

Liverpool and Chester Property Company Limited

Report and Accounts

31st December 2003

Company Number: 19009



LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

YEAR ENDED 31ST DECEMBER 2003

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

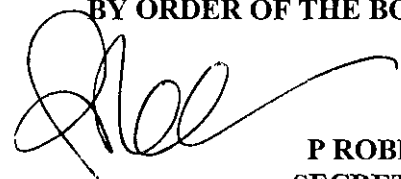
NOTICE IS HEREBY GIVEN that the One Hundred and twentieth Annual General Meeting of LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED, will be held at The Athenaeum, Church Alley, Church Street, Liverpool, L1 3DD, at 12 noon on Thursday, 22nd April 2004, for the following purposes :

1. To receive and consider the Balance Sheet and Statement of Accounts made up to 31st December 2003 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



**P ROBERTS
SECRETARY
10th March 2004**

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)
C EWAN McCAIG, F.R.I.C.S.
JENNIFER M HORNSBY
COLIN H RYAN, F.R.I.C.S.
DAVID C B WATKINS
PAUL ROBERTS, M.R.I.C.S.

Secretary and Registered Office:

PAUL ROBERTS, 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

The property market has become a popular media topic during the past twelve months. Television programmes are constantly showing us how to make money by renovating old houses and selling them on at vast profits and the newspapers are forever reporting on the increasing spiral of property values. One encouraging feature of this activity is that it is not just the South East of the United Kingdom that is affected by the property boom but the North West in general and Liverpool in particular. The award of the City of Culture in 2008 has already has a positive impact on the perception of the City by outsiders and this has brought a flood of investors who are buying everything in sight, often without inspection. At a recent property auction they had to find an extra room to allow an overflow of bidders to participate.

Whilst all this excitement is good for the City of Liverpool it does bring problems for first time buyers and also for professional investors like ourselves. We need to keep adding to the portfolio in order to maintain the upward profit flow but we are competing with people who will pay almost any price to get a foothold in property. The "buy to let" market is being sustained not so much by the income that it produces but the paper profits that come with rising values. I suspect that a few fingers may be burned before too long when the steam goes out of the market. Our attitude to buying is more restrained and we try to keep to the basic principles.

Last November it seemed as if we would have nothing to show for our strenuous efforts throughout the whole year but December was extremely hectic. Within a month we had contracts out for the purchase of approximately £3m of properties and had organised the necessary bank funding. Sadly however, the largest single purchase in the history of the Company was lost to us through no fault of our own. We had agreed to buy two blocks of flats in Liverpool for £2m and were aiming to exchange contracts by 31 December. Just as we were about to sign, we received an adverse environmental report concerning the site. The contract was put on hold whilst we investigated the site history and possible solutions but eventually we decided to pull out of the deal. The purchase would have been a good source of income, raising our residential stock to 25% of the total portfolio. However, with great reluctance, we felt that we could not take the risk of buying a major investment that might cause problems in the future.

We were then left with three other acquisitions which are still in progress. At the time of this report only one is under a signed contract and this is for the purchase of three houses in Moreton, Wirral. They are on a new estate currently being built by Redrow and should be ready for occupation by mid summer. They were bought at a reasonable price and we are expecting them to be attractive to tenants and a good investment for us.

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

We expect to sign contracts for two similar houses near Warrington and a small office/workshop on an established industrial park in Wirral and I hope to be able to report the successful conclusion to these deals next year. One common feature of these recent purchases is that none of them is yet tenanted and we must therefore be prepared to wait for a return on our investment. The finance for these purchases is coming from our own resources including retained profits of £251,206 and the sale of four properties. Last year we took the opportunity to dispose of two houses and two commercial units realising net gains of £81,354 in the process. The tax liability on these gains is estimated at £5,169 thus reducing the profits to £76,185 (£82,349 in 2002).

One axiom of property investment is that if you cannot find anything to buy then you invest further in what you already have. With this in mind we have spent more than average on repairs this year as shown in the Profit and Loss Account. This extra expenditure has marginally reduced the revenue profit below that of the previous year despite a 3.86% increase in rental income to £1,137,887. Our profit on ordinary activities was £738,361 which compares with £749,689 in 2002 and the revenue profit after taxation was £536,775 compared with £545,689. The overall profit for the year, after adding the net gains on property sales, was £612,960, a reduction of £15,078 when contrasted with the £628,038 in 2002. Overall, the Board is happy to report another sound year of profit and growth.

Last October, in anticipation of the annual results, we increased the interim dividend from 8.25% to 8.5%. We propose to maintain the dividend payable on 1 April 2004 at the same level as for the previous year, namely 10.25%, making a total for the year of 18.75% (18.5% last year). The increase for the year of 0.25% is indicative of our confidence that future dividends are secure on the back of a strong profit flow. Our occupancy rate is almost 100% which is an impressive achievement for any property company and a great credit to Paul Roberts and his management team at Core Property Management. They are to be congratulated on achieving such high levels of occupancy and for their research work in seeking out new acquisitions.

The annual revaluation exercise carried out by two of our surveyor Directors, Colin Ryan and Paul Roberts, has produced an overall valuation at 31 December 2003 of £13,771,884. The increase of £2,021,884 over the 2002 figure of £11,750,000, representing 17.21%, is a reflection of the way that the UK property values have moved over the past twelve months. The Board is constantly seeking to add to the portfolio to ensure that profits and dividends are maintained and increased. Our aim is to provide a stable investment for our shareholders, avoiding the volatility of the stock market and producing a better return than from fixed interest investments.

I am privileged to be allowed to lead my colleagues on the Board, to whom I would offer my thanks for their support. The Annual General Meeting will once more be held at the Athenaeum in Church Alley, Liverpool and I look forward to meeting all shareholders who are able to attend.



Geoffrey R Leece
Chairman

10 March 2004

LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED**REPORT OF THE DIRECTORS**

The Directors submit their Report and Statement of Accounts for the year ended 31st December 2003. 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 £536,775 (2002 - £545,689) and after net property surpluses have been added, the profit on ordinary activities after taxation was £612,960 (2002 - £628,038). The property surplus for 2003, representing profits on sales of properties, was £76,185 (2002 - £82,349) after allowing for Corporation Tax.

The Directors are proposing a second interim dividend of 10.25%, making a total distribution of 18.75%, compared with 18.50% in 2002. This dividend will be paid on 1st April 2004 and no further dividend payments are recommended for the year to 31st December 2003.

In the opinion of the Directors, the open market value of the freehold and leasehold investment properties at 31st December 2003 was £13,771,884 (2002 - £11,750,000). The book value of these properties as shown in the accounts is £7,209,918 (2002 - £7,061,707).

The Directors retiring by rotation are C H Ryan and P Roberts, both of whom have offered themselves for re-election. Particulars of the interests of the Directors and their families in the shares of the company are set out in note 2 to the Accounts.

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.

AUDITORS

Priory Practice Limited will be proposed for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

**BY ORDER OF THE BOARD****PAUL ROBERTS
SECRETARY**10th March 2004

LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2003

	<u>Notes</u>	2003		2002	
		£	£	£	£
Rents received			1,137,887		1,095,537
Deduct expenses:					
Repairs, rates and insurance		79,632		33,716	
Collecting commission		75,755		75,489	
Bank interest		72,344		74,997	
Chief and ground rents		2,128		2,289	
Sundry		<u>34,685</u>	<u>264,544</u>	<u>32,581</u>	<u>219,072</u>
			873,343		876,465
Interest received					
Bank interest		3,482		8,292	
Sundry interest		<u>496</u>	<u>3,978</u>	<u>3,032</u>	<u>11,324</u>
			877,321		887,789
Deduct Administrative Expenses:					
General & mortgage collection expenses		18,896		22,000	
Secretarial fee and expenses		21,150		21,150	
Directors' fees provision		95,000		91,150	
Audit fees		<u>3,914</u>	<u>138,960</u>	<u>3,800</u>	<u>138,100</u>
Revenue profit before taxation			738,361		749,689
Deduct Taxation:					
Corporation tax	3		<u>201,586</u>		<u>204,000</u>
Revenue profit after taxation			536,775		545,689
Property surpluses during the year		81,354		81,529	
Corporation tax	3	<u>(5,169)</u>	<u>76,185</u>	<u>820</u>	<u>82,349</u>
Profit on ordinary activities after taxation			612,960		628,038
Dividends:					
Ordinary dividends:					
8.5% Interim dividend paid					
(2002 – 8.25%)		163,995		159,172	
10.25% Second interim dividend proposed					
(2002 – 10.25%)		<u>197,759</u>	<u>361,754</u>	<u>197,759</u>	<u>356,931</u>
Retained profit for year	9		<u>251,206</u>		<u>271,107</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

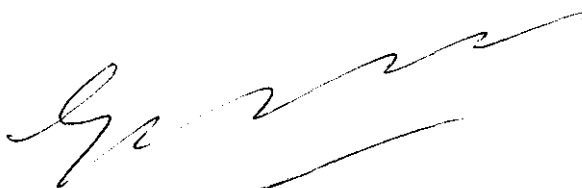
LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

BALANCE SHEET AT 31ST DECEMBER 2003

	Notes	2003	2002
		£	£
Tangible fixed assets			
Freehold properties	4	6,159,058	6,003,841
Long leasehold properties	4	<u>1,050,860</u>	<u>1,057,866</u>
		7,209,918	7,061,707
Subsidiary companies			
Shares	5	82,474	82,474
Less amounts owing to subsidiaries		<u>(82,474)</u>	<u>(82,474)</u>
Total fixed assets		7,209,918	7,061,707
Current assets			
Sundry debtors and prepayments		80,118	49,000
Cash at bank and on deposit		<u>236,397</u>	<u>-</u>
		316,515	49,000
Deduct creditors - Amounts falling due within one year			
Bank overdraft		-	98,304
Bank loan	6	40,545	40,603
Corporation tax		206,755	205,355
Ordinary dividend proposed		197,759	197,759
Property completion		296,769	-
Other		<u>26,667</u>	<u>21,468</u>
		768,495	563,489
Net current liabilities		(451,980)	(514,489)
Total assets less current liabilities		6,757,938	6,547,218
Creditors - Due in more than one year			
Bank loan	6	884,442	924,928
Provision for deferred taxation	7	<u>26,228</u>	<u>26,228</u>
Net Assets		5,847,268	5,596,062
Capital and reserves:			
Share capital	8	1,929,354	1,929,354
Other reserves	9	1,093,413	1,017,228
Profit and loss account	9	<u>2,824,501</u>	<u>2,649,480</u>
Shareholders' funds - all equity	10	5,847,268	5,596,062

The financial statements on pages 5 to 10 were approved by the board on 10th March 2004.

G R LEECE (Chairman)



LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2003

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

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

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.

2. DIRECTORS' INTERESTS

The interests of the Directors and their families, beneficially and as trustees, in the shares of the Company at 31st December 2003 were as follows :

	2003	2002
Mrs J M Hornsby	213,922	213,537
G R Leece	11,704	11,319
C E McCaig	23,851	23,466
D I Renison	11,856	11,466
P Roberts	9,385	9,000
C H Ryan	65,050	64,665
D C B Watkins	137,785	137,400

LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2003

(continued)

3. TAXATION

	2003 £	2002 £
Corporation tax	201,586	204,000
Deferred tax	-	-
	<u>201,586</u>	<u>204,000</u>
Property surpluses:		
Current year	5,169	1,355
Adjustment to earlier year provisions	-	(2,175)
	<u>206,755</u>	<u>203,180</u>

The corporation tax charge is based on the profits of the current year and has been provided at 27.3% net of marginal relief (2002 - 27.3%).

4. PROPERTIES

	Freehold £	Long Leasehold £
Cost at 1 st January 2003	6,003,841	1,057,866
Purchases at cost	329,284	-
Disposals at cost	<u>(174,067)</u>	<u>(7,006)</u>
Book Value at 31st December 2003	6,159,058	1,050,860
	<u> </u>	<u> </u>
Valuation at 31st December 2003	12,066,884	1,705,000
	<u> </u>	<u> </u>
Valuation at 31 st December 2002	10,295,000	1,455,000
	<u> </u>	<u> </u>

The freehold and leasehold properties owned by the company were valued as at 31st December 2003 by Mr C H Ryan and Mr P Roberts as Directors of the company 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 31st March 1982 valuation if appropriate.

LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2003
(continued)

5. SUBSIDIARY COMPANIES

	Proportion of Equity Held %	Aggregate Capital and Reserves at 31st December 2003 £
The Toxteth Real Property and Investment Co Ltd (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		
1000 Ordinary shares of £1 each	100	13,000
M & B Investments (Liverpool) Ltd		
84 Ordinary shares of £1 each	100	84
	<u> </u>	<u> </u>

6. BANK LOAN AND OVERDRAFT

The bank loan of £924,987 is 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 £719,082 which is repayable by instalments which fall due for payment after more than five years from the Balance Sheet date. The instalments are payable quarterly and the rate of interest payable is 7.46%.

7. DEFERRED TAXATION

The provision for deferred taxation, made at 30% (2002 - 30%), is as follows :

	2003		2002	
	Amount provided £	Amount unprovided £	Amount provided £	Amount unprovided £
Corporation tax deferred by:				
1981 claim for industrial buildings allowance	26,228	-	26,228	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2003

(continued)

8. SHARE CAPITAL

	2003 £	2002 £
Authorised		
5,000,000 Ordinary shares of £1 each	5,000,000	5,000,000
Allotted, called up and fully paid		
1,929,354 Ordinary shares of £1 each	1,929,354	1,929,354

9. RESERVES

	Other reserves £	Profit and Loss Account £
At 1 st January 2003	1,017,228	2,649,480
Retained profit for the year	76,185	175,021
At 31 st December 2003	1,093,413	2,824,501

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.

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	612,960	628,038
Dividends declared	(361,754)	(356,931)
Net additions to shareholders' funds	251,206	271,107
Opening shareholders' funds	5,596,062	5,324,955
Closing shareholders' funds	5,847,268	5,596,062

11. TRANSACTIONS WITH DIRECTORS

During the year ended 31st December 2003 Mr C.H. Ryan and Mr P. Roberts were each paid £2,000 in respect of the work undertaken in valuing the properties at the balance sheet date.

12. 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 for the year ended 31st December 2003 on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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

As described on page 4 the company's Directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Report of the Directors is not consistent with the financial statements, if 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 transactions with the Company 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 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 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 £6,561,996 (2002 - £4,688,293) 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 of the state of the Company's affairs as at 31st December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PRIORY PRACTICE LIMITED
Chartered Accountants
Registered Auditors

10th March 2004
BIRKENHEAD