

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

Registered No: 2278807

**Financial Statements for the year ended 31 December 2013**

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

Registered No: 2278807

## **Financial Statements for the year ended 31 December 2013**

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**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Strategic Report for the year ended 31 December 2013**

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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 principle activities of the Company.

**Financial Performance**

The Company's results for the year under review are as detailed in the Statement of Comprehensive Income shown in these accounts. Dividends totalling £21 million were received from subsidiary undertakings during 2013 (2012: £41 million). Dividends totalling £21 million were paid to the immediate parent undertaking during 2013 (2012: £41 million). £19 million was in relation to dividends declared for the year ended 31 December 2012 and a further £2 million of interim dividends were paid relating to 2013.

**Risk Management**

The principle 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

20 March 2014

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 2013**

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#### **Directors**

The Directors who served during the year were as follows:

C M Kersley  
C P Prentice  
P W Scott

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**

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2013 (2012: £19 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 and to meet regulatory capital requirements at all times. 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 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Directors' Report for the year ended 31 December 2013**

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**Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and financial statements**

The Directors are responsible for preparing the Strategic Report, Directors' Report 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU').

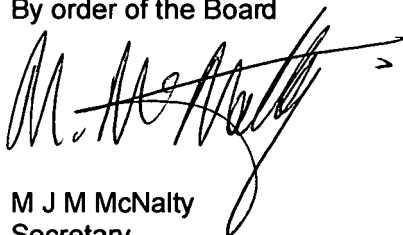
Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- 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 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



M J M McNulty  
Secretary

20 March 2014

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

## **Independent Auditor's Report to the Members of Marks and Spencer Retail Financial Services Holdings Limited Company Registration Number : 2278807**

We have audited the financial statements of Marks and Spencer Retail Financial Services Holdings Limited for the year ended 31 December 2013 set out on pages 5 to 15. 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 3, 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 2013 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 Gabbett (Senior Statutory Auditor)**

**for and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants

1 The Embankment

Neville Street

Leeds

LS1 4DW

20 March 2014

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2013**

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	<b>Notes</b>	<b>2013 £000</b>	<b>2012 £000</b>
Income from investment activities	6	21,000	51,862
<b>Total operating income</b>		<b>21,000</b>	<b>51,862</b>
Provision for diminution in value of Marks and Spencer Life Assurance Limited		-	(10,900)
<b>Total operating expenses</b>		<b>-</b>	<b>(10,900)</b>
<b>Profit before tax</b>		<b>21,000</b>	<b>40,962</b>
Tax	7	-	-
<b>Profit for the period</b>		<b>21,000</b>	<b>40,962</b>
<b>Total comprehensive income for the year</b>		<b>21,000</b>	<b>40,962</b>

All operations are continuing. There has been no other comprehensive income or expenses in 2013 (2012: nil). The notes on pages 9 to 15 are an integral part of these accounts.

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

Registered No: 2278807

**Statement of Financial Position****For the year ended 31 December 2013**

	Notes	As at 31 Dec 2013 £000	As at 31 Dec 2012 £000
<b>ASSETS</b>			
Financial investments	9	38,100	38,100
Other assets	10	35,364	35,364
<b>Total assets</b>		<b>73,464</b>	<b>73,464</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Other liabilities		-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Equity</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Called up share capital	11	67,000	67,000
Retained earnings		6,464	6,464
<b>Total equity</b>		<b>73,464</b>	<b>73,464</b>
<b>Total equity and liabilities</b>		<b>73,464</b>	<b>73,464</b>

The financial statements on pages 5 to 15 were approved by the Board of Directors on 20 March 2014 and signed on its behalf by:



P W Scott  
Director

The notes on pages 9 to 15 are an integral part of these accounts.



**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Statement of Cash Flows**  
**For the year ended 31 December 2013**

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	<b>2013 £000</b>	<b>2012 £000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	21,000	40,962
Adjustment for: Non-cash item included in net profits	-	38
	<hr/>	<hr/>
Net cash from operating activities	21,000	41,000
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Dividends paid	(21,000)	(41,000)
	<hr/>	<hr/>
Net cash used in financing activities	(21,000)	(41,000)
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period	-	-
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	-	-
	<hr/>	<hr/>

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2013**

	<b>Share Capital £000</b>	<b>Retained earnings £000</b>	<b>Total equity £000</b>
<b>Balance at 1 January 2013</b>	67,000	6,464	73,464
Profit or loss	-	21,000	21,000
Total comprehensive income for the period	-	21,000	21,000
Dividends to equity holders	-	(21,000)	(21,000)
Total contributions by and distributions to owners	-	(21,000)	(21,000)
<b>Balance at 31 December 2013</b>	67,000	6,464	73,464

	<b>Share Capital £000</b>	<b>Retained earnings £000</b>	<b>Total equity £000</b>
<b>Balance at 1 January 2012</b>	67,000	6,502	73,502
Profit or loss	-	40,962	40,962
Total comprehensive income for the period	-	40,962	40,962
Dividends to equity holders	-	(41,000)	(41,000)
Total contributions by and distributions to owners	-	(41,000)	(41,000)
<b>Balance at 31 December 2012</b>	67,000	6,464	73,464

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2013**

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**1 Summary of significant accounting policies**

**Basis of preparation**

The Company has prepared its financial statements in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU and effective for the Company's reporting for the year ended 31 December 2013. IFRSs comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

These financial statements comply with all current IFRSs. Current IFRSs include certain amendments that have yet to be endorsed by the EU, but are expected to be endorsed.

The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. Actual results may differ from those reported.

In the opinion of management, all normal adjustments considered necessary for a fair presentation of the Company's net income, financial position and cash flows for the year ended 31 December 2013 have been made.

The accounting policies below were in force during the prior period and remain unchanged unless otherwise stated.

**Compliance with International Financial Reporting Standards**

*Standards adopted during the year ended 31 December 2013*

During 2013 the following standards came into effect - IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IFRS 13 'Fair Value Measurement' and amendments to IFRS 10, IFRS 11 IFRS 12, IFRS 7 'Disclosures and IAS 19 'Employee Benefits'. The financial effect of these new standards and amendments is insignificant to these financial statements.

During the year the Bank has changed its accounting policy for the contents of IFRIC 21 on the basis that it is a clarification of IAS 27. This has caused the trigger date for the FSCS levy to change from 31 December each year to the following 1 April. The impact on the financial statements is not deemed significant

*Future accounting developments*

In addition to the projects to complete financial instrument accounting, discussed below, the IASB is continuing to work on projects on insurance, revenue and lease accounting which could represent significant changes to accounting requirements in the future.

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2013**

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**1 Summary of significant accounting policies (continued)**

**Amendments issued by the IASB but not endorsed by the EU**

During 2012 and 2013, the IASB issued various amendments to IFRS that are effective from 1 January 2014 and which are expected to have an insignificant effect on the financial statements of the Company.

In November 2012, the IASB issued proposed amendments to IFRS9 in respect of classification and measurement. Since the final requirements for classification and measurement are uncertain, it remains impracticable to quantify the effect of IFRS 9 as at the date of the publication of these financial statements.

The second phase in the IASB's project to replace IAS 39 will address the impairment of financial assets. It is proposed to replace the 'incurred loss' approach to the impairment of financial assets carried at amortised cost in IAS 39 with an expected credit loss approach, and require that the expected credit loss approach be applied to other categories of financial instrument, including loan commitment and financial guarantees. The final requirements for impairment of financial assets are expected to be published in 2014.

The third phase of the project addresses general hedge accounting. Macro hedging is not included in the IFRS 9 project and will be considered separately. In November 2013, the IASB issued amendments to IFRS 9 in respect of the general hedge accounting requirements, transition and effective date. As a result of these amendments, it is confirmed that all phases of IFRS 9 (except for changes to the presentation of gains and losses for certain liabilities measured at fair value) must be applied from the same effective date. This effective date has not yet been set by the IASB but is not expected to be earlier than 1 January 2017. The revised hedge accounting requirements are applied prospectively and the Company is currently assessing the impact they may have on the financial statements.

**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.

**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.

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2013**

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**2 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 9, and the accounting policy is shown in Note 1 above. Note 13 provides the address where the consolidated financial statements are available.

**3 Staff costs**

The Company does not have any direct employees. The Directors and staff are all employees of other group undertakings.

**4 Directors' emoluments**

No Directors of the Company received emoluments in respect of their services as Directors of the Company (2012: 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. Three Directors (2012: 3) 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 (2012: 2).

**5 Audit and non-audit fees**

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 (2012: £155,000), and services relating to regulatory reviews of £12,000 (2012: £12,000).

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

**6 Income from investment activities**

Income from investment activities is recognised where the Company becomes legally entitled to that income.

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2013**

**7 Tax**

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>2013</b> <b>£000</b>	<b>2012</b> <b>£000</b>
Profit before tax	21,000	40,962
Tax at 23.25% (2012: 24.5%)	4,883	10,036
Non taxable income and gains	(4,883)	(10,036)
	<hr/>	<hr/>
Total tax charged to the statement of comprehensive income	-	-
	<hr/>	<hr/>

The UK Government announced that the main rate of corporation tax for the year beginning 1 April 2013 will reduce from 24% to 23% to be followed by a further 2% reduction to 21% for the year beginning 1 April 2014 and a further 1% reduction to 20% for the year beginning 1 April 2015.

The reduction in the corporation tax rate to 23% was enacted through the 2012 Finance Act and this results in a weighted average rate of 23.25% for 2013 (2012: 24.5%). The reductions to 21% and 20% that were announced in the 2012 Autumn Statement and 2013 Budget respectively became enacted through the 2013 Finance Act on 17 July 2013.

**8 Dividends**

The aggregate amount of dividends comprises:

	<b>2013</b> <b>£000</b>	<b>2012</b> <b>£000</b>
Final dividends paid in respect of prior year but not recognised as liabilities in that year	19,000	22,000
Interim dividends paid in respect of the current year	2,000	19,000
	<hr/>	<hr/>
Ordinary shares Final and interim of £0.313 per share (2012: £0.612)	21,000	41,000
	<hr/>	<hr/>

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is nil (2012: £19 million).

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2013**

**9 Financial investments**

	<b>As at 31 Dec 2013 £000</b>	<b>As at 31 Dec 2012 £000</b>
Investment in subsidiaries	38,100	38,100

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.

	<b>2013 £000</b>	<b>2012 £000</b>
Opening balance	38,100	49,000
Provision for diminution in value of Marks and Spencer Life Assurance Limited	-	(10,900)
Closing balance	38,100	38,100

The provision for diminution in value represents the reduction in value of the asset following liquidation and transfer of assets in year ended 31 December 2012.

**10 Other assets**

	<b>As at 31 Dec 2013 £000</b>	<b>As at 31 Dec 2012 £000</b>
Amounts due from subsidiaries	35,364	35,364
	35,364	35,364

Amounts due from subsidiary undertakings are unsecured, interest free and have no fixed date of repayment.

**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2013**

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**11 Share capital**

	<b>As at 31 Dec 2013 £000</b>	<b>As at 31 Dec 2012 £000</b>
Allotted, called up and fully paid: 67,000,000 ordinary shares of £1 each	67,000	67,000
	<hr/>	<hr/>

**12 Related party transactions**

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>2013 £000</b>	<b>2012 £000</b>
Marks and Spencer Financial Services Plc		
Dividends received	17,000	37,000
Marks and Spencer Unit Trust Management Limited		
Dividends received	4,000	4,000
Marks and Spencer Life Assurance Limited		
Dividend received	-	10,862

Marks and Spencer Life Assurance Limited was liquidated during the year ended 31 December 2012.

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

	<b>As at 31 Dec 2013 £000</b>	<b>As at 31 Dec 2012 £000</b>
Marks and Spencer Financial Services Plc	35,364	35,364



**MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED**  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2013**

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**13 Ultimate holding company**

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 HSBC Bank Plc. All companies are registered in England and Wales.

Copies of HSBC Holdings Plc and HSBC Bank Plc consolidated financial statements can be obtained from the Company Secretary at 8 Canada Square, London, E14 5HQ.