisable at 1 April 2006
GJ Oakley	104,927	66,695	869,797	4,613	489,833	384,577	416,156	54,996

Principal risks and uncertainties

The directors of Marks and Spencer Group plc manage the group's risk at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the Company's risks would not be appropriate for an understanding of the development, performance or position of the Marks and Spencer Investments Limited's business. The principal risks and uncertainties of Marks and Spencer Group plc, which include those of the Company, are discussed on pages 36 and 37 of the group's annual report which does not form part of this report. Copies of the Marks and Spencer Group plc financial statements can be obtained from the Company Secretary at Waterside House, 35 North Wharf Road, London W2 1NW.

Key performance indicators

Given the straight forward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

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Directors' responsibilities for preparing the financial statements

The directors are obliged under company law to prepare financial statements for each financial year.

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

The directors are also responsible for the adoption of suitable accounting policies and their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements and estimates. They are also responsible for preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They also ensure that there are sufficient internal controls to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

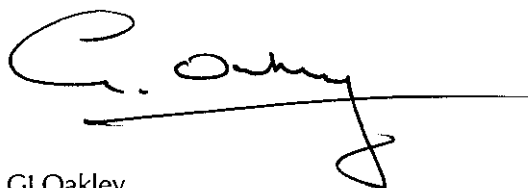
Audit information

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the next Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'G. Oakley', written over a horizontal line.

GJ Oakley
Director
22 January 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARKS AND SPENCER INVESTMENTS LIMITED

We have audited the financial statements of Marks and Spencer Investments Limited for the year ended 1 April 2006 which comprise the Income statement, the Balance sheet, the Cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 1 April 2006 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

22 January 2007

Marks and Spencer Investments Limited

Income statement

		52 weeks ended 1 April 2006 £000	52 weeks ended 2 April 2005 £000
	Notes		
Revenue	2	9,007	5,663
Cost of sales		(8)	(12)
Gross profit		8,999	5,651
Administrative expenses		(1)	-
Profit on ordinary activities before taxation	4	8,998	5,651
Income tax expense	5	(2,698)	(1,695)
Profit for the year attributable to shareholders	8	6,300	3,956

Statement of recognised income and expense

The Company has no recognised gains or losses other than those included in the income statement and therefore no separate statement of recognised income and expense has been presented.

Marks and Spencer Investments Limited

Balance sheet

	Notes	1 April 2006 £000	2 April 2005 £000
ASSETS			
Non-current assets			
Financial assets	6	-	25,273
Current assets			
Financial assets	6	25,255	30,312
Amounts owed by group undertakings		159,777	119,462
Cash and cash equivalents		2	8
		185,034	149,782
Total assets		185,034	175,055
LIABILITIES			
Current liabilities			
Current tax liabilities		(4,395)	(1,695)
Amounts owed to group undertakings		-	(370)
Trade and other payables		(1)	(4)
Total liabilities		(4,396)	(2,069)
Net assets		180,638	172,986
EQUITY			
Called up share capital	7, 8	2	2
Share premium account	8	169,466	168,114
Retained earnings	8	11,170	4,870
Total equity	9	180,638	172,986

The financial statements and related notes on pages 4 to 11 were approved by the Board of Directors on 22 January 2007 and signed on its behalf by:



I Dyson
Director

Marks and Spencer Investments Limited
Cash flow statement

	Notes	52 weeks ended 1 April 2006 £000	52 weeks ended 2 April 2005 £000
Cash flows from operating activities			
Profit for the year		6,300	3,956
Income tax expense	5	2,698	1,695
Cash generated from operations		8,998	5,651
Movement in intercompany balance		(40,685)	(67,564)
Other working capital		(2)	(3)
Tax paid		1	(392)
Net cash outflow from operating activities		(31,688)	(62,308)
Cash flows from investing activities			
Repayment of financial assets		30,330	60
Issue of equity	8	1,352	61,588
Net cash inflow from investing activities		31,682	61,648
Net outflow from activities		(6)	(660)
Cash and cash equivalents at beginning of year		8	668
Cash and cash equivalents at end of year		2	8

Marks and Spencer Investments Limited
Notes to the financial statements
Year ended 1 April 2006

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The date of transition to IFRS was 4 April 2004. There were no changes to comparative figures arising from the adoption of IFRS.

The financial statements contain information about Marks and Spencer Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Marks and Spencer Group plc a company registered in England and Wales.

A summary of the more important accounting policies adopted is set out below:

Accounting convention

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

Revenue

Revenue represents interest receivable from external investments and fellow group undertakings.

Taxation

The tax charge comprises current tax payable and deferred tax.

The current tax charge represents an estimate of the amounts payable to tax authorities in respect of the Company's taxable profits and is based on an interpretation of existing tax laws.

Financial Instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

A Investments

Investments are classified as either 'available for sale', 'fair value through profit or loss' or 'held to maturity'. They are initially measured at cost, including transaction costs, with the exception of 'fair value through profit and loss'. Where securities are designated as 'fair value through profit or loss', gains and losses arising from changes in fair value are included in net profit or loss for the year. For 'available for sale' investments, gain or losses arising from changes in fair value are recognised directly in equity, until the security in equity is included in the net profit or loss for the year. Equity investments that do not have a quoted market price in an active market and whose fair value can not be reliably measured by other means are held at cost. 'Held to maturity' investments are measured at amortised cost using the effective interest method.

B Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

C Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the Year in which they arise.

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1 ACCOUNTING POLICIES CONTINUED

D Loan notes

Long-term loans are held at amortised cost unless the loan is hedged by a derivative financial instrument in which case hedge accounting treatment will apply.

E Trade receivables

Trade receivables are stated at their nominal value.

F Trade payables

Trade payables are stated at their nominal value.

2 REVENUE

	2006	2005
	£000	£000
Interest income on medium term notes	1,735	2,748
Interest income on loans to group companies	7,272	2,915
	9,007	5,663

3 DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The Company had no employees during the year. No director received emoluments in respect of their services to the Company during the year.

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006	2005
	£000	£000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for audit services	1	-
Custody fees	8	12
	9	12

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5 INCOME TAX EXPENSE

A Taxation charge

	2006	2005
	£000	£000
- current year	2,699	1,695
- prior year	(1)	-
	2,698	1,695

B Taxation reconciliation

	2006	2005
	£000	£000
Profit before taxation	8,998	5,651
Taxation at standard UK rate of 30% (last year 30%)	2,699	1,695
Adjustments to tax charge in respect of prior years	(1)	-
	2,698	1,695

6 FINANCIAL ASSETS

	2006	2005
	£000	£000
Amounts receivable within one year:		
Amounts owed by third parties	25,255	30,312
Amounts receivable between 1 and 2 years:		
Amounts owed by third parties	-	25,273

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7 SHARE CAPITAL

	2006	2005
	£000	£000
Authorised, allotted, called up and fully paid		
1,562 (last year 1,550) ordinary shares of £1	2	2

Issue of new shares:

12 (last year 550) ordinary shares having a nominal value of £12 (last year £550) were allotted during the year. The aggregate consideration received was £1,352k (last year 61,588k).

8 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
At 4 April 2004	1	106,527	914	107,442
Shares issued	1	61,587	-	61,588
Profit for the year attributable to shareholders	-	-	3,956	3,956
At 2 April 2005	2	168,114	4,870	172,986
At 3 April 2005	2	168,114	4,870	172,986
Shares issued	-	1,352	-	1,352
Profit for the year attributable to shareholders	-	-	6,300	6,300
At 1 April 2006	2	169,466	11,170	180,638

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9 RELATED PARTY DISCLOSURES

During the year, the Company had the following related party transactions.

	2006	2005
	£000	£000
Transactions:		
Interest income from group companies	7,272	2,915
Balances:		
Loans to group companies	159,340	119,103
Current account receivable from group companies	437	359
Current account payable to group companies	-	(370)

There were no other transactions with related parties.

10 ULTIMATE PARENT COMPANY

The ultimate parent undertaking and controlling party is Marks and Spencer Group plc, a company registered in England and Wales, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the Marks and Spencer Group plc consolidated financial statements can be obtained from the Company Secretary at Waterside House, 35 North Wharf Road, London W2 1NW.