

Marks and Spencer Retail Financial Services Holdings Limited
Registered No: 2278807

Financial Statements for the year ended 31 December 2016

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Marks and Spencer Retail Financial Services Holdings Limited
Registered No: 2278807

Financial Statements for the year ended 31 December 2016

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Marks and Spencer Retail Financial Services Holdings Limited

Strategic Report

Principal activities

Marks and Spencer Retail Financial Services Holdings Limited (the Entity) is the holding Entity for the M&S Bank activities of the HSBC Group.

Review of the Entity's business

The Entity remains the holding Entity for M&S Bank activities of the HSBC Group. There have been no changes to the principal activities of the Entity.

Performance

The Entity's results for the year under review are as detailed in the income statement shown in these financial statements. Dividends totalling £4 million were received from subsidiary undertakings during 2016 (2015: £4 million). Dividends totalling £4 million were paid to the immediate parent undertaking during 2016 (2015: £4 million).

Principal risks and uncertainties

The principal risks and uncertainties facing the Entity are changes to legislation resulting from ongoing reviews into certain industry issues, along with cyber risk and IT resilience. These risks are monitored on an ongoing basis by the Board.

Signed on behalf of the Board



P W Scott
Director

23 March 2017

Kings Meadow
Chester Business Park
Chester, United Kingdom
CH99 9FB

Marks and Spencer Retail Financial Services Holdings Limited

Directors' Report

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
S Fox		
P W Scott		
M Handley	17 Mar 2016	

The Articles of Association of the Entity provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Entity 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 UK 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

Dividends of £4 million have been paid during the the year ended 31 December 2016 (2015: £4 million).

Significant events since the end of the financial year

No important events affecting the Entity have occurred since the end of the financial year.

Future developments

No change in the Entity's activities is expected.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity 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 Entity 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. There were no changes to the Entity's approach to capital management during the year.

Disclosure of information to 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 Entity'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 Entity's auditor is aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Independent auditors

It was the first full year of PricewaterhouseCoopers LLP ('PwC') as external auditor following their appointment and year-end audit in 2015. PwC has expressed its willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual Board Meeting.

Marks and Spencer Retail Financial Services Holdings Limited

Directors' Report (continued)

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on the next page, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

Signed by order of the Board



S. Siddiqui
Secretary

23 March 2017

Kings Meadow
Chester Business Park
Chester, United Kingdom
CH99 9FB

Marks and Spencer Retail Financial Services Holdings Limited

Independent Auditors' Report to the Members of Marks and Spencer Retail Financial Services Holdings Limited

Report on the financial statements

Our opinion

In our opinion, Marks and Spencer Retail Financial Services Holdings Limited's financial statements (the 'financial statements'):

- give a true and fair view of the state of the Entity's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Financial Statements (the 'Annual Report'), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement and the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes on the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes on the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on Other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Entity and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Marks and Spencer Retail Financial Services Holdings Limited

Independent Auditors' Report to the Members of Marks and Spencer Retail Financial Services Holdings Limited

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities 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) ('ISAs (UK & 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 Entity'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.

Marks and Spencer Retail Financial Services Holdings Limited

Independent Auditors' Report to the Members of Marks and Spencer Retail Financial Services Holdings Limited

What an audit of financial statements involves

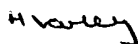
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Heather Varley (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

23 March 2017

Marks and Spencer Retail Financial Services Holdings Limited

Financial Statements

Income statement for the year ended 31 December 2016

	<i>Notes</i>	2016 £'000	2015 £'000
Income from Investment activities	6	<u>4,000</u>	<u>4,000</u>
Total operating income		<u>4,000</u>	<u>4,000</u>
Total operating expenses		<u>-</u>	<u>-</u>
Operating profit		<u>4,000</u>	<u>4,000</u>
Profit before tax		<u>4,000</u>	<u>4,000</u>
Tax credit	5	<u>-</u>	<u>-</u>
Profit for the year		<u><u>4,000</u></u>	<u><u>4,000</u></u>

The notes on pages 11 to 15 form an integral part of these financial statements.

All operations are continuing. There has been no other material comprehensive income or expenses in 2016 (2015: £nil).

Marks and Spencer Retail Financial Services Holdings Limited
Registered No: 2278807
Financial Statements (continued)

Statement of financial position as at 31 December 2016

	<i>Notes</i>	2016 £'000	2015 £'000
Assets			
Investments in subsidiary undertakings	7	38,100	38,100
Other assets	8	35,364	35,364
Total assets		73,464	73,464
Liabilities and equity			
Liabilities			
Total liabilities		-	-
Equity			
Called up share capital	9	67,000	67,000
Retained earnings		6,464	6,464
Total equity		73,464	73,464
Total equity and liabilities		73,464	73,464

The notes on pages 11 to 15 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 March 2017 and were signed on its behalf by:


P W Scott
Director

Marks and Spencer Retail Financial Services Holdings Limited

Financial Statements (continued)

Statement of cash flows for the year ended 31 December 2016

	<i>Notes</i>	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit before tax		4,000	4,000
		<hr/>	<hr/>
Net cash generated from operating activities		4,000	4,000
		<hr/>	<hr/>
Cash flows from financing activities			
Dividends paid		(4,000)	(4,000)
		<hr/>	<hr/>
Net cash generated from financing activities		(4,000)	(4,000)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents brought forward		-	-
		<hr/>	<hr/>
Cash and cash equivalents carried forward		-	-
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 15 form an integral part of these financial statements.

Marks and Spencer Retail Financial Services Holdings Limited

Financial Statements (continued)

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital £'000	Retained earnings £'000	Total £'000
2016			
At 1 January 2016	67,000	6,464	73,464
Profit for the year	-	4,000	4,000
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	4,000	4,000
	<hr/>	<hr/>	<hr/>
Dividends to shareholders	-	(4,000)	(4,000)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	<u>67,000</u>	<u>6,464</u>	<u>73,464</u>

	Called up share capital £'000	Retained earnings £'000	Total £'000
2015			
At 1 January 2015	67,000	6,464	73,464
Profit for the year	-	4,000	4,000
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	4,000	4,000
	<hr/>	<hr/>	<hr/>
Dividends to shareholders	-	(4,000)	(4,000)
	<hr/>	<hr/>	<hr/>
At 31 December 2015	<u>67,000</u>	<u>6,464</u>	<u>73,464</u>

The notes on pages 11 to 15 form an integral part of these financial statements.

Equity is wholly attributable to equity shareholders of Marks and Spencer Retail Financial Services Holdings Limited.

1 Basis of preparation and significant accounting policies

(a) Standards adopted during the year ended 31 December 2016

There were no new standards applied during the year ended 31 December 2016. During 2016, the Entity adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements of the Entity.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB has published a number of minor amendments to IFRSs in the 'Annual Improvements to IFRSs 2012-2014' and in a series of stand-alone amendments, one of which has not yet been endorsed for use in the EU. The Entity has not early adopted any of the amendments effective after 31 December 2016, and it expects they will have an immaterial impact, when adopted, on the financial statements of the Entity.

Major new IFRSs

The IASB has published IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases'. IFRS 9 and IFRS 15 have been endorsed for use in the EU and IFRS 16 has not yet been endorsed.

None of these are expected to have a material impact on the Entity.

(c) Presentation of information

Capital disclosures under IAS 1 'Presentation of Financial Statements' ('IAS 1') have been included in the audited sections of the 'Report of the Directors: Capital Management' on page 2.

The financial statements present information about the Entity as an individual undertaking and not about its group. The Entity is not required to prepare consolidated financial statements by virtue of the exemption conferred by Section 400 of the Companies Act 2006.

(d) Consolidated financial statements

The Entity has taken advantage of the exemption in 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 Entity has therefore prepared separate financial statements. Investments in subsidiaries are shown in Note 7, and the accounting policy is shown in Note 1 above. Note 11 provides the address where the consolidated financial statements are available.

Marks and Spencer Retail Financial Services Holdings Limited

Notes on the Financial Statements (continued)

2 Summary of significant accounting policies

(a) Segment reporting

The Entity 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.

(b) Post-employment benefit plans

The Entity's employees are members of various schemes.

The HSBC Bank (UK) Pension Scheme, which is the principal scheme, covers employees of HSBC Bank Plc and other group companies. This scheme, assets of which are held in a separate trust fund, comprises a funded defined benefit section, which is closed, and a defined contribution section, which was established on 1 July 1996 for new employees.

There is no contractual agreement or stated policy for charging the net defined benefit cost from HSBC Bank Plc to the other members of the group pension plan. Instead the Company makes a regular payment to HSBC Bank Plc, for HSBC Bank Plc to invest in the various schemes on behalf of the Company's employees. The Company has not been asked to contribute to any scheme deficit, except through amendments to its regular payments.

Full disclosure of the principal actuarial financial assumptions used to calculate the defined benefit pension plans at 31 December 2016, of which employees of the Entity are members, are disclosed in the statutory accounts of HSBC Bank Plc.

(c) Financial investments

There is no quoted market price and fair value cannot be reliably measured for the fixed asset investments held by the Entity. Therefore fixed asset investments are stated at cost less any provision for permanent diminution in value.

(d) Income from investment activities

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

3 Remuneration of Directors

None of the Directors of the Entity received any emoluments in respect of their services as Directors of the Entity (2015: £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 Entity (2015: £nil) and 3 Directors (2015: 2) are entitled to receive, and have received, shares in the ultimate parent undertaking under a long-term incentive scheme.

1 Director exercised options during the year (2015: 2).

Marks and Spencer Retail Financial Services Holdings Limited

Notes on the Financial Statements (continued)

4 Auditors' remuneration

Fees payable to auditors in relation to the Entity were £nil (2015: £nil). Fees payable to auditors in relation to the Entity's subsidiary undertakings were audit fees of £148,000 (2015: £148,000), and services relating to regulatory reviews of £100,000 (2015: £66,000).

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

5 Tax

Tax reconciliation

The tax charged to the income statement differs to the tax charge that would apply if all profits had been taxed at the UK Corporation tax rate as follows:

	2016	Percentage of overall profit before tax	2015	Percentage of overall profit before tax
	£'000		£'000	
Profit before tax	4,000		4,000	
Tax at 20.00% (2015: 20.25%)	800	20.00%	810	20.25%
Non taxable income and gains	(800)	20.00%	(810)	20.25%
Total tax charged to income statement	-	20.00%	-	20.25%

6 Dividends

The aggregate amount of dividends comprises:

	2016 £'000's	2015 £'000's
Interim dividend paid in respect of the current year	4,000	4,000
Ordinary shares		
Final and interim of £0.060 per share (2015: £0.060)	4,000	4,000

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £nil (2015: £nil)

Marks and Spencer Retail Financial Services Holdings Limited

Notes on the Financial Statements (continued)

7 Investment in subsidiary undertakings

	2016 £'000	2015 £'000
Investment in subsidiaries	<u>38,100</u>	<u>38,100</u>

Name of the subsidiary	Country of Incorporation	Interest in Equity Capital	Share Class	Registered Office
Marks and Spencer Financial Services Plc	England	100%	Ordinary	<i>Kings Meadow, Chester Business Park, Chester, Cheshire CH99 9FB, United Kingdom</i>
Marks and Spencer Unit Trust Management Limited	England	100%	Ordinary	<i>Kings Meadow, Chester Business Park, Chester, Cheshire CH99 9FB, United Kingdom</i>
Marks and Spencer Savings and Investments Limited	England	100%	Ordinary	<i>Kings Meadow, Chester Business Park, Chester, Cheshire CH99 9FB, United Kingdom</i>

8 Other assets

	2016 £'000	2015 £'000
Amounts due from fellow subsidiaries	<u>35,364</u>	<u>35,364</u>
	<u>35,364</u>	<u>35,364</u>

Amounts due from fellow subsidiary undertakings are unsecured, interest free and repayable on demand.

9 Called up share capital

Accounting policy

Financial instruments issued are generally classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

	2016 £'000	2015 £'000
Issued, allotted and fully paid up 67,000,000 Ordinary shares of £1 each As at 1 January and 31 December	<u>67,000</u>	<u>67,000</u>

Marks and Spencer Retail Financial Services Holdings Limited

Notes on the Financial Statements (continued)

10 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.

	2016	2015
	£'000	£'000
Marks and Spencer Unit Trust Management Limited		
Dividends received	4,000	4,000

The amounts (payable)/receivable at the end of the period were as follows:

	2016	2015
	£'000	£'000
Marks and Spencer Financial Services Plc	35,364	35,364

11 Parent undertakings

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:

8 Canada Square
London
E14 5HQ
www.hsbc.com

12 Events after the balance sheet date

There are no significant events after the balance sheet date.