

# **Liverpool and Chester Property Company Limited**

## **Report and Accounts**

**31<sup>st</sup> December 2008**

**Company Number: 19009**

THURSDAY



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**LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED**

**YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

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**LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED****NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that the One Hundred and twenty-fifth Annual General Meeting of LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED, will be held at The Athenaeum, Church Alley, Church Street, Liverpool, L1 3DD, at 12 noon on Wednesday, 29<sup>th</sup> April 2009 for the following purposes:

1. To receive and consider the Balance Sheet and Statement of Accounts made up to 31<sup>st</sup> December 2008 and the Reports of the Directors and Auditors thereon.
2. To elect Directors.
3. To elect auditors and authorise the Directors to fix the auditors' remuneration.
4. To transact any other ordinary business of the Company.

Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead. This will not prevent him/her from subsequently attending and voting at the meeting in person.

A proxy need not also be a member of the Company. Proxies must be lodged not later than forty-eight hours prior to the holding of the meeting and are available from the Company on request.

**BY ORDER OF THE BOARD**

  
**A PELAN**  
**SECRETARY**  
**12th March 2009**

Registered Office:  
7 Union Court  
Cook Street  
Liverpool L2 4SJ

## LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

### Directors:

GEOFFREY R LEECE, F.C.A. (Chairman)  
DAVID I RENISON, LL.B. (Vice-Chairman)  
PAUL ROBERTS M.R.I.C.S. (Managing Director)  
C EWAN McCAIG, F.R.I.C.S.  
JENNIFER M HORNSBY  
COLIN H RYAN, F.R.I.C.S.  
DAVID C B WATKINS

### Secretary and Registered Office:

ALLAN PELAN BSc (Hons) M.R.I.C.S.  
CORE PROPERTY MANAGEMENT & CONSULTANCY LIMITED  
7 UNION COURT, LIVERPOOL L2 4SJ

### Auditors:

PRIORY PRACTICE LIMITED  
1 ABBOTS QUAY, MONKS FERRY, BIRKENHEAD, WIRRAL, MERSEYSIDE, CH41 5LH

### CHAIRMAN'S STATEMENT

My report this year starts on a personal note addressed in particular to those shareholders who took the trouble to write in response to the letter that I sent on 1 November 2008, the 125<sup>th</sup> anniversary of the Company's formation. The Board is very appreciative of the letters that have come from many of our shareholders who wrote with expressions of gratitude and encouragement and it is good to know that we have such strong support behind the scenes. The potted history of the Company and its subsidiaries that was sent with my letter has produced some positive responses which have enabled us to add to the historical notes. The original minute book has only recently been discovered and retrieved and is yielding some interesting facts about the early days of the Toxteth Real Property & Investment Company Ltd. We hope in due time to be able to produce a more detailed review of the Company and its history.

Advancing into the twenty first Century I am once more pleased to report revenue profits which have matched those of the previous year. The attached accounts show that gross rents in 2008 rose by 9.03% to £1,605,587 to which we added another dilapidation claim windfall of £35,000. However, the Llandudno property that produced the windfall has remained empty despite the best efforts of the three letting agents involved. We have been doubly fortunate that this has been our only significant commercial void in recent years and that the building is listed and we have not had to pay empty rates. In the current climate I fear that we must prepare ourselves for more such voids which could affect future profits.

The two office units at Knaresborough that we bought in March 2008 were the main contributors to the enhanced rents and our new tenants there appear to be doing well. The cost of the units of £2,317,012 was financed by a 15 year term loan from Royal Bank of Scotland, part of which is at a variable rate of interest and is therefore benefiting from the current low interest rate. The accounts reflect the fact that we were able to make good use of bank finance last year which has raised the cost of bank interest to £175,729.

After deducting all expenses the pre-tax revenue profits were £1,051,128 compared with £1,024,944 in the previous year. Corporation Tax has reduced these profits by £280,074 to £771,054 which compares with £722,492 in 2007. In percentage terms the post-tax revenue profits have increased by 6.72% which is a gratifying result.

We sold only one property in 2008 and this produced a capital profit of £90,689 which was reduced by £6,613 Corporation Tax to a net gain of £84,076. When this is added to the net revenue profits, the overall profits for the year, after tax, amounted to £855,130 which compares with £945,103 in 2007. We are happy to hold on to most of our properties, having weeded out those that we did not wish to retain. Finding something suitable to sell has become almost as difficult as finding something attractive to buy.

**LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED****CHAIRMAN'S STATEMENT****(Continued)**

Our annual property valuation was once more carried out by Mason Owen Property Consultants who assessed the overall market valuation of our properties at 31 December 2008 as £22,775,700. Whilst this shows an increase over the 2007 valuation of £21,643,450 it must be remembered that we bought Knaresborough during the year. In real terms the overall value dropped by £622,750 when compared with the 2007 valuation, a fall of 2.91%. I consider this to be an acceptable statistic in current market conditions.

As a Chartered Accountant, I have been taking a keen professional interest in the debate that is currently dividing the business community. This concerns the use of so-called "fair value" when attributed to property portfolios which assumes the revaluation of property holdings in line with market forces. This works fine when the movement is upwards but is not so amusing when the forces move in the opposite direction and especially so if the property owner has borrowed heavily on the strength of the upward movement. As a Board we have never claimed profits that have not been realised and have steadfastly maintained that our definition of a "profit" is more soundly based as well as being conservative. We are happy to be different from most property Companies because we do not comply with the accounting standard that requires us to bring the properties into our Balance Sheet at market value and I believe that if a few more Companies had taken a similar stance the world markets would not be in such turmoil. I await the outcome of the debate with interest.

Having resisted paying excessive prices in recent years we are hoping to take advantage of the current depression in the property market and are well placed to take advantage of opportunities that arise. Not surprisingly, owners with good investments are reluctant sellers and the numbers filtering through from forced sales are not necessarily reaching the general market. We have several potential acquisitions in mind and are continuing to look for properties that will enhance the spread and mix of the portfolio. This strategy appears to be serving us well at present.

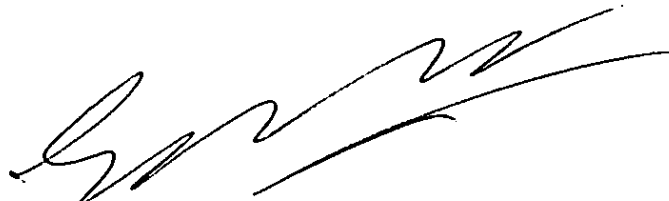
The accounts show the two dividends that we paid at the end of last year, comprising an interim of 10.5% followed by a special 12.5% on 1 November. The total dividend charged in the accounts amounted to 23% which is unchanged from the previous year. The Board has approved a 13% final dividend for the 2008 accounts which will be paid on 7 April 2009. Current accounting practice dictates that this dividend will not be charged in the 2008 accounts and it will therefore appear in the accounts for the year to 31 December 2009.

The shareholders will no doubt wish me to thank my colleagues on the Board for their support, backed up by the dedicated staff at Core Property Management & Consultancy Ltd. My travels with our Managing Director, Paul Roberts, take us to some exotic places, as you will see from the enclosed photograph taken at a roadside café in the Peak District. We were on our way to inspect our 16 flats at Rotherham, also pictured, and the two new office units that we had recently bought in Knaresborough which were shown last year.

Our Vice-Chairman, David Renison, has been given the task of updating our Memorandum and Articles of Association in order to conform with the latest regulations and the results of his work will be produced at an Extraordinary General Meeting which will be held immediately following the Annual General Meeting. Both meetings will be held at The Athenaeum in Liverpool City centre and I look forward to meeting the shareholders who are able to attend. Paul Roberts, will be there to give his overview of the property scene and of our plans for future investment.

**Geoffrey R Leece**  
Chairman

12th March 2009



# LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

## REPORT OF THE DIRECTORS

The Directors submit their Report and Statement of Accounts for the year ended 31<sup>st</sup> December 2008. The principal business of the Company continues to be investment in and management of tenanted freehold and leasehold properties.

The revenue profit for the year after taxation was £ 771,054 (2007 - £722,492) and after net property surpluses have been added, the profit on ordinary activities after taxation was £ 855,130 (2007 - £945,103). The property surplus for 2008, representing profits on sales of properties, was £ 84,076 (2007 - 222,611) after allowing for Corporation Tax.

The Directors have paid an interim dividend of 10.5% and a second interim dividend of 12.5%, making a total distribution of 23% (2007 - 23%).

In the opinion of the Directors, the open market value of the freehold and leasehold investment properties at 31<sup>st</sup> December 2008 was £ 22,775,700 (2007 - £21,643,450). The book value of these properties as shown in the accounts is £ 11,295,835 (2007 - £9,108,460).

The Directors retiring by rotation are David Watkins and David Renison, both of whom have offered themselves for re-election.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

1. Select suitable accounting policies and then apply them consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements 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.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### AUDITORS

Priory Practice Limited will be proposed for re-appointment as auditors in accordance with Section 485 of the Companies Act 2006.

BY ORDER OF THE BOARD



ALLAN PELAN  
SECRETARY

12th March 2009

## LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

|   | <u>Notes</u> | 2008           |                       | 2007            |                       |
|---|--------------|----------------|-----------------------|-----------------|-----------------------|
|   |              | £              | £                     | £               | £                     |
| <b>Rents received</b>                               |              |                | 1,605,587             |                 | 1,472,573             |
| <b>Other Revenue Income</b>                         |              |                | <u>35,000</u>         |                 | <u>50,018</u>         |
|   |              |                | <b>1,640,587</b>      |                 | <b>1,522,591</b>      |
| <b>Deduct expenses:</b>                             |              |                |                       |                 |                       |
| Repairs, rates and insurance                        |              | 104,057        |                       | 99,079          |                       |
| Management commission                               |              | 92,170         |                       | 90,636          |                       |
| Bank interest                                       |              | 175,729        |                       | 92,516          |                       |
| Chief and ground rents                              |              | 2,122          |                       | 2,121           |                       |
| Sundry and professional fees                        |              | <u>45,806</u>  | <u>419,884</u>        | <u>44,022</u>   | <u>328,374</u>        |
|   |              |                | <b>1,220,703</b>      |                 | <b>1,194,217</b>      |
| <b>Interest received</b>                            |              |                |                       |                 |                       |
| Bank interest                                       |              | 4,954          |                       | -               |                       |
| Other interest                                      |              | <u>375</u>     | <u>5,329</u>          | <u>3,436</u>    | <u>3,436</u>          |
|   |              |                | <b>1,226,032</b>      |                 | <b>1,197,653</b>      |
| <b>Deduct Administrative Expenses:</b>              |              |                |                       |                 |                       |
| General expenses                                    |              | 24,961         |                       | 23,897          |                       |
| Secretarial fee and expenses                        |              | 21,038         |                       | 21,150          |                       |
| Directors' fees                                     |              | 124,500        |                       | 123,250         |                       |
| Audit fees  |              | <u>4,405</u>   | <u>174,904</u>        | <u>4,412</u>    | <u>172,709</u>        |
|   |              |                |                       |                 |                       |
| <b>Revenue profit before taxation</b>               |              |                | <b>1,051,128</b>      |                 | <b>1,024,944</b>      |
| <b>Deduct Taxation:</b>                             |              |                |                       |                 |                       |
| Corporation tax                                     | 2            |                | <u>280,074</u>        |                 | <u>302,452</u>        |
|   |              |                |                       |                 |                       |
| <b>Revenue profit after taxation</b>                |              |                | <b>771,054</b>        |                 | <b>722,492</b>        |
|   |              |                |                       |                 |                       |
| Property surpluses during the year                  |              | 90,689         |                       | 280,898         |                       |
| Corporation tax                                     | 2            | <u>(6,613)</u> | <u>84,076</u>         | <u>(58,287)</u> | <u>222,611</u>        |
|   |              |                |                       |                 |                       |
| <b>Profit on ordinary activities after taxation</b> |              |                | <u><b>855,130</b></u> |                 | <u><b>945,103</b></u> |

There were no acquisitions or discontinued operations during the current or preceding year.

There were no recognised gains or losses other than those dealt with in the above statement.

Dividends paid and declared are shown in note 3.

## LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

BALANCE SHEET AT 31<sup>ST</sup> DECEMBER 2008

|   | <u>Notes</u> | 2008            |                    | 2007            |                  |
|---|--------------|-----------------|--------------------|-----------------|------------------|
|   |              | £               | £                  | £               | £                |
| <b>Tangible fixed assets</b>                                  |              |                 |                    |                 |                  |
| Freehold properties   | 4            |                 | 10,388,929         |                 | 8,201,554        |
| Long leasehold properties                                     | 4            |                 | <u>906,906</u>     |                 | <u>906,906</u>   |
|   |              |                 | 11,295,835         |                 | 9,108,460        |
| <b>Subsidiary companies</b>                                   |              |                 |                    |                 |                  |
| Shares  | 5            | 82,474          |                    | 82,474          |                  |
| Less amounts owing to subsidiaries                            |              | <u>(82,474)</u> | -                  | <u>(82,474)</u> | -                |
| <b>Total fixed assets</b>                                     |              |                 | 11,295,835         |                 | 9,108,460        |
| <b>Current assets</b>   |              |                 |                    |                 |                  |
| Sundry debtors and prepayments                                |              | 63,901          |                    | 60,352          |                  |
| Cash at bank  |              | <u>161,295</u>  |                    | -               |                  |
|   |              | <u>225,196</u>  |                    | <u>60,352</u>   |                  |
| <b>Deduct creditors – Amounts falling due within one year</b> |              |                 |                    |                 |                  |
| Bank overdraft  | 6            | -               |                    | 76,521          |                  |
| Bank loan   | 6            | 173,746         |                    | 52,195          |                  |
| Corporation tax   |              | 287,383         |                    | 360,739         |                  |
| Ordinary dividend   |              | -               |                    | 241,169         |                  |
| Other   |              | <u>43,941</u>   |                    | <u>45,598</u>   |                  |
|   |              | <u>505,070</u>  |                    | <u>776,222</u>  |                  |
| <b>Net current liabilities</b>                                |              |                 | <u>(279,874)</u>   |                 | <u>(715,870)</u> |
| <b>Total assets less current liabilities</b>                  |              |                 | 11,015,961         |                 | 8,392,590        |
| <b>Creditors – Due in more than one year</b>                  |              |                 |                    |                 |                  |
| Bank loan   | 6            |                 | <u>(2,895,228)</u> |                 | <u>(683,236)</u> |
| <b>Net Assets</b>   |              |                 | <u>8,120,733</u>   |                 | <u>7,709,354</u> |
| <b>Capital and reserves:</b>                                  |              |                 |                    |                 |                  |
| Share capital   | 7            |                 | 1,929,354          |                 | 1,929,354        |
| Other reserves  | 8            |                 | 2,083,106          |                 | 1,999,030        |
| Profit and loss account                                       | 8            |                 | <u>4,108,273</u>   |                 | <u>3,780,970</u> |
| <b>Shareholders' funds – all equity</b>                       | 9            |                 | <u>8,120,733</u>   |                 | <u>7,709,354</u> |

The financial statements on pages 5 to 10 were approved by the board on 12th March 2009.

G R LEECE (Chairman)





**LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED****NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008****1. ACCOUNTING POLICIES**

The principal accounting policies of the Company have remained unchanged from the previous year and are set out below:-

**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company has taken advantage of the exemption from preparing a cash flow statement as conferred by Financial Reporting Standard No. 1 (Revised 1996) on the grounds that it qualifies as a small company under the Companies Act 1985.

**Turnover**

Turnover represents gross rents received.

**Investment Properties**

Investment properties have been revalued annually (see note 4) but have been included at cost in the Balance Sheet. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The Companies Act 1985 requires tangible fixed assets to be depreciated systematically over their estimated useful economic lives. However, investment properties are held for investment rather than consumption; the Directors therefore consider that depreciation on a systematic basis would not be appropriate in this case and that the accounting policy adopted is necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

**Deferred taxation**

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the Balance Sheet date.

**Consolidation**

Consolidated accounts have not been prepared as all subsidiaries were dormant for the whole of the year and the only remaining assets of the subsidiaries are loans due by Liverpool and Chester Property Company Limited amounting to £82,474. Details of the subsidiaries are set out in note 5. These accounts present information about the parent as an individual company and not about its group.

# LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008

(continued)

### 2. TAXATION

|                                       | 2008           | 2007           |
|---------------------------------------|----------------|----------------|
|                                       | £              | £              |
| Corporation tax                       | 280,074        | 302,452        |
| Property surpluses:                   |                |                |
| Current year                          | 7,309          | 58,287         |
| Adjustment to earlier year provisions | <u>(696)</u>   | <u>-</u>       |
|                                       | <u>286,687</u> | <u>360,739</u> |

The corporation tax charge is based on the profits of the current year and has been provided at 27.6% net of marginal relief (2007 - 29.4%).

### 3. DIVIDENDS

|                                    | 2008           | 2007           |
|------------------------------------|----------------|----------------|
|                                    | £              | £              |
| Ordinary dividends:                |                |                |
| 10.5% Interim dividend paid        |                |                |
| (2007 - 10.5%)                     | 202,582        | 202,582        |
| 12.5% Second interim dividend paid |                |                |
| (2007 - 12.5 %)                    | <u>241,169</u> | <u>241,169</u> |
|                                    | <u>443,751</u> | <u>443,751</u> |

### 4. PROPERTIES

|  | Freehold          | Long Leasehold   |
|--|-------------------|------------------|
|  | £                 | £                |
| Cost at 1 <sup>st</sup> January 2008               | 8,201,554         | 906,906          |
| Purchases at cost                                  | 2,317,012         | -                |
| Disposals at cost                                  | <u>(129,637)</u>  | <u>-</u>         |
| <b>Book Value at 31<sup>st</sup> December 2008</b> | <u>10,388,929</u> | <u>906,906</u>   |
| <b>Valuation at 31<sup>st</sup> December 2008</b>  | <u>21,425,700</u> | <u>1,350,000</u> |
| Valuation at 31 <sup>st</sup> December 2007        | <u>19,948,450</u> | <u>1,695,000</u> |

The freehold and leasehold properties owned by the company were valued as at 31<sup>st</sup> December 2008 by Mason Owen Chartered Surveyors, on the basis of market value, in accordance with the RICS Appraisal and Valuation Standards.

It is not considered necessary to alter the values shown on the Balance Sheet, or to create a revaluation reserve. If the properties were to be sold at the valuation figures, there would be a liability to corporation tax based on the excess of the net proceeds of sale over original cost or 31<sup>st</sup> March 1982 valuation if appropriate.

**LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**  
(continued)

**5. SUBSIDIARY COMPANIES**

|   | <b>Proportion of<br/>Equity Held<br/>%</b> | <b>Aggregate Capital<br/>and Reserves at<br/>31<sup>st</sup> December 2008<br/>£</b> |
|---|--|--|
| The Toxteth Real Property and Investment Co Ltd<br>(Formerly Liverpool and Chester Property Co Ltd) |  |  |
| 1,637 Ordinary shares of £1 each  |  |  |
| 8,185 Deferred Non Voting shares of £1 each   | 100  | 9,822  |
| Model Land and Property Co Ltd  |  |  |
| 72,550 Ordinary shares of £1 each   | 100  | 73,070   |
| V & M Properties Ltd  |  |  |
| 1,000 Ordinary shares of £1 each  | 100  | 13,000   |
| M & B Investments (Liverpool) Ltd   |  |  |
| 84 Ordinary shares of £1 each   | 100  | 84   |
|   | <hr/>                                      | <hr/>  |

**6. BANK LOAN AND OVERDRAFT**

The bank loans and overdraft of £3,068,974 are secured by first legal charges over certain of the Company's property assets.

Included in the bank loan due for repayment in more than one year is the sum of £ 2,071,745 which is repayable by instalments which fall due for payment after more than five years from the Balance Sheet date.

**7. SHARE CAPITAL**

|                                      | <b>2008</b>             | <b>2007</b>             |
|--------------------------------------|-------------------------|-------------------------|
|                                      | <b>£</b>                | <b>£</b>                |
| Authorised                           |                         |                         |
| 5,000,000 Ordinary shares of £1 each | <u><b>5,000,000</b></u> | <u><b>5,000,000</b></u> |
| Allotted, called up and fully paid   |                         |                         |
| 1,929,354 Ordinary shares of £1 each | <u><b>1,929,354</b></u> | <u><b>1,929,354</b></u> |

# LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008  
(continued)

### 8. RESERVES

|                                   | Other reserves   | Profit and Loss Account |
|-----------------------------------|------------------|-------------------------|
|                                   | £                | £                       |
| At 1 <sup>st</sup> January 2008   | 1,999,030        | 3,780,970               |
| Retained profit for the year      | 84,076           | 771,054                 |
| Dividends (see note 3)            | <u>-</u>         | <u>(443,751)</u>        |
| At 31 <sup>st</sup> December 2008 | <u>2,083,106</u> | <u>4,108,273</u>        |

Other reserves are surpluses on sales of assets and investments, net of associated corporation tax, which are required by the Articles of Association of the Company to be separately set aside and are not available for distribution as dividends.

### 9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|                                      | 2008             | 2007             |
|--------------------------------------|------------------|------------------|
|                                      | £                | £                |
| Profit for the financial year        | 855,130          | 945,103          |
| Dividends                            | <u>(443,751)</u> | <u>(443,751)</u> |
| Net additions to shareholders' funds | 411,379          | 501,352          |
| Opening shareholders' funds          | <u>7,709,354</u> | <u>7,208,002</u> |
| Closing shareholders' funds          | <u>8,120,733</u> | <u>7,709,354</u> |

### 10. CAPITAL COMMITMENTS

|  | 2008           | 2007             |
|--|----------------|------------------|
|  | £              | £                |
| Authorised by the Board but not Contracted for | <u>890,000</u> | <u>2,400,000</u> |

### 11. CONTROLLING INTERESTS

The company is not under the control of any one individual.

**REPORT OF THE INDEPENDENT AUDITORS  
TO THE MEMBERS OF  
LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED**

We have audited the financial statements of Liverpool and Chester Property Company Limited for the year ended 31<sup>st</sup> December 2008 on pages 5 to 10. These financial statements have been prepared under the historical cost convention and 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 on page four.

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

**Basis of 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 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 as to whether 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.

**Qualified opinion arising from disagreement about accounting treatment**

The financial statements do not include the revaluation of investment properties as required by Statement of Standard Accounting Practice No. 19. The relevant revaluation figures are, however, disclosed in Note 4, and would result in an increase in the value of tangible fixed assets of £ 11,479,865 (2007 - £12,534,990) and the creation of a corresponding investment revaluation reserve, thus increasing total reserves by the same amount.

Except for the effects of not accounting for the revaluation of the investment properties, 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<sup>st</sup> December 2008 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985
- in our opinion the information given in the Report of the Directors is consistent with the financial statements.



**PRIORY PRACTICE LIMITED**  
Chartered Accountants  
Registered Auditors

2nd April 2009  
BIRKENHEAD