

Marks and Spencer Investments
Report and Financial Statements
Year ended 3 April 2010
Registered Number 04903061

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Marks and Spencer Investments Report and financial statements Year ended 3 April 2010

Report of the Directors

The directors present their report and the audited financial statements of the Company for the year ended 3 April 2010

Principal activities, review of business and future developments

The Company's principal activity is that of 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 of a financing vehicle.

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 part of the Marks and Spencer group of companies (the Group).

The financial statements are made up to the nearest Saturday to 31 March each year. The current financial year is the 53 weeks ended 3 April 2010 (the 'year').

Results and dividends

The Company made a profit after taxation of £1,442,000 (last year £6,796,000) during the year. A dividend of £2,000,000 was paid during the year (last year £50,100,000).

The Company re-registered as unlimited on 26 September 2008. It subsequently reduced its share capital by £100,000,000 and declared, and paid a dividend in specie of £50,100,000 in September 2008. The dividend in specie was satisfied by the transfer of a discount note from another Group undertaking.

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

A Findlay	
RJ Ivens	
A Mellor	Appointed 27 July 2009
M Bolland	Appointed 14 July 2010
GJ Oakley	Resigned 1 September 2009
I Dyson	Resigned 14 July 2010

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 business. The principal risks and uncertainties of Marks and Spencer Group plc which include those of the Company are discussed on pages 56 and 57 of the Group's annual report which does not form part of this report. Copies of the Marks and Spencer Group plc annual report are available from the Company Secretary at Waterside House, 35 North Wharf Road, London W2 1NW or are available on the website www.marksandspencer.com.

Key performance indicators

Given the straightforward 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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Report and financial statements
Year ended 3 April 2010

Report of the Directors continued

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors 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 the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Indemnity provision

Marks and Spencer Group plc maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors and those directors of its subsidiary companies. Indemnities have been granted to the Company's directors by Marks and Spencer Group plc to the extent permitted by law. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 3 April 2010 and remain in force, in relation to certain losses and liabilities which the directors may incur to third parties in the course of acting as directors of the Company.

Statement of disclosure of information to auditors

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

Independent auditors

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

On behalf of the Board



A Mellor
Director
1 December 2010

Marks and Spencer Investments

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

We have audited the financial statements of Marks and Spencer Investments for the year ended 3 April 2010 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the 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.

Scope of the audit of the financial statements

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.

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 3 April 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

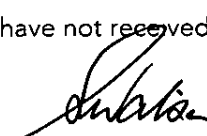
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors 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.


Stuart Watson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

1 December 2010

Marks and Spencer Investments
Statement of comprehensive income

	Notes	53 weeks ended 3 April 2010 £000	52 weeks ended 28 March 2009 £000
Revenue	2	2,003	9,439
Profit before taxation	4	2,003	9,439
Income tax expense	5	(561)	(2,643)
Profit and total comprehensive income for the year attributable to equity holders of the Company		1,442	6,796

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

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Marks and Spencer Investments
Statement of financial position

	Notes	As at 3 April 2010 £000	As at 28 March 2009 £000 Restated
ASSETS			
Current assets			
Amounts owed by other Group undertakings	9	155,332	166,448
Cash and cash equivalents	7	1	1
Total assets		155,333	166,449
LIABILITIES			
Current liabilities			
Amounts owed to other Group undertakings	9	(2,643)	(11,119)
Current tax liabilities		(561)	(2,643)
Total liabilities		(3,204)	(13,762)
Net assets		152,129	152,687
EQUITY			
Called up share capital	8	2	2
Share premium account		69,466	69,466
Retained earnings		82,661	83,219
Total equity		152,129	152,687

The financial statements on pages 4 to 12 were approved by the Board of Directors and authorised for issue on 1 December 2010



RJ Ivens
Director

Marks and Spencer Investments
Statement of changes in equity

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
At 30 March 2008	2	169,466	26,523	195,991
Profit for the year	-	-	6,796	6,796
Reduction in share capital	-	(100,000)	100,000	-
Dividend in specie	-	-	(50,100)	(50,100)
At 28 March 2009	2	69,466	83,219	152,687
At 29 March 2009	2	69,466	83,219	152,687
Profit for the year	-	-	1,442	1,442
Reduction in share capital	-	-	-	-
Dividend	-	-	(2,000)	(2,000)
At 3 April 2010	2	69,466	82,661	152,129

Marks and Spencer Investments
Statement of cash flows

	53 weeks ended 3 April 2010 £000	52 weeks ended 28 March 2009 £000
Cash flows from operating activities		
Profit on ordinary activities after taxation	1,442	6,796
Income tax expense	561	2,643
Cash generated from operations	2,003	9,439
Tax paid	(2,643)	(3,648)
Movement in intercompany balances	2,640	44,309
Net cash inflow from operating activities	2,000	50,100
Cash flows from financing activities		
Dividend / dividend in specie	(2,000)	(50,100)
Net cash outflow from financing activities	(2,000)	(50,100)
Net cash inflow / (outflow) from activities	-	-
Cash and cash equivalents at beginning of year	1	1
Cash and cash equivalents at end of year	1	1

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs

The following IFRSs, IFRIC interpretations and amendments have been adopted in the financial statements for the first time in this financial period

IAS 1 (Revised) - 'Presentation of Financial Statements' is effective for the year ended 3 April 2010. The standard requires a change in the format and presentation of the Company's primary statements but has no impact on reported profits or equity

IFRS 7 - 'Financial Instruments - Disclosures' (amendment) is effective for the year ended 3 April 2010. The amendment requires enhanced disclosures about fair value measurement and liquidity risk

The following IFRSs, IFRIC interpretations and amendments are effective for this accounting period but are not considered to be relevant to the Company's current activities and operations,

- IFRS 8 - 'Operating Segments'
- IAS 23 - 'Borrowing Costs' (amendment)

The following IFRSs, IFRIC interpretations and amendments have been issued but are not yet effective and have not been early adopted by the Company,

- IFRS 3 (Revised) - 'Business Combinations'
- IFRIC 17 - 'Distributions of Non-Cash Assets to Owners'
- IFRIC 18 - 'Transfers of Assets from Customers'

Following a review by the Directors, the company has restated the prior year balance sheet to correctly recognise the split of intercompany payables and receivables. The impact of this is to increase amounts owed to another Group undertaking by £796,000 and to increase amounts owed by another Group undertaking by £796,000, this has no impact on the net assets of the company

A summary of the Company's significant accounting policies adopted is given below

Accounting convention

The financial statements are drawn up on the historical cost basis of accounting, except as disclosed in the accounting policies set out below

Revenue

Revenue represents interest receivable from other Group undertakings which is recognised on an accruals basis

Taxation

The tax charge comprises current tax payable

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

Share capital

Ordinary shares are classified as equity

Financial instruments

Financial assets

Loans to other Group undertakings and all other receivables are non-derivative financial assets, initially recognised at fair value, then subsequently carried at amortised cost. All receivables from other Group undertakings are not considered to be overdue or impaired

Marks and Spencer Investments
Notes to the financial statements
Year ended 3 April 2010

1 ACCOUNTING POLICIES continued

Financial liabilities

Loans from other Group undertakings and all other payables are initially recorded at fair value, which is generally the proceeds received. They are then subsequently carried at amortised cost. All payables to other Group undertakings are repayable on demand.

Financial risk management

Interest rate risk

The Company's exposure to interest rate fluctuations is limited to interest bearing loans to and from other Group undertakings where the interest rates are agreed with the Group company. Please refer to note 9 for details of the impact of a change in interest rates.

Liquidity risk

The Company's exposure to liquidity risk is managed by funding cash flow requirements from the parent company.

Credit risk

The Company's exposure to credit risk is limited to amounts receivable from and payable to other Group undertakings.

Fair value estimation

The fair values of receivables and payables are approximate to their book values.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide optimal returns for shareholders.

2 REVENUE

	53 weeks ended 3 April 2010 £000	52 weeks ended 28 March 2009 £000
Interest income	2,003	9,439

3 DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The Company had no employees during the year (last year none). No director received emoluments in respect of their services to the Company during the year (last year £nil).

4 PROFIT BEFORE TAXATION

Auditors' remuneration of £3,000 (last year £3,000) in respect of the Company's annual audit has been borne by Marks and Spencer plc in the current and prior years.

Marks and Spencer Investments
Notes to the financial statements
Year ended 3 April 2010

5 INCOME TAX EXPENSE

A Taxation charge

	53 weeks ended 3 April 2010 £000	52 weeks ended 28 March 2009 £000
UK corporation tax at 28% (last year 28%)		
- current year	561	2,643
Total income tax expense	561	2,643

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The effect of the changes to be enacted by the Finance (No 2) Act 2010 is currently being assessed by management.

B Taxation reconciliation

The tax on the Company's loss before taxation is the same as the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	53 weeks ended 3 April 2010 £000	52 weeks ended 28 March 2009 £000
Profit before taxation	2,003	9,439
Taxation at standard UK rate of 28% (last year 28%)	561	2,643
Total income tax expense	561	2,643

6 DIVIDENDS

	2010 per share	2009 per share	2010 £000	2009 £000
Dividends on equity ordinary shares	1,280 4p	-	2,000	-
Dividend in specie	-	32,074 7p	-	50,100

7 CASH AND CASH EQUIVALENTS

Cash at bank includes short term deposits with banks with initial maturity of three months or less. The carrying amount of these assets approximates their fair value.

Marks and Spencer Investments
Notes to the financial statements
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8 CALLED UP SHARE CAPITAL

	As at 3 April 2010 £000	As at 28 March 2009 £000
Authorised, issued, called up and fully paid		
1,562 (last year 1,562) ordinary shares of £1	2	2

9 RELATED PARTY DISCLOSURES

During the year, the Company had the following related party transactions and balances

		53 weeks ended 3 April 2010 £000	52 weeks ended 28 March 2009 £000
Transactions			
Dividend to parent company	Parent	(2,000)	(50,100)
		(2,000)	(50,100)
Interest income from other Group undertakings	Parent	1,062	6,578
	Other	941	2,861
		2,003	9,439

		As at 3 April 2010 £000	As at 28 March 2009 £000
Balances			
Loans to other Group undertakings	Parent	92,707	104,065
	Other	62,416	61,587
		155,123	165,652
Current account payable to other Group undertakings	Parent	(2,634)	(10,323)
		(2,634)	(10,323)
Current account receivable from other Group undertakings	Other	200	-
		200	-

Marks and Spencer Investments
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9 RELATED PARTY DISCLOSURES continued

As at 3 April 2010 the £155,123,000 (last year £165,652,000) loans to other Group undertakings are interest bearing. Overall the interest received during the year was £2,003,000 (last year £9,439,000). The current accounts payable of £2,643,000 (last year £11,119,000) are non interest bearing. The current accounts receivables of £209,000 (last year £796,000) are non interest bearing.

Interest rates are set within individual intercompany loan agreements, however, they are approximately in line with LIBOR. A 2% increase / decrease in the interest rate of the loan to another Group undertaking would result in a gain / loss of £3,102,000 in the statement of comprehensive income, before taxation.

10 ULTIMATE PARENT COMPANY

The immediate parent undertaking is Marks and Spencer (Nederland) B V. The intermediate parent undertaking is Marks and Spencer plc which is the smallest group to consolidate these financial statements. 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.