

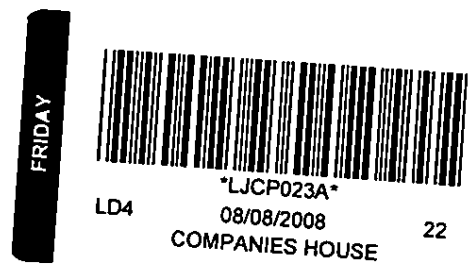
Reg.

REGISTERED NUMBER 3560193

**SPENCERS LIMITED**

**FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2007**

CROUCH CHAPMAN  
Chartered Accountants  
62 Wilson Street  
London EC2A 2BU



# SPENCERS LIMITED

## COMPANY INFORMATION

### DIRECTORS

N A Spencer  
C M Spencer

### COMPANY SECRETARY

C M Spencer

### COMPANY NUMBER

3560193

### REGISTERED OFFICE

62 Wilson Street  
London  
EC2A 2BU

### BUSINESS ADDRESS

Carrs of Bury St Edmunds  
Thetford Road  
Bury St Edmunds  
Suffolk  
IP31 1SX

### AUDITORS

Crouch Chapman  
Chartered Accountants & Registered Auditors  
62 Wilson Street  
London  
EC2A 2BU

### BANKERS

Barclays Bank Plc  
5/7 Red Lion Street  
Norwich  
NR1 3QH

### SOLICITORS

Gross & Co  
84 Guildhall Street  
Bury St Edmunds  
Suffolk  
IP33 1PR

## SPENCERS LIMITED

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## SPENCERS LIMITED

### DIRECTORS' REPORT

The directors present their report and the financial statement for the year ended 31 December 2007. This report has been prepared under applicable legislation, including those provisions of the Companies Act 2006, as enacted by the Companies Act 2006 (Commencement No 1 Transitional Provisions and Savings) Order 2006.

### PRINCIPAL ACTIVITIES

The company's principal activity during the year continued to be the sale and repair of motor vehicles. The company also continued to hire out cars to the public.

### BUSINESS REVIEW

The directors have examined the major strategic, business and operational risks which the company faces and confirm that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to lessen the risk.

The directors consider that the growth of the business continues to be satisfactory and are pleased to report an increase in gross profit despite highly competitive market conditions.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £249,661 (2006 - £282,848). Net assets amounted to £1,679,532 (2006 revised £1,594,871).

The directors paid a dividend of £165,000 (2006 £200,000).

### DIRECTORS

The directors who served during the year were

N A Spencer  
C M Spencer

### CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations of £150 (2006 £1,440).

## SPENCERS LIMITED

### DIRECTORS' REPORT

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statement in accordance with applicable law and regulations

Company law requires the directors to prepare financial statement for each financial year. Under that law the directors have elected to prepare the financial statement in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statement are required by law to 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 statement, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statement on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statement comply with the Companies Act 1985. They 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.

#### PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

#### AUDITORS

The auditors, Crouch Chapman, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board and signed on its behalf

C.M Spencer  
Secretary

Date

*C.M Spencer*  
*17th July 08*

## SPENCERS LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SPENCERS LIMITED

We have audited the financial statements of Spencers Limited for the year ended 31 December 2007 set out on pages 5 to 20. These financial statements have been prepared in accordance with the accounting policies set out therein.

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 auditors' 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company 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 other transactions is not disclosed.

We read the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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. Insert extra paragraph here?

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.

SPENCERS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SPENCERS LIMITED  
OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*Crouch A*

CROUCH CHAPMAN

Chartered Accountants  
62 Wilson Street  
London  
EC2A 2BU

Date *5th August 2008*

SPENCERS LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
TURNOVER	1,2	32,426,036	28,754,464
Cost of sales		<u>(28,949,160)</u>	<u>(25,323,949)</u>
GROSS PROFIT		3,476,876	3,430,515
Administrative expenses		<u>(3,029,666)</u>	<u>(2,962,875)</u>
Other operating income		<u>66,327</u>	<u>80,025</u>
OPERATING PROFIT	3	513,537	547,665
Interest payable	6	<u>(191,830)</u>	<u>(182,905)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		321,707	364,760
Tax on profit on ordinary activities	7	<u>(72,046)</u>	<u>(81,912)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		249,661	282,848
PROFIT BROUGHT FORWARD		1,413,574	1,330,726
Dividends Equity capital		<u>(165,000)</u>	<u>(200,000)</u>
RETAINED PROFIT CARRIED FORWARD		<u><u>1,498,235</u></u>	<u><u>1,413,574</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2007 or 2006 other than those included in the profit and loss account

The notes on pages 8 to 20 form part of these financial statements



SPENCERS LIMITED

BALANCE SHEET  
AS AT 31 DECEMBER 2007

	Note	£	2007 £	As restated 2006 £
<b>FIXED ASSETS</b>				
Intangible fixed assets	8		186,365	204,125
Tangible fixed assets	9		2,567,122	2,746,922
			<u>2,753,487</u>	<u>2,951,047</u>
<b>CURRENT ASSETS</b>				
Stocks	10	2,749,466		2,157,895
Debtors	11	2,005,023		1,949,479
Cash at bank and in hand		137,687		618
		<u>4,892,176</u>		<u>4,107,992</u>
CREDITORS amounts falling due within one year	12	(4,527,428)		(4,497,090)
NET CURRENT ASSETS/(LIABILITIES)			<u>364,748</u>	<u>(389,098)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,118,235	2,561,949
CREDITORS amounts falling due after more than one year	13		(1,353,768)	(864,859)
<b>PROVISIONS FOR LIABILITIES</b>				
Deferred tax	14		(84,935)	(102,219)
NET ASSETS			<u>1,679,532</u>	<u>1,594,871</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	15		100,000	100,000
Revaluation reserve	16		81,297	81,297
Profit and loss account	16		1,498,235	1,413,574
SHAREHOLDERS' FUNDS	18		<u>1,679,532</u>	<u>1,594,871</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on **17 JUL 2008**

  
**N.A. Spencer**  
Director

The notes on pages 8 to 20 form part of these financial statements

SPENCERS LIMITED

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	As restated 2006 £
Net cash flow from operating activities	19	520,326	761,994
Returns on investments and servicing of finance	20	(191,830)	(182,905)
Taxation		(92,763)	(41,562)
Capital expenditure and financial investment	20	49,037	(113,001)
Equity dividends paid		(165,000)	(200,000)
<b>CASH INFLOW BEFORE FINANCING</b>		<b>119,770</b>	<b>224,526</b>
Financing	20	1,011,187	332,777
<b>INCREASE IN CASH IN THE YEAR</b>		<b>1,130,957</b>	<b>557,303</b>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 £	2006 £
Increase in cash in the year	1,130,957	557,303
Cash inflow from increase in debt and lease financing	(1,011,187)	(332,777)
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>119,770</b>	<b>224,526</b>
Net debt at 1 January 2007	(3,788,399)	(4,012,925)
<b>NET DEBT AT 31 DECEMBER 2007</b>	<b>(3,668,629)</b>	<b>(3,788,399)</b>

The notes on pages 8 to 20 form part of these financial statements

# SPENCERS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### 1 ACCOUNTING POLICIES

#### Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and in accordance with applicable accounting standards

#### Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

#### Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and buildings at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows

Plant & machinery	- over 5 to 10 years
Motor vehicles	- over the lease term or 5 years

Freehold buildings are not depreciated because in the opinion of the directors the buildings are maintained to such a high standard that the depreciation would be immaterial. However, in accordance with FRS11, as no depreciation is charged on freehold buildings there are regular impairment reviews concerning the value of those buildings

#### Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred on disposal. Stocks held on consignment are treated as follows

Where titles have not passed and the commercial risk of obsolescence rested with the manufacturer, stock is not accounted for in the financial statements

Costs incurred directly by the company on consignment stock are accounted for as prepayments. Such costs are written off to profit and loss account in the event of such consignment stock being returned to the manufacturer or passed to another dealer with no prospect of recovering the cost

Deposits paid to manufacturers in respect of stock held on consignment are treated as prepayments

#### Other Current Assets

As well as stock, other current assets are stated at the lower of cost and net realisable value

## SPENCERS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

#### 1 ACCOUNTING POLICIES (continued)

##### Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences which have originated but not reversed at the balance sheet date

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements

It is the company's policy not to discount deferred tax to reflect the time value of money

##### Subordinated Loan

As a result of a change in accounting policy the Subordinated Loan is shown within long term creditors in accordance with Generally Accepted Accounting Practice. The comparative figures have been revised to reflect this change.

##### Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

##### Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

##### Pensions

Contributions to the company's personal pension scheme are charged to the profit and loss account in the year they become payable.

##### Goodwill

Goodwill arising on the acquisition of Carrs (BMW) Motor Dealership in Bury St Edmunds represents the excess of the fair value of the consideration given over the aggregate of the fair values of the identifiable net assets acquired. Amortisation is charged on the original cost of acquisition on a straight line basis over twenty years. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

##### Impairment of Fixed Assets and Goodwill

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the assets against the higher net realisable value and value in use.

SPENCERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

2 SEGMENTED INFORMATION

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom

3 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2007 £	2006 £
Amortisation - intangible fixed assets	17,760	17,750
Depreciation of tangible fixed assets		
- owned by the company	132,995	133,727
Auditors' remuneration	18,250	17,250
Operating lease rentals		
-land and buildings	23,435	23,918
Equipment hire	8,117	8,107
Hire purchase interest payable	54,254	63,824
(Profit)/loss on sale of tangible assets	(2,232)	485
	<u>          </u>	<u>          </u>

4 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2007 £	2006 £
Wages and salaries	1,694,601	1,699,310
Social security costs	205,146	172,535
Other pension costs	28,583	25,934
	<u>          </u>	<u>          </u>
	1,928,330	1,897,779
	<u>          </u>	<u>          </u>

The average monthly number of employees, including the directors, during the year was as follows

	2007 No	2006 No
Administration	10	10
Sales	52	50
	<u>          </u>	<u>          </u>
	62	60
	<u>          </u>	<u>          </u>

SPENCERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

5 DIRECTORS' REMUNERATION

	2007 £	2006 £
Emoluments	362,005	311,184

The highest paid director received remuneration of £223,813 (2006 - £216,891)

6 INTEREST PAYABLE

	2007 £	2006 £
On bank loans and overdrafts	43,804	58,416
On other loans	13,500	11,706
Vehicle finance costs	54,254	63,824
Mortgage interest payable	80,272	48,959
	191,830	182,905

7 TAXATION

	2007 £	2006 £
<u>Analysis of tax charge in the year</u>		
<u>Current tax</u> (see note below)		
UK corporation tax charge on profit for the year	89,330	92,491
<u>Deferred tax</u> (see note 14)		
Origination and reversal of timing differences	(17,284)	(10,579)
<u>Tax on profit on ordinary activities</u>	72,046	81,912

SPENCERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

7 TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for 2007 and 2006 is less than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	321,707	364,760
Profit on ordinary activities multiplied by standard rate of corporation tax	96,512	109,428
<u>Effects of</u>		
Expenses not deductible for tax purposes	3,732	7,150
Depreciation for the year in excess of Capital allowances	12,483	(8,550)
Non-deductible amortisation	5,328	5,325
Adjustments to tax charge in respect of prior periods	-	9,997
Marginal relief	(28,055)	(30,859)
Profit on disposal of fixed assets	(670)	-
<u>Current tax charge for the year (see note above)</u>	89,330	92,491

8 INTANGIBLE FIXED ASSETS

	Goodwill £
<u>Cost</u>	
At 1 January 2007 and 31 December 2007	355,000
<u>Amortisation</u>	
At 1 January 2007	150,875
Charge for the year	17,760
At 31 December 2007	168,635
<u>Net book value</u>	
At 31 December 2007	186,365
At 31 December 2006	204,125

SPENCERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

9 TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
<u>Cost or valuation</u>				
At 1 January 2007	2,234,581	519,049	449,378	3,203,008
Additions	-	52,042	14,600	66,642
Disposals	-	-	(123,595)	(123,595)
At 31 December 2007	<u>2,234,581</u>	<u>571,091</u>	<u>340,383</u>	<u>3,146,055</u>
<u>Depreciation</u>				
At 1 January 2007	-	332,129	123,957	456,086
Charge for the year	-	73,781	59,214	132,995
On disposals	-	-	(10,148)	(10,148)
At 31 December 2007	<u>-</u>	<u>405,910</u>	<u>173,023</u>	<u>578,933</u>
<u>Net book value</u>				
At 31 December 2007	<u>2,234,581</u>	<u>165,181</u>	<u>167,360</u>	<u>2,567,122</u>
At 31 December 2006	<u>2,234,581</u>	<u>186,920</u>	<u>325,421</u>	<u>2,746,922</u>

On the historical cost basis, freehold property would have been included in the financial statements at a net book value of £2,153,284 (2006 £2,153,284)

All freehold properties were professionally revalued by King Sturge on the basis of their open market value as at 31st December 2001. The valuation was undertaken in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes. The directors have not undertaken a revaluation process in accordance with FRS 15 due to uncertainties of valuation because of prolonged and projected planning concerns in connection with developments and franchise matters. These uncertainties would make any revaluation subject to unacceptable levels of variance.



SPENCERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

10 STOCKS

	2007 £	2006 £
New vehicles	717,395	235,705
Used vehicles	575,409	467,075
Demonstrator vehicles	1,249,346	1,269,013
Parts and accessories	207,316	186,102
	<u>2,749,466</u>	<u>2,157,895</u>

Long term contract balances consist of

	2007 £	2006 £
Costs to date less provision for losses	204,816	183,602
Applicable payments on account	2,500	2,500
	<u>207,316</u>	<u>186,102</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material

11 DEBTORS

	2007 £	2006 £
Trade debtors	1,120,371	1,432,341
Prepayments on consignment stocks	754,330	436,177
Other debtors	22,922	14,474
Prepayments and accrued income	107,400	66,487
	<u>2,005,023</u>	<u>1,949,479</u>

SPENCERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

12 CREDITORS

Amounts falling due within one year

	2007 £	2006 £
Bank loans and overdrafts	2,452,549	2,924,158
Trade creditors	709,453	721,048
Corporation tax	89,079	92,512
Social security and other taxes	224,112	117,346
Finance for prepayments on consignment stock (secured)	754,330	436,177
Directors' loan account	13,575	15,808
Other creditors	213,935	151,018
Accruals and deferred income	70,395	39,023
	<u>4,527,428</u>	<u>4,497,090</u>

The stocking plan loan is secured on the stock of demonstrator and used vehicles included in note 9 at a value of £1,861,014 (2006 £1,736,086) Interest is charged on the loan at a rate linked to Finance House Base Rate

Included in creditors is £754,330 (2006 £436,177) owed to BMW (GB) Limited This amount is secured on vehicles of an equivalent value included in prepayments on consignment stock (note 10) and bears interest linked to Finance House Base Rate

The bank borrowings are secured by a first legal charge over the company's premises

The bank loans of £1,203,768 (2006 £731,104) are repayable by monthly installments of £10,995 (2006 £9,425) The prior year loans have been consolidated to a 12-year loan with an interest rate of 1.5% over the base rate

SPENCERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

13 CREDITORS

Amounts falling due after more than one year

	2007 £	As restated 2006 £
Bank loans	1,153,768	664,859
Subordinated Loan	200,000	200,000
	<u>1,353,768</u>	<u>864,859</u>

Included within the above are amounts falling due as follows

	2007 £	As restated 2006 £
<u>Between one and two years</u>		
Bank loans	<u>50,000</u>	<u>70,878</u>
<u>Between two and five years</u>		
Bank loans	<u>173,945</u>	<u>243,777</u>
<u>Over five years</u>		
Bank loans	929,823	350,204
Subordinated Loan	<u>200,000</u>	<u>200,000</u>

Creditors include amounts not wholly repayable within 5 years as follows

	2007 £	As restated 2006 £
Repayable by instalments	929,823	350,204
Repayable other than by instalments	200,000	200,000
	<u>1,129,823</u>	<u>550,204</u>

On 30th June 1998 a Deed of Postponement and Subordination was completed in respect of an unsecured loan by Mr N A Spencer and Mrs C M Spencer to the company. The Deed states that on winding up, dissolution or similar proceedings involving any distribution to creditors of the company, the directors shall receive no payment or benefit in respect of the subordinated loan until all other creditors of the company have been paid in full.

Interest is payable by the company on the loan at the rate of 1.25% above Barclays Bank Plc base rate.

SPENCERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

14 DEFERRED TAXATION

The provision for deferred taxation is made up as follows

	2007 £	2006 £
Accelerated capital allowances at beginning of year	102,219	112,798
Accelerated capital allowances released in year	(17,284)	(10,579)
	<u>84,935</u>	<u>102,219</u>

The tax rate used to calculate the deferred tax is 28% in accordance with UK GAAP

15 SHARE CAPITAL

	2007 £	2006 £
<u>Authorised, allotted, called up and fully paid</u>		
51,000 Ordinary Shares shares of £1 each	51,000	51,000
49,000 Ordinary 'A' Share shares of £1 each	49,000	49,000
	<u>100,000</u>	<u>100,000</u>

16 RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 January 2007	81,297	1,413,574
Profit for the year	-	249,661
Dividends Equity capital	-	(165,000)
	<u>81,297</u>	<u>1,498,235</u>
At 31 December 2007		

17 PRIOR YEAR ADJUSTMENT

During the year the Company changed its Accounting Policy to show the Subordinated loan within creditors falling due after more than one year rather than within capital and reserves. As a result, for the year ended 2007 net assets decreased by £200,000. The comparative figures have been restated to reflect this change which reduced the net assets at 31st December 2006 by £200,000.

SPENCERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Opening shareholders' funds	1,594,871	1,512,023
Profit for the year	249,661	282,848
Dividends	(165,000)	(200,000)
	<hr/>	<hr/>
Closing shareholders' funds	<u>1,679,532</u>	<u>1,594,871</u>

The Ordinary 'A' shares carry no voting rights but are equal in all other respects to the ordinary shares

19 NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating profit	513,537	547,665
Amortisation of intangible fixed assets	17,760	17,750
Depreciation of tangible fixed assets	132,995	133,727
(Profit)/loss on disposal of tangible fixed assets	(2,232)	485
Increase in stocks	(591,572)	(513,968)
(Increase)/decrease in debtors	(55,543)	1,262,437
Increase/(decrease) in creditors	505,381	(686,102)
	<hr/>	<hr/>
<u>Net cash inflow from operations</u>	<u>520,326</u>	<u>761,994</u>

20 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2007 £	2006 £
<u>Returns on investments and servicing of finance</u>		
Interest paid	(137,576)	-
Vehicle finance costs	(54,254)	(119,081)
Vehicle Finance Costs	-	(63,824)
	<hr/>	<hr/>
<u>Net cash outflow from returns on investments and servicing of finance</u>	<u>(191,830)</u>	<u>(182,905)</u>

SPENCERS LIMITED

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20 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT  
(continued)

	2007 £	2006 £
<u>Capital expenditure and financial investment</u>		
Purchase of intangible fixed assets	-	(230,170)
Sale of intangible fixed assets	-	117,169
Purchase of tangible fixed assets	(66,642)	-
Sale of tangible fixed assets	115,679	-
	<u>49,037</u>	<u>(113,001)</u>
<u>Net cash inflow/(outflow) from capital expenditure</u>		
	2007 £	2006 £
<u>Financing</u>		
New secured loans	<u>1,011,187</u>	<u>332,777</u>

21 ANALYSIS OF CHANGES IN NET DEBT

	1 Jan 2007 £	Cash flow £	Other non-cash changes £	31 Dec 2007 £
Cash at bank and in hand	618	137,069	-	137,687
Bank overdraft	(993,888)	993,888	-	-
	<u>(993,270)</u>	<u>1,130,957</u>	<u>-</u>	<u>137,687</u>
<u>Debt</u>				
Finance leases	-	-	-	-
Debts due within one year	(1,930,270)	(1,011,187)	488,909	(2,452,548)
Debts falling due after more than one year	(864,859)	-	(488,909)	(1,353,768)
	<u>(3,788,399)</u>	<u>119,770</u>	<u>-</u>	<u>(3,668,629)</u>
<u>Net debt</u>				

22 RELATED PARTY TRANSACTIONS

Mr N A Spencer had a controlling shareholding in the company throughout the year and the previous year and ultimate influence over the operating decisions of the company

Mr N A Spencer and Mrs C M Spencer were owed £13,575 by the company at the year end (2006 £15,808) and the company owed Mr N A Spencer and Mrs C M Spencer £200,000 (2006 £200,000) in respect of the subordinated loan at that date

Spencers Limited paid £60,000 (2006 £60,000) to a business owned by Mrs C M Spencer in respect of advertising spaces

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23 CONTROLLING PARTY

Mr N A Spencer, a director of Spencers Limited, is the ultimate controlling party of Spencers Limited