

MARKS AND SPENCER
SAVINGS AND INVESTMENTS LIMITED
FINANCIAL STATEMENTS

31 MARCH 1999

COMPANY REGISTRATION NUMBER 2588424



MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

INDEX

- 1-3 Report of the Directors**
- 4 Directors' Responsibilities**
- 5 Report of the Auditors**
- 6 Profit and Loss Account**
- 7 Balance Sheet**
- 8-11 Notes to the Financial Statements**

MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 March 1999.

ACTIVITIES

The Company trades and will continue to trade as a corporate personal equity plan manager. It will also offer Individual Saving Account (ISA) based share investments.

REVIEW OF ACTIVITIES

The Year Ended 31 March 1999

The company operated two personal equity plans (PEPs); a general PEP and a single company PEP. Both plans invested solely in the shares of Marks and Spencer plc. At 31 March 1999 there were 28,103 investors and the value of shares held, on a mid market basis, amounted to £108,349,000.

RESULTS AND DIVIDENDS

The Company made a loss on ordinary activities after taxation of £3,000. The directors do not recommend the payment of a dividend.

FUTURE PROSPECTS

New PEP business will cease on 5 April 1999. Marks and Spencer Savings and Investment will, however, continue to administer the existing general and single company PEPs. The Company will offer investments in ISAs.

MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

DIRECTORS

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

| | |
|------------------------------|----------------------------|
| R W C Colvill (Chairman) | |
| D M Towell (Chief Executive) | |
| J K Oates | Resigned 31 January 1999 |
| P G McCracken | Resigned 22 February 1999 |
| P L Salsbury | " " |
| I D Cordwell | Appointed 22 February 1999 |
| M Dunbar | " " |
| P S Fennell | " " |
| R I Waugh | " " |
| R Ranson (Non Executive) | " " |
| P Sellwood (Non Executive) | " " |

Mr Colvill is a director of Marks & Spencer plc and as such he is not required to disclose in these financial statements his interests in the shares of companies in the Marks & Spencer Group. The interests of Mr Towell, Mr Cordwell, Mrs Dunbar, Mr Fennell, Mr Waugh, Mr Ranson and Mr Sellwood are disclosed in note 10 on page 10.

Mr J Benfield, a director of Marks & Spencer plc, was appointed as a non executive director with effect from 20 April 1999.

YEAR 2000

The Company has assessed the risks associated with the Year 2000 problem and is committed to minimising any adverse impact of these on the business. To achieve this the Company established a project in 1997 to check the compliance of the Company and its suppliers, which is progressing according to plan. The activities covered by the project include to:

- a) check and modify, where necessary, all computer systems used by the Company;
- b) identify where the Company may be vulnerable to problems which could arise from embedded chips, and check and modify, where appropriate;
- c) contact all suppliers to ensure that they are addressing the issues satisfactorily;
- d) prepare and test contingency plans

The compliance programme covers all companies in the Marks and Spencer Financial Services Group ('the Group')* and total costs, including internal costs and replacement expenditure, for the Group are estimated at £1.4 million. Of this, £1 million had been incurred across the Group by 31st March 1999.

* The Marks and Spencer Financial Services Group comprises Marks and Spencer Retail Financial Services Holdings Limited, Marks and Spencer Financial Services Limited, Marks and Spencer Unit Trust Management Limited, Marks and Spencer Savings and Investments Limited and Marks and Spencer Life Assurance Limited.

MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

ECONOMIC AND MONETARY UNION

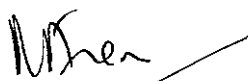
The Company completed an impact analysis in 1998, which identified the changes required in the business to accommodate the introduction of the euro, both in its initial phase, which excludes the United Kingdom, and for possible United Kingdom entry in the future.

Expenditure in the current year for the Group in preparation for the first phase is immaterial. Future costs are estimated at £3.1 million for the Group, should the United Kingdom enter EMU.

AUDITORS

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm PricewaterhouseCoopers as auditors.

By order of the Board



RJ Ivens
Secretary

MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

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 or loss for that period, and they must comply with applicable accounting standards.

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. 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.

MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

We have audited the financial statements on pages 6 to 11, which have been prepared in accordance with the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 4 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 the company's affairs at 31 March 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London

30 April 1999

MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1999

| | Notes | Continuing Operations 1999 £000 | Continuing Operations 1998 £000 |
|---|--------------|--|--|
| Turnover | | 59 | 59 |
| Administrative expenses | | 64 | 57 |
| | | <hr/> | <hr/> |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | (5) | 2 |
| Taxation on ordinary activities | 7 | (2) | - |
| | | <hr/> | <hr/> |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | (3) | 2 |
| RETAINED PROFIT BROUGHT FORWARD | | 80 | 78 |
| | | <hr/> | <hr/> |
| RETAINED PROFIT CARRIED FORWARD | | 77 | 80 |
| | | <hr/> | <hr/> |

The Company has no other recognised gains or losses other than the loss for the year.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalent.

MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

BALANCE SHEET

At 31 March 1999

| | Notes | 1999 £000 | 1998 £000 |
|--|-------|--------------|--------------|
| Current assets | | | |
| Debtors | 8 | 305 | 103 |
| Cash at bank and in hand | | 62 | 92 |
| | | <hr/> | <hr/> |
| | | 367 | 195 |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 9 | 190 | 15 |
| | | <hr/> | <hr/> |
| Net assets | | 177 | 180 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 11 | 100 | 100 |
| Profit and loss account | | 77 | 80 |
| | | <hr/> | <hr/> |
| Total equity shareholders' funds | 12 | 177 | 180 |
| | | <hr/> | <hr/> |

The financial statements on pages 6 to 11 were approved by the board of directors on 28 April 1999 and signed on its behalf by:



D M Towell
Director

MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and with applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are described below.

Basis of accounting

The financial statements are drawn up on the historical cost basis of accounting.

Turnover represents fees charged to Marks and Spencer plc for administration of the corporate personal equity plans.

2 Cash flow statement

The Company is a wholly owned subsidiary of an EU company which publishes consolidated financial statements that include a consolidated cash flow statement and therefore is not required to produce a cash flow statement itself.

3 Segmental reporting

The Company does not operate in more than one geographical segment, or in more than one class of business, based on the location of the office in the UK.

4 Staff costs

Staff costs recharged by Marks and Spencer Unit Trust Management Limited by way of a management charge were:

| | 1999 | 1998 |
|-----------------------|-------------|-------------|
| | £000 | £000 |
| Wages and salaries | 41 | 34 |
| Social security costs | 3 | 2 |
| Other pension costs | 6 | 5 |
| | <hr/> | <hr/> |
| | 50 | 41 |
| | <hr/> | <hr/> |

The average monthly number of employees recharged by Marks and Spencer Unit Trust Management Limited was:-

| | 1999 | 1998 |
|-----------|-------------|-------------|
| Full time | 3 | 3 |

5 Directors' emoluments

None of the directors of the Company received any emoluments in respect of their services as directors of the Company (1998: - NIL)

MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6 Profit on ordinary activities before taxation

| | 1999 £000 | 1998 £000 |
|--|--------------|--------------|
|--|--------------|--------------|

Profit is stated after charging:

| | | |
|-----------|---|---|
| Audit fee | 3 | 4 |
|-----------|---|---|

Non-audit fees paid to PricewaterhouseCoopers during the year were £8,000 (1998: £8,000 payable to Coopers & Lybrand).

7 Taxation

| | 1999 £000 | 1998 £000 |
|--|--------------|--------------|
|--|--------------|--------------|

The taxation charge comprises:

| | | |
|------------------------------------|-----|---|
| Amount receivable for group relief | (2) | - |
|------------------------------------|-----|---|

8 Debtors

| | 1999 £000 | 1998 £000 |
|--|--------------|--------------|
|--|--------------|--------------|

| | | |
|--|-----|-----|
| Amounts receivable from fellow subsidiary undertakings | 100 | 103 |
|--|-----|-----|

| | | |
|---------------|-----|---|
| Other debtors | 205 | - |
|---------------|-----|---|

| | | |
|--|-----|-----|
| | 305 | 103 |
|--|-----|-----|

All debtors are falling due within one year. Amounts receivable from fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayment.

9 Creditors

| | 1999 £000 | 1998 £000 |
|--|--------------|--------------|
|--|--------------|--------------|

Amounts falling due within one year:

| | | |
|--|-----|---|
| Amounts owed to fellow subsidiary undertakings | 179 | - |
|--|-----|---|

| | | |
|-----------------|---|---|
| Other creditors | - | 3 |
|-----------------|---|---|

| | | |
|----------|----|----|
| Accruals | 11 | 12 |
|----------|----|----|

| | | |
|--|-----|----|
| | 190 | 15 |
|--|-----|----|

Amounts owed to fellow subsidiary undertakings are unsecured, interest free and repayable on demand.

MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 Directors' interests Interests in the Marks and Spencer Group.

Ordinary shares of Marks and Spencer plc
- beneficial and family interests.

| | D M Towell | I D Cordwell | M Dunbar | P S Fennell |
|--------------------------------|-------------------|---------------------|------------------|--------------------|
| | Number | Number | Number | Number |
| At 1 April 1998* | | | | |
| shares | 8,514 | 1,300 | 7,882 | - |
| total options | 174,418 | 67,648 | 65,304 | - |
| exercisable options | 15,136 | - | 1,572 | - |
| Options granted | 54,930 | - | - | - |
| Options exercised or lapsed | 9,825 | - | - | - |
| At 31 March 1999 | | | | |
| shares | 20,988 | 1,300 | 7,889 | - |
| total options | 219,523 | 67,648 | 65,304 | - |
| exercisable options | 35,959 | - | 1,572 | - |
| | R I Waugh | PHG Sellwood | RH Ranson | |
| | Number | Number | Number | |
| At 1 April 1998* | | | | |
| shares | 2,961 | 38,723 | 4,684 | |
| total options | 77,645 | 248,795 | - | |
| exercisable options | - | 99,032 | - | |
| Options granted | - | - | - | |
| Options exercised or lapsed | - | - | - | |
| At 31 March 1999 | | | | |
| shares | 2,961 | 38,723 | 4,684 | |
| total options | 77,645 | 248,795 | - | |
| exercisable options | - | 99,032 | - | |

* or date of appointment (22 February 1999)

MARKS AND SPENCER SAVINGS AND INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 Called up share capital

| | 1999 £000 | 1998 £000 |
|---|----------------------|----------------------|
| Authorised share capital: 950,000 ordinary £1 shares | <u>950</u> | <u>950</u> |
| | | |
| Allotted, called up and fully paid: 100,000 ordinary shares of £1 each | <u>100</u> | <u>100</u> |

12 Reconciliation of movements in shareholders' funds

| | 1999 £000 | 1998 £000 |
|--------------------------------------|----------------------|----------------------|
| (Loss)/profit for the financial year | <u>(3)</u> | <u>2</u> |
| Net movement in shareholders' funds | (3) | 2 |
| | | |
| Opening equity shareholders' funds | <u>180</u> | <u>178</u> |
| Closing equity shareholders' funds | <u>177</u> | <u>180</u> |

13 Ultimate holding company

The ultimate parent undertaking and controlling party is Marks and Spencer plc, a company incorporated in Great Britain, and registered in England and Wales.

Accounts are available from the Company Secretary at Michael House, Baker Street, London, W1A 1DN.

14 Related party disclosures

The Company has taken advantage of the exemption under Section 3c of Financial Reporting Standard 8 not to disclose any transactions with entities that are 90% or more owned within the same group.
