

**SPENCER COMMERCIAL
PROPERTY PLC AND ITS
SUBSIDIARIES**

**(FORMERLY SPENCER
HOLDINGS PLC)**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 MARCH 2005**

COMPANY NUMBER: 1204931



SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

(FORMERLY SPENCER HOLDINGS PLC)

FINANCIAL STATEMENTS

for the year ended 31 March 2005

Company registration number: 1204931

Registered office: Spencer House
Millbrook Business Park
Mill Lane
Rainford
St. Helens
WA11 8LZ

Directors: J D Spencer
J E Silcock
M A Johnson
K M Spencer BA(Hons)
F F Wilson FCA
JE Ashworth MRICS
MT Atherton MRICS
MA Braithwaite

Secretary: F F Wilson FCA

Bankers: Bank of Scotland plc
1st Floor 8 Princes Parade
Princes Dock
Liverpool
L13 1DL

Solicitors: DLA
India Buildings
Water Street
Liverpool
L2 0NH

Auditors: Baker Tilly
Registered Auditors
Chartered Accountants
Number One Old Hall Street
Liverpool
L3 9SX

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SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

(FORMERLY SPENCER HOLDINGS PLC)

CHAIRMAN'S REPORT

I am proud and pleased to report that the group has, once again, achieved record growth and profitability in this our 31st year of operation.

The property portfolio has grown in size to 53 estates and a total of 404 tenants and with tenanted space rising by 33% from 1,528,626 square feet to 2,037,604 square feet.

Turnover for the Group increased by 41% to £6.995 million and pre-tax profits increased by 16.5% to £2.1 million in the year to 31 March 2005.

The Group has spent £21 million on twelve new properties in the year compared with three in 2004. This increase has been made possible by substantial new borrowing facilities from Bank of Scotland and by the increased levels of staff employed specifically to manage the planned rapid growth of the Group. As our sole lender the Bank of Scotland remain a vital source of support and encouragement and demonstrate an invaluable knowledge of the commercial property market. This support has helped the strong and steady growth of our business to its present levels.

In spite of some softening in the rental market we have continued to manage our overall void rate and kept it to an acceptably low figure. Recent evidence suggests that the market is now recovering to its previously buoyant levels.

As I pointed out last year the investment market in commercial property continues to experience strong demand and this makes the acquisition of new properties, at suitably attractive yields, a difficult and time-consuming process. However, we have increased the resources committed to new investment and have managed to find suitable new properties in a difficult market. We have also widened our opportunities by acquiring some properties for refurbishment and by creating a number of exciting new build projects. A prime example of our acquisition of refurbishment opportunities is the 7.5 acre site in Huyton, Merseyside due for completion in January 2006. There has already been substantial interest from prospective tenants and a major prelet is close to signature. The site was completely void at acquisition but will have over 160,000 square feet of lettable space on completion.

Current trading remains buoyant and the recent reduction in interest rates is an encouraging sign for our continued expansion plans. We always practise good housekeeping with bad debts and voids kept to an absolute minimum making future prospects for the Group appear very positive.

Once again, the hard work and dedication of staff and Directors have played a crucial part in our continued success and I would like to take this opportunity to thank them all for their excellent contributions to this year's results and look forward to their continued support for the future.

In June 2005 Chris Hughes was appointed a Director of the Parent company with responsibility for property acquisition and development. Chris, a Chartered Surveyor, has extensive experience with the public development agencies and his expertise in this area will greatly add to the Group's overall expertise and we are very pleased to welcome him to the Board.



James D. Spencer
Chairman

31 Oct. 2005

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

(FORMERLY SPENCER HOLDINGS PLC)

REPORT OF THE DIRECTORS

The directors present their report together with the financial statements for the year ended 31 March 2005.

Principal activity

The group is principally engaged in dealing in and the letting of industrial and other properties.

Business review

There was a profit for the year before taxation amounting to £2,098,066 (2004: £1,800,226). The directors have approved dividends amounting to £250,000 of which £15,000 has been paid in the year (2004: £125,000). The profit for the year after taxation and dividends is £1,278,145 (2004: £1,702,528), which is added to reserves.

Change of name

A special resolution was passed on 15 March 2005 changing the company's name from Spencer Holdings Plc to Spencer Commercial Property Plc.

Directors

The directors who held office during the year are listed below.

The interests of the directors in the shares of the company as at 1 April 2004 and 31 March 2005 were as follows:

	Ordinary shares of £1 each	
	2005	2004
J D Spencer (Chairman)	75	10,060
J E Silcock	12,575	10,060
M A Johnson	12,575	10,060
K M Spencer BA(Hons)	12,575	10,060
F F Wilson FCA	-	-
JE Ashworth MRICS	-	-
MT Atherton MRICS	-	-
MA Braithwaite MRICS (appointed 8 June 2004)	-	-

J D Spencer and FF Wilson have a non-beneficial interest in 12,575 Ordinary £1 shares.

In accordance with the Memorandum and Articles of Association KM Spencer retires as a director by rotation and MA Braithwaite retires following his appointment during the year and being eligible offer themselves for re-election.

No director had, during or at the end of the year, any material interest in the shares of any other subsidiary company.

Third party indemnity provision for the benefit of the directors was in force during the financial year.

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

(FORMERLY SPENCER HOLDINGS PLC)

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Payment policy for creditors

The group's policy is to settle all agreed liabilities within the terms established with the suppliers. At 31 March 2005 there were 37 days purchases (2004: 42 days) outstanding in respect of the group's trade creditors.

Fixed assets

Movements on fixed assets are detailed at note 7 to these financial statements.

The market value of the group's investment properties is £58,714,748, in comparison to a historic cost value of £51,095,598.

Charitable donations

Donations to charitable organisations amounted to £7,300 (2004: £2,300).

Purchase of own shares

During the year, 12,500 shares with a nominal value of £12,500 were purchased for £1.7m. At this time this made up 19.88% of the total called up share capital.

Bonus issue

There was a 1 for 5 bonus issue of shares during the year. In total there were 12,575 £1 ordinary shares issued.

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

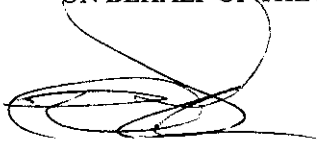
(FORMERLY SPENCER HOLDINGS PLC)

REPORT OF THE DIRECTORS

Auditors

Baker Tilly offer themselves for reappointment as auditors in accordance with the Companies Act 1985.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'J D Spencer', written over a horizontal line.

J D Spencer
Director
31 oct. 2005

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

We have audited the financial statements on pages 5 to 21.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom accounting standards are set out in the Directors' Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the group 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 transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the contents of pages 1 to 14 of the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

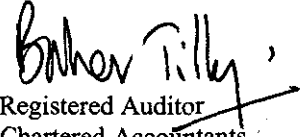
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 and the group at 31 March 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Registered Auditor
Chartered Accountants
Number One Old Hall Street
Liverpool L3 9SX
31 Oct. 2005

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

(FORMERLY SPENCER HOLDINGS PLC)

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and of its subsidiaries (see note 8). All intra-group profits are eliminated on consolidation.

TURNOVER

Turnover is the total amount receivable by the group in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT and trade discounts. Turnover also includes rents receivable from property and is recognised on an accruals basis.

FIXED ASSET INVESTMENT

The investment in the subsidiaries undertakings are stated at cost.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation aims to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land over their expected useful lives. The rates generally applicable are:

Motor vehicles	25% reducing balance
Fixtures and equipment	25% reducing balance
Computers	33% on cost

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

(FORMERLY SPENCER HOLDINGS PLC)

PRINCIPAL ACCOUNTING POLICIES

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as in the financial statements that arise from the gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a discounted basis.

INVESTMENT PROPERTIES

Investment properties are included in the financial statements at open market values, based on the latest professional valuation. Any surplus or deficit arising is transferred to the revaluation reserve, unless a deficit is expected to be permanent, in which case it is charged to profit and loss account.

In accordance with SSAP 19, no depreciation is provided in respect of freehold or long leasehold properties. This is a departure from the Companies Act 1985, which requires all properties to be depreciated. However, the directors consider that this departure from the statutory accounting rules is necessary for the financial statements to give a true and fair view. Depreciation is only one of many factors reflected in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified.

CONTRIBUTIONS TO PENSION SCHEMES

A self-administered pension scheme exists for the benefit of certain directors of the group. The contributions made by the group to the scheme are charged to the profit and loss account and made on the recommendation of the actuary.

GOVERNMENT GRANTS

Government and other grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets.

Grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES**(FORMERLY SPENCER HOLDINGS PLC)****CONSOLIDATED PROFIT AND LOSS ACCOUNT**

for the year ended 31 March 2005

	Note	2005 £	2004 £
Turnover	1	6,995,000	4,969,567
Cost of sales		(1,466,951)	(509,569)
Administrative expenses		<u>(1,054,147)</u>	<u>(955,748)</u>
Operating profit		4,473,902	3,504,250
Interest receivable		22,173	20,906
Interest payable	2	<u>(2,398,009)</u>	<u>(1,724,930)</u>
Profit on ordinary activities before taxation	1	2,098,066	1,800,226
Taxation	4	<u>(569,921)</u>	<u>27,302</u>
Profit on ordinary activities after taxation		1,528,145	1,827,528
Dividends	6	(250,000)	(125,000)
Profit for the financial year	15	<u>1,278,145</u>	<u>1,702,528</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2005

	Note	2005 £	2004 £
Profit for the financial year	15	1,278,145	1,702,528
Unrealised surplus on revaluation of investment properties	15	-	6,474,944
Total recognised gains and losses relating to the financial year		<u>1,278,145</u>	<u>8,177,472</u>

All operations are continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

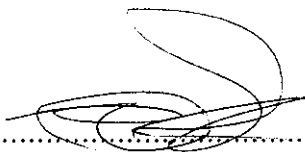
(FORMERLY SPENCER HOLDINGS PLC)

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2005

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets	7		58,907,527		37,837,963
Current assets					
Stocks	10	10,705,638		11,366,501	
Debtors	11	1,450,241		362,978	
Cash at bank and in hand		476,238		-	
		12,632,117		11,729,479	
Creditors: amounts falling due within one year	12	(6,609,575)		(3,615,415)	
Net current assets			6,022,542		8,114,064
Total assets less current liabilities			64,930,069		45,952,027
Creditors: amounts falling due after more than one year	13	(52,095,056)		(33,234,360)	
Provisions for liabilities and charges	14	(562,826)		-	
			12,272,187		12,717,667
Capital and reserves					
Called up share capital	15		50,375		50,300
Capital redemption reserve			12,500		-
Profit and loss account	15		4,590,161		5,048,216
Revaluation reserve	15		7,619,151		7,619,151
Shareholders' funds	15		12,272,187		12,717,667

The financial statements were approved by the Board of Directors on 31 Oct. 2005.

J D Spencer



Director

The accompanying accounting policies and notes form an integral part of these financial statements.

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

(FORMERLY SPENCER HOLDINGS PLC)

COMPANY BALANCE SHEET AT 31 MARCH 2005

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets	7		224,850		177,956
Investments	9		14,506		500
			<u>239,356</u>		<u>178,456</u>
Current assets					
Stocks	10	10,705,638		11,366,501	
Debtors	11	6,554,757		5,799,090	
Cash at bank		-		-	
			<u>17,260,395</u>	<u>17,165,591</u>	
Creditors: amounts falling due Within one year	12	<u>(2,990,681)</u>		<u>(1,753,309)</u>	
Net current assets			<u>14,269,714</u>		<u>15,412,282</u>
Total assets less current liabilities			<u>14,509,070</u>		<u>15,590,738</u>
Creditors: amounts falling due after more than one year	13		(12,614,042)		(12,409,555)
Provision for liabilities and charges	14		<u>(19,469)</u>		<u>-</u>
			<u>1,875,559</u>		<u>3,181,183</u>
Capital and reserves					
Called up share capital	15		50,375		50,300
Share capital redemption reserve			12,500		-
Profit and loss account	15		<u>1,812,684</u>		<u>3,130,883</u>
Shareholders' funds	15		<u>1,875,559</u>		<u>3,181,183</u>

The financial statements were approved by the Board of Directors on 31 Oct . 2005.

J D Spencer  Director

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

(FORMERLY SPENCER HOLDINGS PLC)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2005

	Note	2005 £	2005 £	2004 £	2004 £
Net cash inflow from operating Activities	16		4,225,784		3,727,873
Returns on investments and servicing of finance					
Interest received		22,173		20,906	
Interest paid		<u>(2,125,276)</u>		<u>(1,651,359)</u>	
Net cash outflow from returns on investments and servicing of finance			(2,103,103)		(1,630,453)
Taxation			33,590		(429,954)
Capital expenditure and financial Investment					
Purchase of tangible fixed assets		(21,161,168)		(7,581,741)	
Proceeds from sale of tangible fixed assets		<u>11,000</u>		<u>-</u>	
Net cash outflow from capital expenditure and financial investment			(21,150,168)		(7,581,741)
Equity dividends paid			<u>(15,000)</u>		<u>(125,000)</u>
Net cash outflow before financing			(18,978,897)		(6,039,275)
Financing					
Repurchase of own shares		(1,723,625)		-	
New bank loan		22,518,159		4,746,600	
Pension scheme loan		(216,666)		(30,782)	
Loan repayments		(270,952)		(541,908)	
Finance leases		<u>(2,500)</u>		<u>(10,000)</u>	
Net cash inflow from financing			20,304,416		4,163,910
Increase/(decrease) in cash	17		<u>1,325,519</u>		<u>(1,875,365)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

(FORMERLY SPENCER HOLDINGS PLC)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The group's turnover and profit before taxation were all derived from its principal activities and all arose in the United Kingdom.

The group profit on ordinary activities before taxation is stated after:

	2005 £	2004 £
Auditors' remuneration		
Audit services	16,071	13,050
Non-audit services	24,244	18,781
Operating lease payments – other	2,500	11,224
Depreciation	<u>80,604</u>	<u>60,603</u>

2 INTEREST PAYABLE AND SIMILAR CHARGES

The Group

	2005 £	2004 £
On bank loans, overdrafts and other loans:		
Repayable within five years, otherwise than by instalments	2,397,704	1,723,707
Finance charges in respect of finance leases	305	1,223
	<u>2,398,009</u>	<u>1,724,930</u>

3 DIRECTORS AND EMPLOYEES

The Group

Staff costs during the year were as follows:

	2005 £	2004 £
Wages and salaries	583,476	516,752
Social security costs	69,754	55,991
Pension costs	33,250	-
	<u>686,480</u>	<u>572,743</u>
Average number of employees	<u>15</u>	<u>12</u>

DIRECTORS AND EMPLOYEES

Staff costs include remuneration in respect of directors, as follows:

	2005 £	2004 £
Management remuneration	<u>444,584</u>	<u>353,500</u>

The emoluments of the highest paid director were £130,000 (2004: £160,000).

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

(FORMERLY SPENCER HOLDINGS PLC)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The Group

The tax charge is based on the profit for the year and represents:

	2005 £	2004 £
Corporation tax at 30% (2004: 30%)	64,007	248,000
Adjustment in respect of earlier years	(56,912)	(275,302)
	<u>7,095</u>	<u>(27,302)</u>
Deferred tax origination and reversal of timing differences	562,826	-
	<u>569,921</u>	<u>(27,302)</u>
	2005 £	2004 £
Reconciliation of tax charge:		
Profit on ordinary activities before tax	2,098,066	1,800,226
	<u>629,420</u>	<u>540,068</u>
Tax at standard rate of 30% (2004: 30%)		
<i>Factors affecting tax charge for the year:</i>		
Expenses not deductible for tax purposes	5,220	19,115
Small companies relief		(8,891)
Capital allowances	(154,141)	(94,406)
Depreciation	22,440	18,190
Industrial buildings allowances	(242,550)	(226,076)
Group relief	(42,479)	-
Marginal rate relief	(153,903)	-
	<u>64,007</u>	<u>248,000</u>

Close company legislation

The company is a close company as defined by Section 414 of the Income and Corporation Taxes Act, 1988.

The directors are of the opinion that the income of none of the companies in the group of which Spencer Commercial Property PLC is the parent company falls to be apportioned under the provisions of Sections 423-430 of Schedule 19 to the Income and Corporation Taxes Act, 1988.

5 BASIS OF CONSOLIDATION AND PROFIT FOR THE FINANCIAL YEAR

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group profit for the year includes £418,000 (2004: £400,559) which is dealt with in the financial statements of the company.

6 DIVIDENDS

The Group

	2005 £	2004 £
Dividends paid: £2.48p per Ordinary £1 shares (2004: £2.49p)	15,000	125,000
Dividends proposed	<u>235,000</u>	<u>-</u>
	<u>250,000</u>	<u>125,000</u>

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

(FORMERLY SPENCER HOLDINGS PLC)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

7

TANGIBLE FIXED ASSETS

The Group

	Freehold Property £	Property under construction £	Freehold investment property £	Leasehold investment property £	Motor vehicles £	Fixtures equipment and computers £	Total £
Cost							
At 1 April 2004	312,400	-	27,635,767	9,760,000	57,774	213,994	37,979,935
Additions	-	457,427	14,422,056	6,127,098	122,704	31,883	21,161,168
Transfers	-	(457,427)	422,077	35,350	-	-	-
Disposals	-	-	-	-	(48,500)	-	(48,500)
At 31 March 2005	<u>312,400</u>	<u>-</u>	<u>42,479,900</u>	<u>15,922,448</u>	<u>131,978</u>	<u>245,877</u>	<u>59,092,603</u>
Depreciation							
At 1 April 2004	-	-	-	-	24,577	117,395	141,972
Provided in the year	-	-	-	-	22,555	58,049	80,604
Disposals	-	-	-	-	(37,500)	-	(37,500)
At 31 March 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,632</u>	<u>175,444</u>	<u>185,076</u>
Net book amount							
At 31 March 2005	<u>312,400</u>	<u>-</u>	<u>42,479,900</u>	<u>15,922,448</u>	<u>122,346</u>	<u>70,433</u>	<u>58,907,527</u>
Net book amount							
At 1 April 2004	<u>312,400</u>	<u>-</u>	<u>27,635,767</u>	<u>9,760,000</u>	<u>33,197</u>	<u>96,599</u>	<u>37,837,963</u>

The historic cost of the group's investment properties is £51,095,598 (2004: £30,089,016)

The investment properties were fully valued at market value by an external valuer DTZ Debenham The Leung International Property advisers at 31 March 2004. The directors have not updated the valuation because they are not aware of any material change in value.

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

(FORMERLY SPENCER HOLDINGS PLC)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

TANGIBLE FIXED ASSETS (CONTINUED)

The Company

	Investment property £	Fixtures and equipment £	Motor vehicles £	Computers £	Total £
Cost					
At 1 April 2004	50,667	110,242	57,775	100,408	319,092
Additions	-	7,214	100,415	24,669	132,298
Disposals	-	-	(48,500)	-	(48,500)
At 31 March 2005	<u>50,667</u>	<u>117,456</u>	<u>109,690</u>	<u>125,077</u>	<u>402,890</u>
Depreciation					
At 1 April 2004	-	54,542	24,577	62,017	141,136
Provided in the year	-	15,728	16,983	41,693	74,404
Eliminated on disposal	-	-	(37,500)	-	(37,500)
At 31 March 2005	<u>-</u>	<u>70,270</u>	<u>4,060</u>	<u>103,710</u>	<u>178,040</u>
Net book amount					
At 31 March 2005	<u>50,667</u>	<u>47,186</u>	<u>105,630</u>	<u>21,367</u>	<u>224,850</u>
Net book amount					
At 1 April 2004	<u>50,667</u>	<u>55,700</u>	<u>33,198</u>	<u>38,391</u>	<u>177,956</u>

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Motor vehicles £
Net book amount at 31 March 2005	<u>0</u>
Net book amount at 31 March 2004	<u>26,243</u>
Depreciation provided in the year	<u>16,983</u>

Finance lease repayments are due as follows:

	2005 £	2004 £
Due within one year	-	2,806
Between one and two years	-	-
	<u>-</u>	<u>2,806</u>
Less: Interest	-	(306)
	<u>-</u>	<u>2,500</u>

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

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8 SUBSIDIARY COMPANIES

	2005 £	2004 £
Shares at cost	<u>14,506</u>	<u>500</u>

At 31 March 2005 the subsidiaries were:

Subsidiary	Nature of business	Class	Number of shares	% owned by ultimate parent undertaking
Spencer Industrial Estates Ltd.	Investment property	Ord £1 shares	100	100%
Spencer Business Parks Ltd	Investment property	Ord £1 shares	100	100%
Spencer Trading Company Ltd.	Investment property	Ord £1 shares	100	100%
Spencer Trade Counters Ltd	Property management	Ord £1 shares	100	100%
Spencer Commercial Developments Ltd.	Property management	Ord £1 shares	100	100%
Broomco (3707) Ltd	Investment property	Ord £1 shares	1	100%
Spencer Holdings Spain SL	Investment property	Ord 1 Euro	20,000	100%

At 31 March 2005 the aggregate capital and reserves were £10,396,628 (2004: £9,537,417) and the profit for the financial year on that date was £860,144 (2004: £1,301,970).

The above companies are registered in England and Wales, with the exception of Spencer Holding Spain SL Whian is registered in Spain.

9 FIXED ASSETS INVESTMENTS

	The Company £
Cost	
At 31 March 2004	500
Additions in the year	14,006
At 31 March 2005	<u>14,506</u>
Amounts written off	
At 1 April 2004	-
Amounts written off in the year	-
Amounts written of at 31 March 2005	<u>-</u>
Net book amount at 31 March 2005	<u>14,506</u>
Net book amount at 1 April 2004	<u>500</u>

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for the year ended 31 March 2005

10 STOCK**The Group and the Company**

	2005	2004
	£	£
Dealing stock	<u>10,705,638</u>	<u>11,366,501</u>

11 DEBTORS

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	251,802	100,448	62,926	31,639
Other debtors	497,522	-	11,048	-
Prepayments and accrued income	388,142	262,530	307,867	169,095
Other taxation and Social Security	312,775	-	-	34,558
Amount due from subsidiary undertakings	-	-	6,172,916	5,563,798
	<u>1,450,241</u>	<u>362,978</u>	<u>6,554,757</u>	<u>5,799,090</u>

The amount due from subsidiary undertakings in the company's accounts falls due after more than one year.

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdraft	2,612,441	1,925,157	137,249	836,268
Trade creditors	543,107	466,354	136,641	110,996
Accruals	924,491	445,493	272,438	175,814
Current taxation	94,129	53,444	48,845	-
Other taxes and social security costs	110,368	170,160	70,469	75,424
Other creditors	440,092	450,092	440,092	450,092
Directors' current accounts	1,649,947	85,548	1,649,947	85,548
Amount due to company pension fund	-	16,667	-	16,667
Amounts due under finance leases	-	2,500	-	2,500
Dividends payable	235,000	-	235,000	-
	<u>6,609,575</u>	<u>3,615,415</u>	<u>2,990,681</u>	<u>1,753,309</u>

The bank loans and overdraft are secured by a fixed charge on certain of the group's tangible assets and stocks.

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for the year ended 31 March 2005

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans (secured)	52,095,056	33,017,694	12,613,842	12,192,889
Amounts due to subsidiary undertakings	-	-	200	-
Amount due to company pension fund	-	216,666	-	216,666
	<u>52,095,056</u>	<u>33,234,360</u>	<u>12,614,042</u>	<u>12,409,555</u>

Borrowings are repayable as follows:

	2005	2004	2005	2004
	£	£	£	£
<i>Within one year:</i>				
Bank loans and overdraft	2,612,441	1,925,157	137,249	836,268
Finance leases	-	2,500	-	2,500
Company pension fund loan	-	16,667	-	16,667
<i>Between one and two years:</i>				
Bank loans	1,060,655	1,609,845	256,818	541,907
Company pension fund loan	-	16,667	-	16,667
<i>Between two and five years:</i>				
Bank loans	7,939,287	5,502,949	1,922,349	2,032,148
Company pension fund loan	-	50,000	-	50,000
<i>Over five years:</i>				
Bank loans	43,095,114	25,904,900	10,434,675	9,618,834
Company pension fund loan	-	149,999	-	149,999
Amounts due to subsidiary undertakings	-	-	200	-
	<u>54,707,497</u>	<u>35,178,684</u>	<u>12,751,291</u>	<u>13,264,990</u>

The loans from Bank of Scotland are repayable on structured repayment terms over 15 years from October 2006. Interest is payable at 1.25% over LIBOR with the loan interest capped at 6.5%.

The loans are secured by a fixed charge on the company's stocks and the subsidiary companies' investment properties.

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

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for the year ended 31 March 2005

14 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Corporation tax deferred by accelerated capital allowances	789,355	-	33,289	-
<i>Undiscounted provision for deferred tax</i>	<i>789,355</i>		<i>33,289</i>	
Discount	(226,529)	-	(13,820)	-
<i>Discounted provision for deferred tax</i>	<i>562,826</i>		<i>19,469</i>	
Provision at 1 April	-	-	-	-
Deferred tax charge (Note 3)	562,826	-	19,469	-
Provision at 31 March	562,826	-	19,469	-

15 SHAREHOLDERS' FUNDS

The Group

	Total	Share Capital	Profit and loss	Revaluation reserve	Capital redemption reserve
	£	£	£	£	£
At 31 March 2004	12,717,667	50,300	5,048,216	7,619,151	-
Bonus Issue of shares	-	12,575	(12,575)	-	-
Purchase of own shares	(1,723,625)	(12,500)	(1,723,625)	-	12,500
Profit for the year	1,278,145	-	1,278,145	-	-
	12,272,187	50,375	4,590,161	7,619,151	12,500

The Company

	Total	Share Capital	Profit and loss	Revaluation reserve	Capital redemption reserve
	£	£	£	£	£
At 31 March 2004	3,181,183	50,300	3,130,883	-	-
Bonus Issue of shares	-	12,575	(12,575)	-	-
Purchase of own shares	(1,723,624)	(12,500)	(1,723,624)	-	12,500
Profit for the year	418,000	-	418,000	-	-
	1,875,559	50,375	1,812,684	-	12,500

The authorised share capital consists of 60,000 £1 ordinary shares, of which 50,375 are allotted, called up and fully paid.

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

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16 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**The Group**

	2005 £	2004 £
Operating profit	4,473,902	3,504,250
Depreciation	80,604	60,603
Decrease/(increase) in stocks	660,863	(140,233)
(Increase)/decrease in debtors	(1,087,263)	237,815
Increase in creditors	127,678	65,438
Net cash inflow from operating activities	<u>4,255,784</u>	<u>3,727,873</u>

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005 £	2004 £
Increase/ (decrease) in cash in the year	1,325,519	(1,875,365)
Cash inflow from financing	(22,030,541)	(4,173,910)
Cash outflow from finance leases	2,500	10,000
Movement in net debt in the year	<u>(20,702,522)</u>	<u>(6,039,275)</u>
Net debt at 1 April 2003	<u>(35,178,684)</u>	<u>(29,139,409)</u>
Net debt at 31 March 2004	<u>(55,881,206)</u>	<u>(35,178,684)</u>

18 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2004 £	Cash flow £	At 31 March 2005 £
Cash in hand and in bank	-	476,238	476,238
Overdraft	(849,281)	849,281	-
	<u>(849,281)</u>	1,325,519	476,238
Debt	(34,326,903)	(22,030,541)	(56,357,444)
Finance leases	(2,500)	2,500	-
	<u>(35,178,684)</u>	<u>(20,702,522)</u>	<u>(55,881,206)</u>

SPENCER COMMERCIAL PROPERTY PLC AND ITS SUBSIDIARIES

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19 CAPITAL COMMITMENTS

Capital commitments for which no provision has been made in these accounts amount to:

	The Group		The Company	
	2005	2004	2005	2004
	£	£	£	£
Authorised and contracted	-	1,575,633	-	-
Authorised and not contracted	-	-	-	-

20 CONTINGENT LIABILITIES

The group is in receipt of an ERDF grant relating to an investment property. Certain conditions attach to the grant which if not adhered to require the group to repay the grant. At 31 March 2005 the group had received a grant of £440,092.

21 RELATED PARTY TRANSACTIONS

Spencer Commercial Property PLC

The group received a management charge amounting to £Nil (2004: £50,000) from the Spencer Holdings Plc Pension Scheme, of which scheme certain directors are trustees. At 31 March 2005 the company owed the pension scheme £Nil (2004: £233,333).

Transactions between Spencer Commercial Property Plc and its subsidiary undertakings are exempt from disclosure requirements on the grounds that greater than 90% of the subsidiaries' voting rights are controlled within the group and consolidated accounts have been prepared by the parent company.

Spencer Commercial Property PLC sold properties to Spencer Holdings Executive Pension Scheme, for a total consideration of £1,195,000 representing the open market value of these properties.

Directors

One of the directors (J D Spencer) sold 12,500 shares in Spencer Commercial Property PLC for a total consideration of £1.7m.

One of the directors (J D Spencer) made a loan of £1,649,947 to the company on 31 March 2005. Interest was charged on a commercial basis.