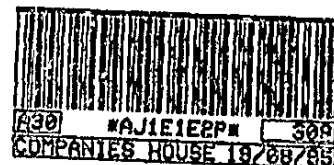


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MARKS AND SPENCER RETAIL
FINANCIAL SERVICES
HOLDINGS LIMITED
FINANCIAL STATEMENTS

31ST MARCH 1995

COMPANY REGISTRATION NUMBER 2278807



MARKS AND SPENCER
RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

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MARKS AND SPENCER
RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

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REPORT OF THE DIRECTORS

ACTIVITIES

The Company is the holding company for the financial services retailing activities of Marks and Spencer, carried out by the following subsidiaries:-

- Marks and Spencer Financial Services Limited - 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 - trades as a corporate personal equity plan manager
- Marks and Spencer Life Assurance Limited - (formerly EL Services Limited) has provided consultancy services during the period, and will trade as an authorised life assurance company from 10 May 1995.

REVIEW OF ACTIVITIES

The Year Ended 31st March 1995

The Company received a dividend of £38 million from Marks and Spencer Financial Services Limited on 28th March 1995.

During the year the Company granted two loans to EL Services Limited for a total of £38,000,000. These loans had rights of conversion to share capital.

On 28th March 1995, the Company converted one loan of £37,940,000 for 37,940,000 shares of £1 each in Marks and Spencer Life Assurance Limited.

RESULTS AND DIVIDENDS

The Company made a profit after tax of £38,001,000, which has been transferred to reserves.

DIRECTORS

The directors of the Company during the period under review were as follows:

- K Oates
- W C Colvill
- G McCracken
- L Salsbury
- M Towell

All of the directors served throughout the year.

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With the exception of Mr D M Towell, the directors holding office at 31st March 1995 are also directors of Marks & Spencer plc and as such are not required to disclose in these financial statements their interests in the shares of companies in the Marks & Spencer Group. The interests of Mr D M Towell are disclosed in note 9 on page 10.

By order of the Board



Secretary

MARKS AND SPENCER
RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

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DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The directors are obliged under company law to prepare financial statements for each financial year and to present them annually to the Company's members in Annual General Meeting.

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

The directors are also responsible for the adoption of suitable accounting policies, their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements. They are also responsible for preparing the financial statements on the going concern basis.

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 and sufficient internal controls to safeguard the assets of the Company and to prevent and detect fraud or any other irregularities.

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REPORT OF THE AUDITORS

TO THE MEMBERS OF MARKS AND SPENCER RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of affairs of the Company at 31 March 1995 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants and Registered Auditors

London

19 July 1995

MARKS AND SPENCER
RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

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For the year ended 31st March 1995

	Notes	Continuing Operations 1995 £000's	Continuing Operations 1994 £000's
Income from subsidiaries and group undertakings		45,500	-
Other income		1	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		45,501	-
Taxation on profit on ordinary activities	— 6 —	7,500	-
PROFIT FOR THE FINANCIAL YEAR		38,001	-
Retained profit brought forward		1,100	1,100
Retained profit carried forward		39,101	1,100

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RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

BALANCE SHEET

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At 31st March 1995

	Notes	1995 £000's	1994 £000's
Fixed assets			
Investments in subsidiaries	7	76,100	38,100
Current assets			
Cash at bank and in hand		1	-
Total assets		<u>76,101</u>	<u>38,100</u>
Capital and reserves			
Called up share capital	8	37,000	37,000
Profit and loss account		39,101	1,100
Total shareholders' funds		<u>76,101</u>	<u>38,100</u>

The financial statements on pages 5 to 10 were approved by the board of directors on 17th July 1995 and signed on its behalf by:



Director

MARKS AND SPENCER
RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31st March 1995

	1995 £000's	1994 £000's
Profit for the financial year	38,001	-
Total recognised gains relating to the year	38,001	-

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31st March 1995

	1995 £000's	1994 £000's
Profit for the financial year	38,001	-
Net movement in shareholders' funds	38,001	-
Opening shareholders' funds	38,100	38,100
Closing shareholders' funds	76,101	38,100

MARKS AND SPENCER
RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

1	Accounting policies	<p>The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are described below.</p> <p>Basis of accounting</p> <p>The financial statements are drawn up on the historical cost basis of accounting.</p>												
2	Cash flow statement	<p>The Company is a wholly owned subsidiary of an EC company which publishes consolidated financial statements that include a consolidated cash flow statement and therefore is not required to produce a cash flow statement.</p>												
3	Segmental reporting	<p>The Company does not operate in more than one geographical segment, or in more than one class of business.</p>												
4	Consolidated financial statements	<p>Consolidated financial statements are not prepared as the Company is a wholly owned subsidiary of another Company incorporated in Great Britain.</p>												
5	Directors' emoluments	<p>None of the directors of the Company received any emoluments in respect of their services as directors of the Company (1994 - NIL).</p>												
5	Taxation	<table> <tr> <td></td><td style="text-align: right;">1995</td><td style="text-align: right;">1994</td></tr> <tr> <td></td><td style="text-align: right;">£000's</td><td style="text-align: right;">£000's</td></tr> <tr> <td>The taxation charge comprises:</td><td></td><td></td></tr> <tr> <td>Tax credits on franked investment income</td><td style="text-align: right;">7,500</td><td style="text-align: right;">-</td></tr> </table>		1995	1994		£000's	£000's	The taxation charge comprises:			Tax credits on franked investment income	7,500	-
	1995	1994												
	£000's	£000's												
The taxation charge comprises:														
Tax credits on franked investment income	7,500	-												

MARKS AND SPENCER
RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

7 Investments in subsidiaries		1995	1994
		£000's	£000's
	Marks and Spencer Financial Services Limited	35,000	35,000
	Marks and Spencer Unit Trust Management Limited	3,000	3,000
	Marks and Spencer Savings and Investments Limited	100	100
	* Marks and Spencer Life Assurance Limited	38,000	-
		<u>76,100</u>	<u>38,100</u>

Marks and Spencer Financial Services Limited is a wholly owned subsidiary incorporated in Great Britain and registered in England and Wales. The Company provides credit and associated services.

Marks and Spencer Unit Trust Management Limited is a wholly owned subsidiary incorporated in Great Britain and registered in England and Wales. The Company trades as a unit trust manager.

Marks and Spencer Savings and Investments Limited is a wholly owned subsidiary incorporated in Great Britain and registered in England and Wales. The Company operates as a corporate personal equity plan manager.

Marks and Spencer Life Assurance Limited is a wholly owned subsidiary incorporated in Great Britain and registered in England and Wales. The Company has provided consultancy services during the period and will commence trading as an authorised Life Company from 10th May 1995.

* The investment in Marks and Spencer Life Assurance Limited includes a convertible loan of £60,000.

8 Called up share capital

	1995	1994
	£000's	£000's
Authorised share capital		
50,000,000 ordinary £1 shares	50,000	50,000
Allotted, called up and fully paid: 37,000,000 ordinary shares of £1 each	37,000	37,000

MARKS AND SPENCER
RETAIL FINANCIAL SERVICES HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

9 Directors' interests

Interests in the Marks and Spencer Group.

Ordinary shares of Marks and Spencer plc
- beneficial and family interests D M Towell

At 31st March 1994	shares	10,585
	total options	186,316
	exercisable options	63,697

Options granted	28,463
Options exercised or lapsed	66,188

At 31st March 1995	shares	13,562
	total options	148,591
	exercisable options	10,195

10 Ultimate holding company

The ultimate holding company is Marks and Spencer plc, Michael House, Baker Street, London, W1A 1DN, a company incorporated in Great Britain, and registered in England and Wales.