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# **CHELLBROOK PROPERTIES PLC**

**ESTABLISHED 1988**

**ANNUAL REPORT AND  
CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> DECEMBER 2004**



**CHELLBROOK PROPERTIES PLC**

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**For the Year Ended 31 December 2004**

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**CHELLBROOK PROPERTIES PLC**

**COMPANY INFORMATION**  
**For the Year Ended 31 December 2004**

**EXECUTIVE DIRECTORS:** H. Ward PhD, FIMgt, FInstD (Chairman)  
T. R. Ward BSc(Econ), FRSA, MInstD (Chief Executive)  
Mrs J. G. Ward

**NON-EXECUTIVE DIRECTORS:** D. Gibson FCCA, FCT, ACIB (Deputy Chairman)  
J. H. Ward BSc(Eng)

**SECRETARY:** T. R. Ward BSc(Econ), FRSA, MInstD

**REGISTERED OFFICE:** 13 Victoria Road  
Surbiton  
Surrey KT6 4JU

**REGISTERED NUMBER:** 2215684 (England and Wales)

**AUDITORS:** Moulton Johnson  
Chartered Accountants and Registered Auditor  
23a High Road  
Byfleet  
Surrey KT14 7QH

**CLEARING BANKERS:** Barclays Bank PLC  
50 Pall Mall  
London SW1Y 5AX  
  
Coutts and Co  
440 Strand  
London WC2R 0QS

## **CHELLBROOK PROPERTIES PLC**

### **REPORT OF DIRECTORS** **For the Year Ended 31 December 2004**

The directors present their annual report with the consolidated financial statements for the year ended 31 December 2004.

#### **PRINCIPAL ACTIVITY**

*The principal activity of the group in the year under review was that of investment in retail, office and light industrial property in England and Wales.*

#### **REVIEW OF BUSINESS**

The results for the year and financial position of the company and the group are as shown in the annexed financial statements.

The group again had a very successful year with consolidated fixed assets rising 37.42% to £7.362 million and with shareholders' funds rising by 34.13% to £3.163 million. The rise in shareholders' funds is significant, bringing them to over £3 million for the first time. Consolidated turnover rose by 31.72% to £0.493 million.

Profit for the year after taxation reduced marginally, by 1.53% to £116,208, though the pre-tax profit was slightly increased to £132,015. A major factor was the low priority given to selling properties for profit, resulting in a decline in capital gains on the sale of properties from £67,058 in 2003 to £46,894 in 2004. The board gave top priority to the long term profitable growth of the business, and the £99,962 retained profit after payment of dividend is regarded by the board as satisfactory, increasing the Profit and Loss account by 15.62% to a total cumulative retained profit of £739,973.

Our 100% owned subsidiary company, Mountstephen Investments Limited, made significant progress in its specialist area of VAT registered properties. Turnover increased from £56,801 to £153,449, net profit before tax increased from £10,206 to £21,785 while tangible fixed assets at the year end increased from £1.448 million to £2.452 million. Turnover during 2005 is expected to increase substantially.

During 2004 the Chellbrook Properties' group portfolio was enhanced by the addition of several retail tenants with well known names. These included Starbucks Coffee Company in Surbiton, Vodafone in Pontefract, Country Casuals (part of the Austin Reed Group) at Penrith in Cumbria and Card Warehouse at Abergavenny in Monmouthshire. All these properties occupy prime positions in prosperous and busy towns. In the case of Abergavenny this purchase was completed on 26 November 2004, so that the contribution to 2004 turnover was minimal. Overall, with no further purchases in 2005 turnover would increase by 8.75% to £535,000, on the basis of rents as at 31 December 2004.

It is the policy of the Board to concentrate purchases on positions where there is high footfall in expanding retail locations. With the retail property investment market booming during most of 2004 such purchases were not easy to achieve, but nevertheless they were achieved at a satisfactory rate of return on capital and the Group has an increasing number of first class tenants.

Assessment of the risks involved in security of income has always been a significant part of the deliberations of the Board. The risk associated with specific tenants has consistently featured in this assessment and it is Board policy that no one tenant should account for more than 10% of the Group rental income.

Most of the tenants within our top ten, as measured by rent paid, are household names of considerable financial strength which gives the Group excellent income security. At 31 December 2004, our ten largest tenants were as follows:

	<b>Tenant</b>	<b>Rent p.a. (£)</b>	<b>Group Current Rents %</b>
1	Beaver Clothing Company	42,500	8.5
2	T-Mobile (Deutsche Telecom)	38,500	7.7
3	Starbucks	36,000	7.2
4	Vodafone	33,500	6.7
5	Birthdays (Clinton Cards)	24,500	4.9
6	Card Warehouse (Greeting Card Group)	20,000	4.0
7	Country Casuals (Austin Reed Group)	20,000	4.0
8	Ladbroke's (Hilton Hotel Group)	20,000	4.0
9	St Catherine's Hospice	19,570	3.9
10	Lunn Poly (Tui Group)	19,300	3.9

Another factor affecting security of income is geographical location. Our portfolio is entirely in England and Wales, spread between the South Coast and the Lake District in the North, with approximately 40% located in prosperous areas of the Midlands. Furthermore, our commercial tenants cover a wide variety of trades. In terms of overall risk assessment we are not overexposed to any one tenant, location or trade.

One measure of the quality of any property investment portfolio is the level of rent increases in a year. Chellbrook Group's rents are reviewed on a three, four or five year cycle and the number due for review in any one year is therefore variable. During 2004, seven rents were reviewed and in addition two were changed by virtue of the change of tenants at the end of leases. The nine rents changed were increased from a total of £99,480 to £123,969 - i.e. by 24.6%. This is a remarkably high increase and indicates both the strength of the market and the high quality of the portfolio.

The Board regard the annual increase in nominal share value as being probably the most important measure of the progress of the company - the nominal share value being calculated as the value of the shareholders' funds divided by the number of paid-up ordinary shares. The nominal value, and the percentage increase each year, have varied as follows:

<b>31.12.00</b>	<b>31.12.01</b>	<b>31.12.02</b>	<b>31.12.03</b>	<b>31.12.04</b>
£1.46	£1.72	£1.97	£2.37	£3.16
+4.3%	+17.8%	+14.5%	+20.3%	+33.3%

The average annual increase in nominal share value over the past five years has been 18.0% p.a. The nominal value of the shares is not, of course, the same as the market value. However, the 18.0% average increase gives a good measure of the progress of the company over the five year period, which with compounding has resulted in the nominal share value being more than doubled.

Our basic strategy remains to invest in prime retail property let to good covenants in retail centres which are growing in importance, and the list of our top ten tenants bears witness to this strategy. Other than our small head office in Surbiton, we have no exposure to the office market in the London area which is still suffering from weak demand, though there are now some signs of improvement. The average occupancy rate for Chellbrook Group's investment properties in 2004 was virtually 100% and would have been had we not decided to redevelop one of our small residential units late in 2004.

## **OUTLOOK FOR 2005**

The outlook for 2005 appears to be excellent for the Chellbrook Group. Our gross fixed assets are expected to be in the region of £9 million at 31 December 2005 and to exceed £10 million during 2006. Turnover is expected to increase significantly, likewise profit after tax. There is not likely to be any change in our strategy, which will continue to be to focus on prime retail investments and good covenants. Some increase in Bank Rate has already been included in our prudent forecasts and moderate increases in Bank Rate are not expected to cause any undue problems for the Chellbrook Group, nor for our typically strongly funded tenants.

A significant post balance sheet event is that we exchanged contracts for a well-let freehold retail unit at Westgate in the centre of Peterborough on 8 February 2005. The price agreed is £470,000. Completion is scheduled for March.

## **DIVIDENDS**

A dividend of 2p per share was paid on 24 May 2004, at which time the directors did not envisage that any further dividend would be paid for the year. That position still holds. The directors intend to keep to a conservative policy on the payment of dividends.

## **FIXED ASSETS**

It is the company and group policy to review the value of tangible fixed assets on an annual basis and to revalue them as required to reflect the true open market value. The revaluation of the consolidated property portfolio shows an increase of £699,988 which when added to capital expenditure of £1,422,870 during the year, less £117,403 disposals, increases property fixed assets from £5,345,543 to £7,350,999. The rental yield on this investment at 31 December 2004 was 6.9%. These figures include our subsidiary Mountstephen Investments Limited for which the property fixed assets at the year end were £1,448,263. All properties are freehold and entirely located in England and Wales.

Total consolidated tangible assets at £7,362,270 were £11,271 higher than the above figures for property alone, and they include office equipment, computers and furnishings.

## DIRECTORS

The directors during the year under review were:

### Appointed

#### Executive

H. Ward PhD, FIMgt, FInstD	February 1988	Chairman
T. R. Ward BSc(Econ), FRSA, MInstD	February 1988	Chief Executive
Mrs J. G. Ward	February 1988	

#### Non-Executive

D. Gibson FCCA, FCT, ACIB	January 2002	Deputy Chairman
J. H. Ward BSc(Eng)	February 1988	

D. Gibson was elected Deputy Chairman during 2004. There were no other changes to the Board.

The beneficial interests of the directors holding office on 31 December 2004 in the issued share capital of the company were as follows:

	01.01.2004	31.12.2004
<b>Ordinary £1 shares</b>		
H. Ward PhD, FIMgt, FInstD	252,900	252,900
T. R. Ward BSc(Econ), FRSA, MInstD	267,000	267,000
Mrs J. G. Ward	252,900	252,900
D. Gibson FCCA, FCT, ACIB	5,430	9,750
J. H. Ward BSc(Eng)	19,800	19,800

## GROUP'S POLICY ON PAYMENT OF CREDITORS

It is the group's policy to agree terms of payment on commencement of business with all suppliers and to abide by those terms. The proportion of trade creditors included in the Balance Sheet to total supplies invoiced in the year represents 28 days' supplies.

## POTENTIAL IMPACT OF THE EURO

The successful launch of Euro notes and coinage on 1 January 2001 probably marginally increased the chance of the UK joining the Euro zone which would probably be very positive for UK commercial property since traditionally continental Europe has enjoyed lower interest rates than the UK. Alternatively if the UK stays out of the Euro the advantages of independent Sterling also have positive aspects for commercial property. There currently appears to be no chance of the UK entering the Euro zone within less than three years and, in either event, the board looks forward to the future with confidence.

## 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 the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- *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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## AUDITORS

The auditors, Moulton Johnson, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

## ON BEHALF OF THE BOARD

*Timothy R. Ward.*

T. R. Ward BSc(Econ), FRSA, MInstD  
Secretary

Date 18th March 2005



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**CHELLBROOK PROPERTIES PLC**

We have audited the financial statements of Chellbrook Properties PLC for the year ended 31 December 2004 on pages eleven to twenty eight. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) 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**

As described on page four 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.

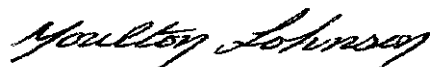
**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Moulton Johnson  
Chartered Accountants  
and Registered Auditor  
23a High Road  
Byfleet  
Surrey  
KT14 7QH

Date: 18 March 2005

**CHELLBROOK PROPERTIES PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**for the Year Ended 31 December 2004**

		2004	2003
	Notes	£	£
<b>TURNOVER</b>		492,956	379,043
Administrative expenses		<u>187,853</u>	<u>177,954</u>
		305,103	201,089
Profit on sale of properties		<u>46,894</u>	<u>67,058</u>
<b>OPERATING PROFIT</b>	3	351,997	268,147
Income from fixed asset investments		6,766	1,159
Interest receivable and similar income		<u>2,279</u>	<u>2,750</u>
		<u>9,045</u>	<u>3,909</u>
		361,042	272,056
Interest payable and similar charges	4	<u>229,027</u>	<u>140,300</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		132,015	131,756
Tax on profit on ordinary activities	5	<u>15,807</u>	<u>13,740</u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		116,208	118,016
Dividends	7	<u>16,245</u>	<u>-</u>
<b>RETAINED PROFIT FOR THE YEAR FOR THE GROUP</b>		<u>99,963</u>	<u>118,016</u>

**CONTINUING OPERATIONS**

None of the group's activities were acquired or discontinued during the current and previous years.

The notes form part of these financial statements

**CHELLBROOK PROPERTIES PLC**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**for the Year Ended 31 December 2004**

	2004 £	2003 £
<b>PROFIT FOR THE FINANCIAL YEAR</b>		
Revaluation of Freehold Properties	116,208	118,016
Share Issue	699,988	288,628
	<u>680</u>	<u>(34)</u>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<u><b>816,876</b></u>	<u><b>406,610</b></u>

The notes form part of these financial statements

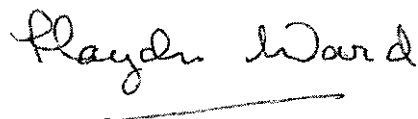
**CHELLBROOK PROPERTIES PLC**

**CONSOLIDATED BALANCE SHEET**


**31 December 2004**

			2004	2003
	Notes	£	£	£
<b>FIXED ASSETS</b>				
Tangible assets	8		7,362,270	5,357,478
Investments	9		<u>26,652</u>	<u>46,647</u>
			7,388,922	5,404,125
<b>CURRENT ASSETS</b>				
Debtors	10	41,544		59,097
Prepayments and accrued income		922		1,500
Cash at bank and in hand		<u>55,477</u>		<u>167,963</u>
		97,943		228,560
<b>CREDITORS</b>				
Amounts falling due within one year	11	<u>310,796</u>		<u>275,213</u>
<b>NET CURRENT LIABILITIES</b>			<u>(212,853)</u>	<u>(46,653)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			7,176,069	5,357,472
<b>CREDITORS</b>				
Amounts falling due after more than one year	12		(4,011,387)	(2,997,869)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15		<u>(1,380)</u>	<u>(1,252)</u>
			<u>3,163,302</u>	<u>2,358,351</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	16		999,750	995,430
Share premium	17		680	-
Revaluation reserve	17		1,422,899	722,911
Profit and loss account	17		<u>739,973</u>	<u>640,010</u>
<b>SHAREHOLDERS' FUNDS</b>	19		<u>3,163,302</u>	<u>2,358,351</u>

**ON BEHALF OF THE BOARD:**



H Ward PhD, FIMgt, FInstD - Director



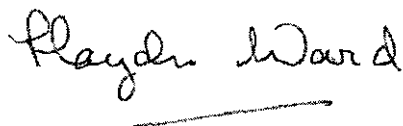
T R Ward BSc(Econ), FRSA, MInstD - Director

Approved by the Board on 18 March 2005

The notes form part of these financial statements

**CHELLBROOK PROPERTIES PLC****COMPANY BALANCE SHEET****31 December 2004**

			2004	2003
	Notes	£	£	£
<b>FIXED ASSETS</b>				
Tangible assets	8		4,909,538	3,909,215
Investments	9		<u>76,652</u>	<u>96,647</u>
			4,986,190	4,005,862
<b>CURRENT ASSETS</b>				
Debtors	10	690,143		423,126
Cash at bank		<u>47,478</u>		<u>148,414</u>
		737,621		571,540
<b>CREDITORS</b>				
Amounts falling due within one year	11	<u>230,324</u>		<u>220,373</u>
<b>NET CURRENT ASSETS</b>			<u>507,297</u>	<u>351,167</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			5,493,487	4,357,029
<b>CREDITORS</b>				
Amounts falling due after more than one year	12		(2,491,847)	(2,067,105)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15		<u>(1,380)</u>	<u>(1,252)</u>
			<u>3,000,260</u>	<u>2,288,672</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	16		999,750	995,430
Share premium	17		680	-
Revaluation reserve	17		1,286,847	662,654
Profit and loss account	17		<u>712,983</u>	<u>630,588</u>
<b>SHAREHOLDERS' FUNDS</b>	19		<u>3,000,260</u>	<u>2,288,672</u>

**ON BEHALF OF THE BOARD:**

H Ward PhD, FIMgt, FInstD - Director



T R Ward BSc(Econ), FRSA, MInstD - Director

Approved by the Board on 18 March 2005

The notes form part of these financial statements

**CHELLBROOK PROPERTIES PLC****CASH FLOW STATEMENT**  
**for the Year Ended 31 December 2004**

		2004	2003
	Notes	£	£
Net cash inflow from operating activities	1	346,182	303,447
Returns on investments and servicing of finance	2	(219,982)	(136,030)
Taxation		(13,788)	(13,049)
Capital expenditure and financial investment	2	(1,239,926)	(1,269,665)
Equity dividends paid		<u>(16,245)</u>	<u>-</u>
		(1,143,759)	(1,115,297)
Financing	2	<u>1,031,273</u>	<u>1,093,357</u>
Decrease in cash in the period		<u>(112,486)</u>	<u>(21,940)</u>
Reconciliation of net cash flow to movement in net debt	3		
Decrease in cash in the period		(112,486)	(21,940)
Cash inflow from increase in debt		<u>(1,024,674)</u>	<u>(1,140,376)</u>
Change in net debt resulting from cash flows		<u>(1,137,160)</u>	<u>(1,162,316)</u>
Movement in net debt in the period		(1,137,160)	(1,162,316)
Net debt at 1 January		<u>(2,962,757)</u>	<u>(1,800,441)</u>
Net debt at 31 December		<u>(4,099,917)</u>	<u>(2,962,757)</u>

The notes form part of these financial statements

**CHELLBROOK PROPERTIES PLC**

**NOTES TO THE CASH FLOW STATEMENT**

**for the Year Ended 31 December 2004**

**1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2004	2003
	£	£
Operating profit	351,997	268,147
Depreciation charges	2,011	2,038
Profit on disposal of fixed assets	(46,894)	(67,058)
Loss on disposal of investments	-	(361)
Decrease in debtors	16,532	86,332
Increase in creditors	<u>22,536</u>	<u>14,349</u>
<b>Net cash inflow from operating activities</b>	<b><u>346,182</u></b>	<b><u>303,447</u></b>

**2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2004	2003
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	2,279	2,750
Interest paid	(229,027)	(140,300)
Dividends received	<u>6,766</u>	<u>1,520</u>
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b><u>(219,982)</u></b>	<b><u>(136,030)</u></b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(1,425,993)	(1,398,918)
Purchase of fixed asset investments	(81,883)	(83,528)
Sale of tangible fixed assets	166,072	150,000
Sale of fixed asset investments	<u>101,878</u>	<u>62,781</u>
<b>Net cash outflow for capital expenditure and financial investment</b>	<b><u>(1,239,926)</u></b>	<b><u>(1,269,665)</u></b>
<b>Financing</b>		
New loans in year	1,021,500	1,283,351
Loan repayments in year	39,373	(163,486)
Amount introduced by directors	-	100,000
Amount withdrawn by directors	(34,600)	(80,300)
Share issue	4,320	(46,000)
Share premium	<u>680</u>	<u>(208)</u>
<b>Net cash inflow from financing</b>	<b><u>1,031,273</u></b>	<b><u>1,093,357</u></b>

The notes form part of these financial statements

**CHELLBROOK PROPERTIES PLC**

**NOTES TO THE CASH FLOW STATEMENT**

**for the Year Ended 31 December 2004**

**3. ANALYSIS OF CHANGES IN NET DEBT**

	At 01.01.04	Cash flow	At 31.12.04
	£	£	£
Net cash:			
Cash at bank and in hand	<u>167,963</u>	<u>(112,486)</u>	<u>55,477</u>
	<u>167,963</u>	<u>(112,486)</u>	<u>55,477</u>
Debt:			
Debts falling due within one year	(132,851)	(11,156)	(144,007)
Debts falling due after one year	<u>(2,997,869)</u>	<u>(1,013,518)</u>	<u>(4,011,387)</u>
	<u>(3,130,720)</u>	<u>(1,024,674)</u>	<u>(4,155,394)</u>
Total	<u>(2,962,757)</u>	<u>(1,137,160)</u>	<u>(4,099,917)</u>

The notes form part of these financial statements



**CHELLBROOK PROPERTIES PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**for the Year Ended 31 December 2004**

**1. ACCOUNTING POLICIES**

**Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

**Turnover**

Turnover comprises rents receivable and other fees and charges in connection with the letting of investment properties.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- at variable rates on reducing balance
Computer equipment	- 25% on cost

**Deferred tax**

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

**Rents Receivable**

Rental income from operating leases is recognised on a straight line basis over the period of the leases.

**Investment Properties**

Investment properties are included in the balance sheet at their open market values. In accordance with SSAP19, investment properties are re-valued annually and their aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation is provided in respect of freehold properties.

**2. STAFF COSTS**

	2004	2003
	£	£
Wages and salaries	106,090	99,284
Social security costs	<u>10,575</u>	<u>9,514</u>
	<u>116,665</u>	<u>108,798</u>

The average monthly number of employees during the year was as follows:

	2004	2003
Administration	<u>7</u>	<u>7</u>

**CHELLBROOK PROPERTIES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**for the Year Ended 31 December 2004**

**3. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2004 £	2003 £
Depreciation—owned assets	2,011	2,038
Profit on disposal of fixed assets	(46,894)	(67,058)
Auditors' remuneration	<u>3,806</u>	<u>5,231</u>
Directors' emoluments	<u>72,240</u>	<u>71,745</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	2004 £	2003 £
Bank Interest	6,877	4,509
Mortgage	213,766	131,154
Loan	<u>8,384</u>	<u>4,637</u>
	<u>229,027</u>	<u>140,300</u>

**5. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	2004 £	2003 £
Current tax:		
UK corporation tax	15,679	13,788
Deferred tax	<u>128</u>	<u>(48)</u>
Tax on profit on ordinary activities	<u>15,807</u>	<u>13,740</u>

**6. PROFIT OF PARENT COMPANY**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £98,640 (2003 - £109,443).

**7. DIVIDENDS**

	2004 £	2003 £
Equity shares:		
Voted and paid 24 May 2004	<u>16,245</u>	<u>-</u>

**CHELLBROOK PROPERTIES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**for the Year Ended 31 December 2004**

**8. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold property £</b>	<b>Fixtures and fittings £</b>	<b>Computer equipment £</b>	<b>Totals £</b>
<b>COST OR VALUATION</b>				
At 1 January 2004	5,345,543	20,790	6,437	5,372,770
Additions	1,424,646	-	1,347	1,425,993
Disposals	(119,178)	-	-	(119,178)
Revaluations	<u>699,988</u>	<u>-</u>	<u>-</u>	<u>699,988</u>
At 31 December 2004	<u>7,350,999</u>	<u>20,790</u>	<u>7,784</u>	<u>7,379,573</u>
<b>DEPRECIATION</b>				
At 1 January 2004	-	12,057	3,235	15,292
Charge for year	<u>-</u>	<u>873</u>	<u>1,138</u>	<u>2,011</u>
At 31 December 2004	<u>-</u>	<u>12,930</u>	<u>4,373</u>	<u>17,303</u>
<b>NET BOOK VALUE</b>				
At 31 December 2004	<u>7,350,999</u>	<u>7,860</u>	<u>3,411</u>	<u>7,362,270</u>
At 31 December 2003	<u>5,345,543</u>	<u>8,733</u>	<u>3,202</u>	<u>5,357,478</u>

Cost or valuation at 31 December 2004 is represented by:

	<b>Freehold property £</b>	<b>Fixtures and fittings £</b>	<b>Computer equipment £</b>	<b>Totals £</b>
Valuation in 2003	1,663,341	-	-	1,663,341
Valuation in 2004	699,988	-	-	699,988
Cost	<u>4,987,670</u>	<u>20,790</u>	<u>7,784</u>	<u>5,016,244</u>
	<u>7,350,999</u>	<u>20,790</u>	<u>7,784</u>	<u>7,379,573</u>

If freehold land and buildings had not been revalued they would have been included at the following historical cost:

	<b>2004 £</b>	<b>2003 £</b>
Cost	<u>4,987,670</u>	<u>3,682,202</u>
Value of land in freehold land and buildings	<u>4,987,670</u>	<u>3,682,202</u>

Freehold Land & Buildings were valued on a rental yield basis on 31 December 2004 by the directors of the company:

**CHELLBROOK PROPERTIES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**for the Year Ended 31 December 2004**

**8. TANGIBLE FIXED ASSETS—continued**

**Company**

	Freehold property £	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST OR VALUATION</b>				
At 1 January 2004	3,898,318	20,790	5,053	3,924,161
Additions	495,712	-	1,347	497,059
Disposals	(119,178)	-	-	(119,178)
Revaluations	<u>624,193</u>	<u>-</u>	<u>-</u>	<u>624,193</u>
At 31 December 2004	<u>4,899,045</u>	<u>20,790</u>	<u>6,400</u>	<u>4,926,235</u>
<b>DEPRECIATION</b>				
At 1 January 2004	-	12,057	2,889	14,946
Charge for year	<u>-</u>	<u>873</u>	<u>878</u>	<u>1,751</u>
At 31 December 2004	<u>-</u>	<u>12,930</u>	<u>3,767</u>	<u>16,697</u>
<b>NET BOOK VALUE</b>				
At 31 December 2004	<u>4,899,045</u>	<u>7,860</u>	<u>2,633</u>	<u>4,909,538</u>
At 31 December 2003	<u>3,898,318</u>	<u>8,733</u>	<u>2,164</u>	<u>3,909,215</u>

**Investment Properties**

Investment properties are included in the balance sheet at their open market values. In accordance with SSAP 19, investment properties are revalued annually and their aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation is provided in respect of freehold properties. The Directors consider that this accounting policy results in the financial statements giving a true and fair view. Depreciation 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.

Cost or valuation at 31 December 2004 is represented by:

	Freehold property £	Fixtures and fittings £	Computer equipment £	Totals £
Valuation in 2003	1,603,084	-	-	1,603,084
Valuation in 2004	624,193	-	-	624,193
Cost	<u>2,671,768</u>	<u>20,790</u>	<u>6,400</u>	<u>2,698,958</u>
	<u>4,899,045</u>	<u>20,790</u>	<u>6,400</u>	<u>4,926,235</u>

**CHELLBROOK PROPERTIES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2004**

**8. TANGIBLE FIXED ASSETS –continued**

**Company**

If freehold land and buildings had not been revalued they would they would have been included at the following historical cost:

	Cost £	Cost £
Cost	<u>2,671,768</u>	<u>2,295,234</u>
Value of land in freehold land and buildings	<u>2,671,768</u>	<u>2,295,234</u>

Freehold Land & Buildings were valued on a rental yield basis on 31 December 2004 by the directors of the company.

**9. FIXED ASSET INVESTMENT**

**Group**

	Listed investments £
<b>COST</b>	
At 1 January 2004	46,647
Additions	81,883
Disposals	<u>(101,878)</u>
At 31 December 2004	<u>26,652</u>
<b>NET BOOK VALUE</b>	
At 31 December 2004	<u>26,652</u>
At 31 December 2003	<u>46,647</u>

**Company**

	Shares in group un- dertakings £	Listed investments £	Totals £
<b>COST</b>			
At 1 January 2004	50,000	46,647	96,647
Additions	-	81,883	81,883
Disposals	<u>-</u>	<u>(101,878)</u>	<u>(101,878)</u>
At 31 December 2004	<u>50,000</u>	<u>26,652</u>	<u>76,652</u>
<b>NET BOOK VALUE</b>			
At 31 December 2004	<u>50,000</u>	<u>26,652</u>	<u>76,652</u>
At 31 December 2003	<u>50,000</u>	<u>46,647</u>	<u>96,647</u>

Market value of listed investments at 31 December 2004—£18,920 (2003—£38,153).

**CHELLBROOK PROPERTIES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2004**

**9. FIXED ASSET INVESTMENTS - continued**

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

**Subsidiary**

**Mountstephen Investements Limited**

Nature of business: Investment in properties

	% holding		
Class of shares:		2004	2003
Ordinary £1	100.00	£	£
Aggregate capital and reserves		213,042	119,680
Profit for the year		<u>17,567</u>	<u>8,574</u>

**10. DEBTORS**

	Group 2004 £	2003 £	Company 2004 £	2003 £
Amounts falling due within one year:				
Trade debtors	18,297	4,097	16,896	3,126
Other debtors	<u>23,247</u>	<u>55,000</u>	<u>23,247</u>	-
	<u>41,544</u>	<u>59,097</u>	<u>40,143</u>	<u>3,126</u>
Amounts falling due after more than one year:				
Loan to subsidiary	-	-	<u>650,000</u>	<u>420,000</u>
Aggregate amounts	<u>41,544</u>	<u>59,097</u>	<u>690,143</u>	<u>423,126</u>

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group 2004 £	2004 £	Company 2004 £	2003 £
Bank loans and overdrafts (see note 13)	144,007	132,851	97,881	98,681
Trade creditors	15,334	12,670	13,278	10,355
Tax	15,527	13,636	11,309	12,003
Social security and other taxes	5,939	3,334	-	-
Directors' loan accounts	65,600	65,600	65,600	65,600
Accruals and deferred income	22,133	13,388	-	-
Accrued expenses	<u>42,256</u>	<u>33,734</u>	<u>42,256</u>	<u>33,734</u>
	<u>310,796</u>	<u>275,213</u>	<u>230,324</u>	<u>220,373</u>

**CHELLBROOK PROPERTIES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the Year Ended 31 December 2004**

**12 CREDITORS: AMOUNTS FALLING  
DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	2004	2003	2004	2003
	£	£	£	£
Bank loans (see note 13)	3,922,287	2,874,169	2,402,747	1,943,405
Other loans (see note 13)	<u>89,100</u>	<u>123,700</u>	<u>89,100</u>	<u>123,700</u>
	<u>4,011,387</u>	<u>2,997,869</u>	<u>2,491,847</u>	<u>2,067,105</u>

**13.. LOANS**

An analysis of the maturity of loans is given below:

	<b>Group</b>		<b>Company</b>	
	2004	2003	2004	2003
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank loans	<u>144,007</u>	<u>132,851</u>	<u>97,881</u>	<u>98,681</u>
Amounts falling due between one and two years:				
Bank loans - 1-2 years	152,481	140,125	103,713	104,166
Other loans - 1-2 years	<u>58,100</u>	<u>65,600</u>	<u>58,100</u>	<u>65,600</u>
	<u>210,581</u>	<u>205,725</u>	<u>161,813</u>	<u>169,766</u>
Amounts falling due between two and five years:				
Bank loans - 2-5 years	513,932	464,620	350,061	345,049
Other loans - 2-5 years	<u>31,000</u>	<u>58,100</u>	<u>31,000</u>	<u>58,100</u>
	<u>544,932</u>	<u>522,720</u>	<u>381,061</u>	<u>403,149</u>
Amounts falling due in more than five years:				
Repayable by instalments				
Bank loans more than 5 yrs by instalments	<u>3,255,874</u>	<u>2,269,424</u>	<u>1,948,973</u>	<u>1,494,190</u>

The bank and directors' loans are repayable on a monthly or quarterly basis. Interest is charged at bank or building society mortgage rates.

**14. SECURED DEBTS**

The following secured debts are included within creditors:

	<b>Group</b>		<b>Company</b>	
	2004	2003	2004	2003
	£	£	£	£
Bank loans	<u>4,066,294</u>	<u>3,007,020</u>	<u>2,500,628</u>	<u>2,042,086</u>

The bank loans are secured against the properties owned by the company.

# **CHELLBROOK PROPERTIES PLC**

## **NOTES TO THE FINANCIAL STATEMENTS - continued** **for the Year Ended 31 December 2004**

### **15. PROVISION FOR LIABILITIES AND CHARGES**

In accordance with FRS 19 Deferred Tax has not been provided on the revaluation of Freehold Properties as there is no commitment to sell the properties.

### **16. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	2004	2003
		£1	£	£
2,000,000	Ordinary		<u>2,000,000</u>	<u>2,000,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2004	2003
		£1	£	£
999,750	Ordinary		<u>999,750</u>	<u>995,430</u>
(2003 - 995,430)				

The following fully paid shares were allotted during the year at a premium as shown below:

4,320 Ordinary shares of £1 each at 16p per share

### **17. RESERVES**

#### **Group**

	Profit and loss account	Share premium	Revaluation reserve	Totals
	£	£	£	£
At 1 January 2004	640,010	-	722,911	1,362,921
Retained profit for the year	99,963	-	-	99,963
Cash share issue	-	680	-	680
Property revaluation	-	-	<u>699,988</u>	<u>699,988</u>
At 31 December 2004	<u>739,973</u>	<u>680</u>	<u>1,422,899</u>	<u>2,163,552</u>

#### **Company**

	Profit and loss account	Share premium	Revaluation reserve	Totals
	£	£	£	£
At 1 January 2004	630,588	-	662,654	1,293,242
Retained profit for the year	82,395	-	-	82,395
Cash share issue	-	680	-	680
Property revaluation	-	-	<u>624,193</u>	<u>624,193</u>
At 31 December 2004	<u>712,983</u>	<u>680</u>	<u>1,286,847</u>	<u>2,000,510</u>



**CHELLBROOK PROPERTIES PLC**

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**for the Year Ended 31 December 2004**

**18. TRANSACTIONS WITH DIRECTORS**

H. Ward, a director of the company, had made a previous loan to the company and the amount owed to him at the Balance Sheet date amounted to £23,700 (2003:£39,300). Interest on the amount outstanding is calculated on a daily basis, at current Building Society Mortgage rates. The interest is paid to the director, net of tax, after the year end. Income tax on the loan interest is paid to the Inland Revenue, when due. The director has agreed that repayment of the loan may be made evenly over the next 2 to 3 years.

In addition to the loan above, a further loan of £100,000 was made to the company during 2003 by Mr H & Mrs J Ward, who are both directors of the company. At the Balance Sheet date an amount of £131,000 (2003:£150,000) was outstanding and this is repayable over the next three years in equal instalments. Interest will be paid on this loan at a rate of 0.75% above Bank of England base rates.

**19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

**Group**

	2004 £	2003 £
Profit for the financial year	116,208	118,016
Dividends	<u>(16,245)</u>	<u>-</u>
	99,963	118,016
Other recognised gains and losses relating to the year (net)	700,668	288,594
Share issue	4,320	4,242
Share Premium	<u>-</u>	<u>(208)</u>
<b>Net addition to shareholders' funds</b>	804,951	410,644
Opening shareholders' funds	<u>2,358,351</u>	<u>1,947,707</u>
<b>Closing shareholders' funds</b>	<u>3,163,302</u>	<u>2,358,351</u>
Equity interests	<u>3,163,302</u>	<u>2,358,351</u>

**Company**

	2004 £	2004 £
Profit for the financial year	98,640	109,443
Dividends	<u>(16,245)</u>	<u>-</u>
	82,395	109,443
Other recognised gains and losses relating to the year (net)	624,873	228,337
Share issue	4,320	4,242
Share Premium	<u>-</u>	<u>(208)</u>
<b>Net addition to shareholders' funds</b>	711,588	341,814
Opening shareholders' funds	<u>2,288,672</u>	<u>1,946,858</u>
<b>Closing shareholders' funds</b>	<u>3,000,260</u>	<u>2,288,672</u>
Equity interests	<u>3,000,260</u>	<u>2,288,672</u>

**CHELLBROOK PROPERTIES PLC**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**for the Year Ended 31 December 2004**

	2004		2003	
	£	£	£	£
<b>Turnover</b>				
Rents receivable	438,392		334,617	
Insurance premiums receivable	25,193		19,979	
Management fees	28,391		23,331	
Service charges	730		1,116	
Sundry Income	<u>250</u>		<u>-</u>	
		492,956		379,043
<b>Other income</b>				
Profit on sale of tangible fixed assets	46,894		67,058	
Dividends received	2,013		1,520	
Profit on sale of investments	4,753		(361)	
Deposit account interest	<u>2,279</u>		<u>2,750</u>	
		<u>55,939</u>		<u>70,967</u>
		548,895		450,010
<b>Expenditure</b>				
Rates and water	4,429		4,126	
Insurance	27,669		19,683	
Light and heat	679		809	
Directors' salaries	72,240		68,840	
Directors' social security	7,619		6,014	
Wages	33,850		30,444	
Social security	2,956		3,500	
Telephone	2,430		2,937	
Post and stationery	1,073		1,718	
Advertising	-		161	
Travelling	8,462		7,083	
Subscriptions	457		412	
Licences and insurance	-		1,700	
Repairs and renewals	713		4,011	
Computer expenses	304		1,085	
Sundry expenses	3,165		1,243	
Legal fees	5,658		7,365	
Auditors remuneration	3,806		5,231	
Commission paid	472		48	
Entertainment	3,098		2,362	
Bad debts	<u>-</u>		<u>1,200</u>	
		<u>179,080</u>		<u>169,972</u>
		369,815		280,038
<b>Finance costs</b>				
Bank charges	6,762		5,944	
Bank interest	6,877		4,509	
Mortgage	213,766		131,154	
Loan	<u>8,384</u>		<u>4,637</u>	
		<u>235,789</u>		<u>146,244</u>
Carried forward		134,026		133,794

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**CHELLBROOK PROPERTIES PLC**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**for the Year Ended 31 December 2004**

	2004		2003	
	£	£	£	£
Brought forward		134,026		133,794
<b>Depreciation</b>				
Fixtures and fittings	873		970	
Computer equipment	<u>1,138</u>		<u>1,068</u>	
		<u>2,011</u>		<u>2,038</u>
<b>NET PROFIT</b>		<u>132,015</u>		<u>131,756</u>

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