

Liverpool and Chester Property Company Limited

Report and Accounts

31st December 2004

Company Number: 19009



LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

YEAR ENDED 31ST DECEMBER 2004

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

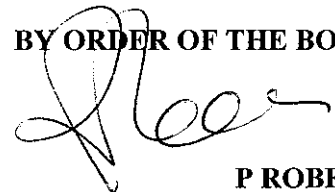
NOTICE IS HEREBY GIVEN that the One Hundred and twenty-first Annual General Meeting of LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED, will be held at The Athenaeum, Church Alley, Church Street, Liverpool, L1 3DD, at 12.00 noon on Wednesday, 27th April 2005, for the following purposes :

1. To receive and consider the Balance Sheet and Statement of Accounts made up to 31st December 2004 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
9 March 2005**

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:

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

I am pleased to report that last year's prediction of a strong profit flow has been reflected in the accounts for 2004. Rental income increased by £69,180 to £1,207,067 and our revenue profit before taxation increased from £738,361 to £805,576. We also accepted an offer to sell one of our older properties at an opportunistic price to produce a capital profit of £318,799. After making provision for all taxes our total net profits for the year were £820,562 compared with £612,960 in 2003. On the acquisitive side, we completed the purchase of all the properties to which I referred in last year's accounts at a cost of £645,702. One short paragraph may summarise the financial activities for the year ended 31 December 2004 but it does not tell the full story.

A great deal of hard work went into the production of these record results and whilst some of our efforts brought no tangible reward most should bear fruit in future years. We have become accustomed to abortive work and accept that it is part of the price to be paid for the increasing popularity of property investment, especially in the booming Liverpool vicinity. We have established a policy of modernising our residential properties to prolong their lives, enhance values and to maintain our income. The exterior refurbishment of the former Barclays Bank building in Old Hall Street, Liverpool, has enhanced its value and it now looks smart and in keeping with its neighbours in a flourishing part of the City. We have a Subcommittee of Directors who meet annually to review each property in the portfolio to monitor the return in income and capital terms and to recommend disposals where necessary. Active management enables us to make the best use of our existing resources and to react quickly to new opportunities.

The acquisition of new properties has continued to be the most frustrating aspect of our work. The buy to let boom has now lost some momentum but has left residential properties at a level that many people, particularly first time buyers, think is too high. We looked at many prospective purchases including an attractive new-build flat development in Birkenhead but the figures did not work out in rental terms. Unlike many private investors in this market we are not prepared to buy purely on the prospect of speculative capital growth because we must seek a reasonable level of income to fund our dividend commitment to the shareholders. The five new houses that we contracted to buy in 2003 were all completed during the year and four of them are now tenanted at sensible rents. They were all bought at competitive prices and should prove to be good long term investments. An office/workshop in Hawkshead Road on the Croft Industrial Estate in Wirral was also purchased with vacant possession and we are looking for a suitable tenant. Shareholders may be interested in seeing what we have bought and I have asked Paul Roberts to include a copy of the letting literature with these accounts. Any shareholder knowing of a prospective occupier should speak to Paul Roberts at Core.

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

The only sale last year was a licensed restaurant in Lime Street, Liverpool, which we had owned since 1960 and earmarked for possible sale. Our leasehold interest would have expired in 2036 and as the area was due for redevelopment we were delighted when the developer made us an offer we could not refuse. This sale effectively funded the purchase of Hawkshead Road leaving the funding for the five houses to be financed from our overdraft facility and normal cash flow. We started the year with £236,397 in the bank and finished with a modest overdraft of £159,536 and this should be cleared by the time these accounts are circulated.

Our occupancy rate is still running at just below 100% although we did have a few problems during the year. This left us with some large professional fees to pay including the legal costs relating to the £2m purchase of flats which we had to abort early in 2004. Our Managing Agents work very hard to maintain a high rate of occupancy as this is the key to the successful operation of a property company. Our philosophy has always been to "leave something for the tenants" and not try to squeeze every penny from them and this pays off in the long term.

Mention of our Managing Agents brings me on to the subject of my colleague, Paul Roberts. Paul oversees the management of all our properties through his position with Core Property Management & Consultancy Ltd and has been actively involved with the portfolio in a professional capacity for nearly 25 years. He has been a Director of our Company for 9 years having previously acted as Company Secretary. His considerable knowledge of the Company's affairs and culture are of great importance and the Board has decided to reflect this by appointing him Managing Director. Although the office of MD has been vacant for the past six years the Board was unanimous that it should be revived as a means of giving Paul the reward and the status he deserves. From a personal perspective, I was delighted to propose his appointment and to thank him for his dedication to the affairs of the Company.

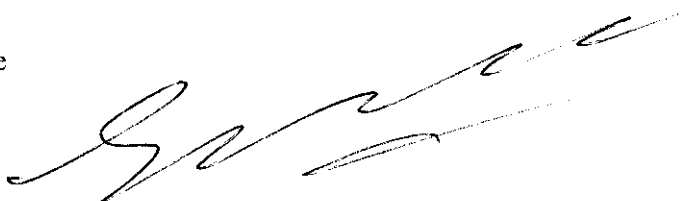
Our anticipated higher profits enabled us to increase the interim dividend that we paid last October from 8.5% to 9%. We propose to increase the dividend payable on 1 April 2005 by a further 0.25% to 10.5%, making a total for the year of 19.5% (18.75% last year). We are confident that the increase for the year of 0.75% can be maintained in the current year but 2004 will be a hard act to follow without fresh capital expenditure because we are enjoying a period of almost full occupancy and minimum rent arrears.

The Board decided that the annual revaluation exercise this year should be carried out externally rather than by two of our own Directors. Mason Owen Property Consultants were appointed to carry out the task and they reported formally to the Board on 24 January 2005. In their opinion the total value of all our properties at 31 December 2004 amounted to £15,238,200 which is an increase of £1,466,316 over the 2003 figure of £13,771,884. This 10.65% increase mirrors the movement in the UK property market over the past twelve months and confirms the strength of property as an investment.

My thanks go once more to my colleagues on the Board for their help and support. We shall again be using the facilities of the Athenaeum for our Annual General Meeting and I look forward to meeting all shareholders who are able to attend.

Geoffrey R Leece
Chairman

9 March 2005



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 2004. 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 £570,815 (2003 - £536,775) and after net property surpluses have been added, the profit on ordinary activities after taxation was £820,562 (2003 - £612,960). The property surplus for 2004, representing profits on sales of properties, was £249,747 (2003 - £76,185) after allowing for Corporation Tax.

The Directors are proposing a second interim dividend of 10.5%, making a total distribution of 19.5%, compared with 18.75% in 2003. This dividend will be paid on 1st April 2005 and no further dividend payments are recommended for the year to 31st December 2004.

In the opinion of the Directors, the open market value of the freehold and leasehold investment properties at 31st December 2004 was £15,238,200 (2003 - £13,771,884). The book value of these properties as shown in the accounts is £7,833,525 (2003 - £7,209,918).

The Directors retiring by rotation are G R Leece and D C B Watkins, 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



9 March 2005

LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2004

	<u>Notes</u>	2004		2003	
		£	£	£	£
Rents received			1,207,067		1,137,887
Deduct expenses:					
Repairs, rates and insurance		49,447		79,632	
Collecting commission		80,586		75,755	
Bank interest		74,071		72,344	
Chief and ground rents		2,425		2,128	
Sundry		<u>50,119</u>	<u>256,648</u>	<u>34,685</u>	<u>264,544</u>
			950,419		873,343
Interest received					
Bank interest		5,237		3,482	
Sundry interest		<u>297</u>	<u>5,534</u>	<u>496</u>	<u>3,978</u>
			955,953		877,321
Deduct Administrative Expenses:					
General & mortgage collection expenses		20,942		18,896	
Secretarial fee and expenses		21,150		21,150	
Directors' fees provision		104,250		95,000	
Audit fees		<u>4,035</u>	<u>150,377</u>	<u>3,914</u>	<u>138,960</u>
Revenue profit before taxation			805,576		738,361
Deduct Taxation:					
Corporation tax	3		<u>234,761</u>		<u>201,586</u>
Revenue profit after taxation			570,815		536,775
Property surpluses during the year		318,799		81,354	
Corporation tax	3	<u>(69,052)</u>	<u>249,747</u>	<u>(5,169)</u>	<u>76,185</u>
Profit on ordinary activities after taxation			820,562		612,960
Dividends:					
Ordinary dividends:					
9.00% Interim dividend paid					
(2003 – 8.5%)		173,642		163,995	
10.5% Second interim dividend proposed					
(2003 – 10.25%)		<u>202,582</u>	<u>376,224</u>	<u>197,759</u>	<u>361,754</u>
Retained profit for year	9		<u>444,338</u>		<u>251,206</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

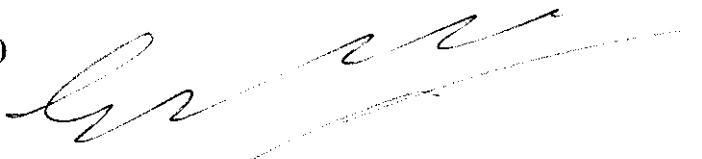
LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

BALANCE SHEET AT 31ST DECEMBER 2004

	<u>Notes</u>	2004	2003
		£	£
Tangible fixed assets			
Freehold properties	4	6,470,345	6,159,058
Long leasehold properties	4	<u>1,363,180</u>	<u>1,050,860</u>
		7,833,525	7,209,918
Subsidiary companies			
Shares	5	82,474	82,474
Less amounts owing to subsidiaries		<u>(82,474)</u>	<u>(82,474)</u>
Total fixed assets		7,833,525	7,209,918
Current assets			
Sundry debtors and prepayments		77,251	80,118
Cash at bank and on deposit		<u>-</u>	<u>236,397</u>
		77,251	316,515
Deduct creditors - Amounts falling due within one year			
Bank overdraft		159,536	-
Bank loan	6	38,725	40,545
Corporation tax		300,104	206,755
Ordinary dividend proposed		202,582	197,759
Property completion		-	296,769
Other		<u>48,476</u>	<u>26,667</u>
		749,423	768,495
Net current liabilities		<u>(672,172)</u>	<u>(451,980)</u>
Total assets less current liabilities		7,161,353	6,757,938
Creditors – Due in more than one year			
Bank loan	6	843,519	884,442
Provision for deferred taxation	7	<u>26,228</u>	<u>26,228</u>
		<u>(869,747)</u>	<u>(910,670)</u>
Net Assets		<u>6,291,606</u>	<u>5,847,268</u>
Capital and reserves:			
Share capital	8	1,929,354	1,929,354
Other reserves	9	1,343,160	1,093,413
Profit and loss account	9	<u>3,019,092</u>	<u>2,824,501</u>
Shareholders' funds – all equity	10	<u>6,291,606</u>	<u>5,847,268</u>

The financial statements on pages 5 to 10 were approved by the board on 9 March 2005.

G R LEECE (Chairman)



LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2004

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 2004 were as follows :

	2004	2003
Mrs J M Hornsby	213,922	213,922
G R Leece	11,704	11,704
C E McCaig	23,851	23,851
D I Renison	11,856	11,856
P Roberts	9,385	9,385
C H Ryan	65,050	65,050
D C B Watkins	137,785	137,785

LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2004
(continued)

3. TAXATION

	2004	2003
	£	£
Corporation tax	234,761	201,586
Deferred tax	-	-
	<u>234,761</u>	<u>201,586</u>
Property surpluses:		
Current year	68,159	5,169
Adjustment to earlier year provisions	<u>893</u>	<u>-</u>
	<u><u>303,813</u></u>	<u><u>206,755</u></u>

The corporation tax charge is based on the profits of the current year and has been provided at 28.8% net of marginal relief (2003 - 27.3%).

4. PROPERTIES

	Freehold	Long Leasehold
	£	£
Cost at 1 st January 2004	6,159,058	1,050,860
Purchases at cost	311,287	334,415
Disposals at cost	<u>-</u>	<u>(22,095)</u>
Book Value at 31st December 2004	<u>6,470,345</u>	<u>1,363,180</u>
 Valuation at 31st December 2004	 13,290,700	 1,947,500
 Valuation at 31 st December 2003	 12,066,884	 1,705,000

The freehold and leasehold properties owned by the company were valued as at 31st December 2004 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 31st March 1982 valuation if appropriate.

LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2004
(continued)

5. SUBSIDIARY COMPANIES

	Proportion of Equity Held %	Aggregate Capital and Reserves at 31st December 2004 £
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
	<hr/>	<hr/>

6. BANK LOAN AND OVERDRAFT

The bank loan of £882,244 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 £663,159 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 7.94 %.

7. DEFERRED TAXATION

The provision for deferred taxation, made at 30% (2003 - 30%), is as follows:

	2004		2003	
	Amount provided £	Amount Unprovided £	Amount Provided £	Amount unprovided £
Corporation tax deferred by:				
1981 claim for industrial buildings Allowance	26,228	-	26,228	-

LIVERPOOL AND CHESTER PROPERTY COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2004
(continued)

8. SHARE CAPITAL

	2004	2003
	£	£
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 2004	1,093,413	2,824,501
Retained profit for the year	<u>249,747</u>	<u>194,591</u>
At 31st December 2004	<u>1,343,160</u>	<u>3,019,092</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.

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	820,562	612,960
Dividends declared	<u>(376,224)</u>	<u>(361,754)</u>
Net additions to shareholders' funds	444,338	251,206
Opening shareholders' funds	<u>5,847,268</u>	<u>5,596,062</u>
Closing shareholders' funds	<u>6,291,606</u>	<u>5,847,268</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 for the year ended 31st December 2004 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

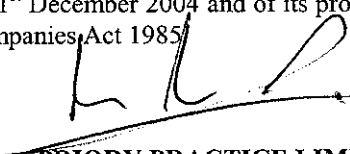
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 £7,404,675 (2003 - £6,561,966) 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 2004 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

**9 March 2005
BIRKENHEAD**