

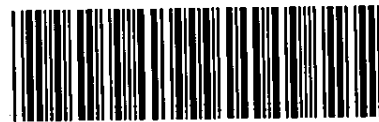
**Marks and Spencer 2005  
(Culverhouse Cross Store) Limited**

**Report and Financial Statements**

**For the year ended 29 March 2008**

Registered Number 05502547

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**Marks and Spencer 2005 (Culverhouse Cross Store) Limited**  
**Report and financial statements**  
**Year ended 29 March 2008**

**Report of the Directors**

The directors present their report and the audited financial statements of the Company for the year ended 29 March 2008.

**Principal activities**

The Company's principal activity was property investment. During the year the Company disposed of most of its property portfolio. Following the sale of the its property portfolio the Company became 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.

Marks and Spencer 2005 (Culverhouse Cross Store) Limited is incorporated and domiciled in England and Wales. The Company's registered office is Waterside House, 35 North Wharf Road, London W2 1NW.

**Results and dividends**

The Company made a profit of £6,699,000 (last year £299,000 restated) after taxation during the year. The directors do not recommend the payment of a dividend (last year £nil).

**Directors**

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

GJ Oakley  
I Dyson

**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 2005 (Culverhouse Cross Store) Limited business. The principal risks and uncertainties of Marks and Spencer Group plc which include those of the Company are discussed on pages 44 and 45 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](http://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.

**Marks and Spencer 2005 (Culverhouse Cross Store) Limited**  
**Report and financial statements**  
**Year ended 29 March 2008**

**Report of the Directors** continued

**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 International Financial Reporting Standards (IFRS) as adopted by the European Union, 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 year.

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.

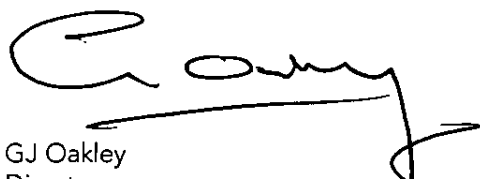
**Audit information**

The directors confirm that, so far as they are aware, there is no relevant audit information of which the 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.

**Auditors**

A resolution to re-appoint 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 'GJ Oakley', with a long horizontal stroke extending to the right.

GJ Oakley  
Director  
21 January 2009

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARKS AND SPENCER 2005 (CULVERHOUSE CROSS STORE) LIMITED

We have audited the financial statements of Marks and Spencer 2005 (Culverhouse Cross Store) Limited for the year ended 29 March 2008 which comprise the Income statement, the Balance sheet 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 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 Report of the Directors 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 Report of the Directors 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 29 March 2008 and of its profit 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 Report of the Directors is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

22 January 2009

**Marks and Spencer 2005 (Culverhouse Cross Store) Limited**  
**Income statement**

		<b>52 weeks ended 29 March 2008</b>	<b>52 weeks ended 31 March 2007 (restated)*</b>
	<b>Notes</b>	<b>£000</b>	<b>£000</b>
Revenue	2	2,087	2,090
Cost of sales		(272)	(181)
Gross profit		1,815	1,909
Administrative expenses		-	(2)
Other income/(expense) - profit/(loss) on property disposals	10	6,565	(85)
<b>Operating profit</b>		<b>8,380</b>	<b>1,822</b>
Interest payable to another Group undertaking		(1,508)	(1,281)
<b>Profit on ordinary activities before taxation</b>	4	<b>6,872</b>	<b>541</b>
Income tax expense	5	(173)	(242)
<b>Profit for the year attributable to shareholders</b>	9	<b>6,699</b>	<b>299</b>

\*See Note 9 for further detail on the prior year restatement.

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.

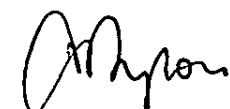
The notes on pages 6 to 13 are an integral part of these financial statements.

**Marks and Spencer 2005 (Culverhouse Cross Store) Limited**  
**Balance sheet**

	Notes	29 March 2008 £000	31 March 2007 (restated)* £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	1,262	29,684
Amounts owed by another Group undertaking		34,715	-
		<b>35,977</b>	<b>29,684</b>
<b>Current assets</b>			
Amounts owed by another Group undertaking		100	-
<b>Total assets</b>		<b>36,077</b>	<b>29,684</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current tax liabilities		(173)	(406)
Amounts owed to another Group undertaking		(241)	(770)
		<b>(414)</b>	<b>(1,176)</b>
<b>Non-current liabilities</b>			
Amounts owed to another Group undertaking		(21,835)	(21,379)
<b>Total liabilities</b>		<b>(22,249)</b>	<b>(22,555)</b>
<b>Net assets</b>		<b>13,828</b>	<b>7,129</b>
<b>EQUITY</b>			
Called up share capital	8,9	10	10
Share premium	9	6,528	6,528
Retained earnings	9	7,290	591
<b>Total shareholders' equity</b>	<b>9</b>	<b>13,828</b>	<b>7,129</b>

\*See Note 9 for further detail on the prior year restatement.

The financial statements were approved by the Board of Directors and authorised for issue on 21 January 2009.  
The financial statements also comprise the notes on pages 6 to 13.



I Dyson  
Director

**Marks and Spencer 2005 (Culverhouse Cross Store) Limited**  
**Notes to the financial statements**  
**Year ended 29 March 2008**

## **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.

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 rent and interest receivable from another Group undertaking which is recognised on an accruals basis.

### **Cost of sales**

Cost of sales represents depreciation of tangible non-current assets.

### **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.

Deferred tax is recognised on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base at tax rates that are expected to apply when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

### **Property, plant and equipment**

Property, plant and equipment is held at historic cost less accumulated depreciation. Depreciation is provided to write off the cost of tangible non-current assets, less estimated residual values, by equal annual instalments as follows:

- freehold land: not depreciated;
- freehold and leasehold buildings with a remaining lease term over 50 years: depreciated to their residual value over their estimated remaining economic lives;
- leasehold buildings with a remaining lease term of less than 50 years: over the remaining period of the lease;
- fit-out: 10-25 years according to the estimated life of the asset; and
- fixtures, fittings and equipment: 3-15 years according to the estimated life of the asset.

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal. Any impairment in value is charged to the income statement.

### **Share capital**

Ordinary shares are classified as equity.

### **Cash flow statement**

There were no cash movements for Marks and Spencer 2005 (Culverhouse Cross Store) Limited as all transactions are settled using intercompany loans and current accounts and therefore no cash flow statement is presented in these accounts. Refer to note 7 for details of non-cash movements.

**Marks and Spencer 2005 (Culverhouse Cross Store) Limited**  
**Notes to the financial statements**  
**Year ended 29 March 2008**

**1 ACCOUNTING POLICIES** continued

**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 non-current receivables from other Group undertakings are interest-bearing and are not considered to be overdue or impaired.

**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 non-current payables to other Group undertakings are interest-bearing and are repayable on demand. The directors, however, received confirmation from the parent undertaking that repayment of the outstanding balance will not be required within 12 months from the balance sheet date and as such the payable has been classified as a non-current liability.

**Financial risk management**

**Interest rate risk**

The Company has limited exposure to interest rate fluctuations as interest rates on interest-bearing loans to and from other Group undertakings are agreed with the Group company and have not historically fluctuated significantly. Therefore a sensitivity analysis is not deemed necessary and has not been presented.

**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.

**Critical accounting estimates and judgments**

The preparation of the financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including the expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

**A Impairment of property, plant and equipment**

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review of impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.

**B Depreciation of property, plant and equipment**

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out above. The selection of these estimated lives requires the exercise of management judgment.



**Marks and Spencer 2005 (Culverhouse Cross Store) Limited**  
**Notes to the financial statements**  
**Year ended 29 March 2008**

**2 REVENUE**

	<b>52 weeks ended 29 March 2008 £000</b>	<b>52 weeks ended 31 March 2007 £000</b>
Rental income from another Group undertaking	<b>1,987</b>	2,090
Interest income from another Group undertaking	<b>100</b>	-
	<b>2,087</b>	2,090

**3 DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION**

The Company had no employees during the year (last year nil). No director received emoluments in respect of their services to the Company during the year (last year £nil).

**4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>52 weeks ended 29 March 2008 £000</b>	<b>52 weeks ended 31 March 2007 £000</b>
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	<b>272</b>	181
Auditors' remuneration for audit services	-	2

Auditors' remuneration of £3,000 in respect of the Company's annual audit has been borne by Marks and Spencer plc this year. Last year this expense was borne by the Company.

Marks and Spencer 2005 (Culverhouse Cross Store) Limited  
Notes to the financial statements  
Year ended 29 March 2008

5 INCOME TAX EXPENSE

A Taxation charge

	52 weeks ended 29 March 2008 £000	52 weeks ended 31 March 2007 £000
UK Corporation tax at 30%		
- current year	173	242
<b>Total income tax expense</b>	<b>173</b>	<b>242</b>

B Taxation reconciliation

	52 weeks ended 29 March 2008 £000	52 weeks ended 31 March 2007 (restated)* £000
Profit before tax	6,872	541
Taxation at standard UK rate of 30% (last year 30%)	2,062	162
Tangible non-current asset depreciation and charges	81	55
Profit on disposal of fixed assets	(1,970)	25
<b>Total income tax expense</b>	<b>173</b>	<b>242</b>

The effective tax rate is 2.5% (last year 44.7%).

\*See Note 9 for further detail on the prior year restatement.

Marks and Spencer 2005 (Culverhouse Cross Store) Limited  
Notes to the financial statements  
Year ended 29 March 2008

**6 PROPERTY, PLANT AND EQUIPMENT**

	Freehold land and buildings £000	Fit out, fixtures and fittings £000	Total £000
<b>At 1 April 2006</b>			
Cost	28,200	1,814	30,014
Accumulated depreciation	(15)	(75)	(90)
Net book value	28,185	1,739	29,924
<b>Year ended 31 March 2007</b>			
Opening net book value	28,185	1,739	29,924
Additions	26	-	26
Disposals restated*	-	(85)	(85)
Depreciation charge	(30)	(151)	(181)
Closing net book value	28,181	1,503	29,684
<b>At 31 March 2007</b>			
Cost	28,226	1,656	29,882
Accumulated depreciation	(45)	(153)	(198)
Net book value	28,181	1,503	29,684
<b>Year ended 29 March 2008</b>			
Opening net book value	28,181	1,503	29,684
Disposals	(28,150)	-	(28,150)
Depreciation charge	(31)	(241)	(272)
Closing net book value	-	1,262	1,262
<b>At 29 March 2008</b>			
Cost	-	1,656	1,656
Accumulated depreciation	-	(394)	(394)
Net book value	-	1,262	1,262

\*See Note 9 for further detail on the prior year restatement.

**Marks and Spencer 2005 (Culverhouse Cross Store) Limited**  
**Notes to the financial statements**  
**Year ended 29 March 2008**

**7 NON-CASH MOVEMENTS**

The Company does not have a bank account. All transactions are settled using intercompany loans and current accounts. The movements for the year comprise the following:

	<b>52 weeks ended 29 March 2008 £000</b>	<b>52 weeks ended 31 March 2007 £000</b>
<b>Operating activities</b>		
Purchase of property, plant and equipment	-	(26)
Sale of property, plant and equipment	<b>34,715</b>	-
Audit fee	-	(2)
Rent received	<b>1,987</b>	2,090
Interest received	<b>100</b>	-
Tax paid	<b>(406)</b>	-
<b>Total operating activities</b>	<b>36,396</b>	2,062
<b>Financing activities</b>		
Interest paid	<b>(1,508)</b>	(1,281)
<b>Total financing activities</b>	<b>(1,508)</b>	(1,281)
<b>Total non-cash movements</b>	<b>34,888</b>	781

In the current year the tax was paid by another Group undertaking and settled using intercompany accounts. In the prior year, the audit fee was paid by another Group undertaking and settled using intercompany accounts.

**8 SHARE CAPITAL**

	<b>2008 £000</b>	<b>2007 £000</b>
Authorised, allotted, called up and fully paid		
10,000 ordinary shares of £1	<b>10</b>	10

**Marks and Spencer 2005 (Culverhouse Cross Store) Limited**  
**Notes to the financial statements**  
**Year ended 29 March 2008**

**9 STATEMENT OF CHANGES IN EQUITY**

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
At 2 April 2006	10	6,528	292	6,830
Profit for the year attributable to shareholders restated	-	-	299	299
At 31 March 2007	10	6,528	591	7,129
At 1 April 2007	10	6,528	591	7,129
Profit for the year attributable to shareholders	-	-	6,699	6,699
At 29 March 2008	10	6,528	7,290	13,828

The prior year restatement has arisen as a result of a change in the net book value of assets disposed of to another Group undertaking. The prior year restatement has resulted in a decrease in the loss on property disposals of £433,000, such that a profit for the year attributable to shareholders of £299,000 has now been recognised.

**10 RELATED PARTY DISCLOSURES**

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

	52 weeks ended 29 March 2008 £000	52 weeks ended 31 March 2007 £000
<b>Transactions:</b>		
Rental income from another Group undertaking	1,987	2,090
Interest income from another Group undertaking	100	-
Interest payable to another Group undertaking	(1,508)	(1,281)
Purchase of property, plant and equipment	-	(26)
Sale of property, plant and equipment	34,715	-
	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<b>Balances:</b>		
Loan to another Group undertaking	34,715	-
Current account receivable from another Group undertaking	100	-
Loan from another Group undertaking	(21,835)	(21,379)
Current account payable to another Group undertaking	(241)	(770)

Last year the Company purchased fixed assets with a cost of £26,000 from another Group undertaking. This year the Company sold fixed assets with a carrying value of £28,150,000 (last year restated £85,000) to another Group undertaking for the consideration of £34,715,000 (last year £nil) which resulted in a profit of £6,565,000 (last year a loss of (85,000)). Refer to note 7 for other amounts settled through intercompany accounts.

All current intercompany receivables are non-interest bearing. As at 29 March 2008 the £34,715,000 non-current intercompany receivable is interest bearing. Overall the intercompany interest received during the year was £100,000. All current intercompany payables are non-interest bearing. As at 29 March 2008 the £21,835,000 non-current intercompany payable is interest bearing. Overall the intercompany interest paid during the year was £1,508,000. Interest rates are set within individual intercompany loan agreements; however, they are approximately in line with LIBOR.

**Marks and Spencer 2005 (Culverhouse Cross Store) Limited**  
**Notes to the financial statements**  
**Year ended 29 March 2008**

**11 ULTIMATE PARENT COMPANY**

The immediate 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 are available from the Company Secretary at Waterside House, 35 North Wharf Road, London W2 1NW.

**12 SUBSEQUENT EVENT**

Subsequent to the disposal of the fixed assets in the year, a third party assessed the market value of the assets disposed of. As a result, the consideration received was adjusted in November 2008 and the profit on disposal of £16,450,000 was reduced by £9,885,000. This adjusted profit has been recognised in these accounts.