

Registered No: 836234

FOLKES PROPERTIES LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 1999

 *Clement
Keys*



DIRECTORS' REPORT

The directors present their report together with the audited accounts for the year ended 31 December 1999.

Activities

The principal activities of the Company throughout the year were those of a property owning company.

Results and dividends

The results for the year are set out on page 2.

The directors propose a final dividend of £1245599.

Review of the business and future prospects

A change away from charging market rent on properties occupied by sister companies within the Folkes Group PLC group of companies, which produced £1.2 million rental income in 1998, has resulted in an apparent fall in operating profit in the year. However the actual underlying operating profit has continued to increase to the current 1999 level of £3.0 million. This increase reflects the full occupation of developments recently undertaken and few vacant properties were held at the year-end.

In June 1999 eleven acres of development land was purchased at Wellingborough, Northants. This new project has been named Wendel Point and will comprise of two development phases. The first phase is under construction and will consist of a 63,000 sq. ft, 3 unit scheme when completed in summer 2000. Second phase construction is envisaged for the latter end of 2000.

An external valuation of the portfolio was undertaken at the year-end which has positively reflected the past investment in the construction of new estates. The valuation has resulted in an uplift in the value of the portfolio of £6269821.

The Company will continue to explore all possibilities to further expand and enhance the portfolio during 2000.

Year 2000 compliance

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and thus required modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. The operation of our activities depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issue.


A programme, designed to address the impact of the Year 2000 on our business, has been implemented. Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems still exist because at least some level of failure may still occur.

Directors and their interests

The directors who served during the year were as follows:

C J Folkes
H J Folkes
F Coyle
J Weston
P M Turner
A S Parker (appointed 13 July 1999)

C J Folkes, H J Folkes and F Coyle are all directors of Folkes Group PLC and their interests are shown in the directors' report of that Company. No other director held any interest in the share capital of Folkes Group PLC.

By order of the Board

P M Turner
Secretary

27 April 2000

FOLKES PROPERTIES LIMITED

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 year. In preparing those accounts, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently.
- (b) make judgements and estimates that are reasonable and prudent.
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- (d) 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' REPORT TO THE SHAREHOLDERS OF FOLKES PROPERTIES LIMITED

We have audited the financial statements on pages 1 to 9 which have been prepared under the historical cost convention as modified by the revaluation of certain assets and on the basis of the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described above the directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

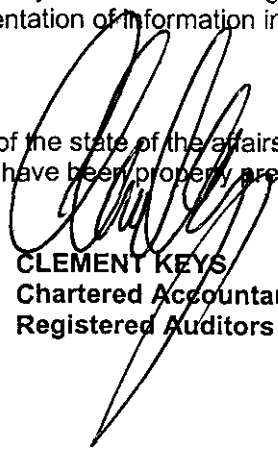
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 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 the affairs of the Company as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Birmingham
27 April 2000



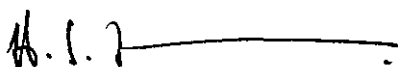
CLEMENT KEYS
Chartered Accountants
Registered Auditors

FOLKES PROPERTIES LIMITED

BALANCE SHEET

31 DECEMBER 1999

	Notes	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets			57660503		48440131
Current assets					
Debtors	3	174024		252783	
Creditors (amounts falling due within one year)	4	<u>31797245</u>		<u>28925453</u>	
Net current liabilities			(31623221)		(28672670)
			<u>26037282</u>		<u>19767461</u>
Capital and reserves					
Called up share capital	5		10000		10000
Share premium account	6		111494		111494
Revaluation reserve	6		24733848		18464027
Other reserves	6		1181940		1181940
Profit and loss account	6		-		-
			<u>26037282</u>		<u>19767461</u>



H J Folkes
Director

FOLKES PROPERTIES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1999

	Notes	1999 £	1998 £
Turnover	7	4465808	5023569
Administrative expenses		(1438367)	(1542254)
Operating profit	8	3027441	3481315
Interest payable	10	(1447911)	(1590863)
Profit from ordinary activities before taxation		1579530	1890452
Taxation	11	(333931)	(380168)
Profit from ordinary activities after taxation		1245599	1510284
Dividends		(1245599)	(2476690)
Deficit in year		-	(966406)

The profit and loss account reflects the continuing operations of the Company. There were no material acquisitions or discontinued operations. There is no material difference between reported profits and historical cost profits.

FOLKES PROPERTIES LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1999

	1999	1998
	£	£
Profit for the financial year	1245599	1510284
Unrealised surplus on revaluation of properties	6269821	4334807
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	7515420	5845091
	<hr/>	<hr/>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1999

	1999	1998
	£	£
Profit for the financial year	1245599	1510284
Dividends	(1245599)	(2476690)
	<hr/>	<hr/>
	-	(966406)
Other recognised gains and losses relating to the year	6269821	4334807
	<hr/>	<hr/>
Increase in shareholders' funds	6269821	3368401
Opening Shareholders' funds	19767461	16399060
	<hr/>	<hr/>
Closing Shareholders' funds	26037282	19767461
	<hr/>	<hr/>

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1999

1 Accounting policies

The following accounting policies have been adopted by the Company in the preparation of the accounts:

Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and are in accordance with applicable Accounting Standards in force at the relevant time except with regard to the depreciation of certain property assets referred to below.

Depreciation of tangible fixed assets

Depreciation is calculated on a straight line basis at annual rates estimated to write off the cost or valuation less the estimated residual value of each fixed asset over its estimated life and is generally charged as follows:

Plant and machinery	15% - 25%
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No depreciation was charged on freehold land, freehold buildings occupied for group use, assets in the course of construction and investment properties in 1999. FRS 15 requires depreciation to be charged on freehold buildings occupied for group use but there has been insufficient time for this policy to be implemented in 1999. Depreciation is being charged from 1 January 2000 at the rate of 2% per annum. In accordance with FRS 15 and SSAP 19, depreciation will continue not to be charged on freehold land, assets in the course of construction and investment properties which is a departure from the requirements of the Companies Act 1985.

Deferred taxation

Deferred taxation is provided at the current rate of corporation tax on any significant timing differences except where it can be demonstrated with reasonable probability that a tax liability is unlikely to arise in the foreseeable future.

Repairs and renewals

All expenditure on repairs and renewals is written off in the year in which it is incurred.

Grants

Grants received in respect of capital expenditure on investment properties are applied to reduce the cost of the relevant investment property.

Pensions

The Company participates in the group defined benefit pension scheme the assets of which are held separately from those of the Company in independently administered funds. The cost of providing pensions is spread over the employees' working lives with the Company.

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1999

2 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 1999	48350000	316241	48666241
Additions - external	2977934	1936	2979870
Disposals - external	-	(14650)	(14650)
Revaluation	6269821	-	6269821
At 31 December 1999	<u>57597755</u>	<u>303527</u>	<u>57901282</u>
Depreciation			
At 1 January 1999	-	226110	226110
Charged in year	-	29319	29319
On disposals	-	(14650)	(14650)
At 31 December 1999	<u>-</u>	<u>240779</u>	<u>240779</u>
Net book value			
At 31 December 1999	<u>57597755</u>	<u>62748</u>	<u>57660503</u>
At 31 December 1998	<u>48350000</u>	<u>90131</u>	<u>48440131</u>
Cost or valuation at 31 December 1999 is represented by:			
Valuation in 1999	57597755	-	57597755
Cost	-	303527	303527
	<u>57597755</u>	<u>303527</u>	<u>57901282</u>

The details of cost and depreciation of freehold land and buildings included at a valuation are not given since the information cannot be obtained without unreasonable expense. However, original cost was reduced by grants totalling £4785049 (1998 £4785049). Included in freehold land and buildings is an amount of capitalised interest totalling £1218837 (1998 £1218837).

An external valuation of investment properties was carried out as at 31 December 1999 by Phoenix Beard, Chartered Surveyors. Properties were valued in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors on an open market basis, except those principally occupied by Folkes Group PLC or one of its' subsidiaries which were valued on the basis of existing use value. As a result of the valuation, properties have been included in the balance sheet at £57597755.

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1999

3	Debtors	1999	1998
		£	£
	Due within one year		
	Trade debtors	148199	68670
	Other debtors	15090	14346
	Prepayments	2538	3964
	Taxation recoverable	8197	165803
		<hr/>	<hr/>
		174024	252783
		<hr/>	<hr/>
4	Creditors (amounts falling due within one year)	1999	1998
		£	£
	Bank overdraft	24374248	20934803
	Trade creditors	787208	1055103
	Amounts owed to parent undertaking	4129350	2124071
	Amounts owed to fellow subsidiary undertakings	62	244382
	Other creditors	1057219	1894468
	Corporation tax	-	70471
	Other taxation and social security	176849	92636
	Accruals	26710	32829
	Dividend	1245599	2476690
		<hr/>	<hr/>
		31797245	28925453
		<hr/>	<hr/>
5	Share capital	1999	1998
		£	£
	Authorised, allotted and fully paid		
	10000 Ordinary shares of £1 each	10000	10000
		<hr/>	<hr/>

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1999

6 Reserves

Share premium account	£
At 1 January 1999 and 31 December 1999	111494
	<hr/>
Revaluation reserve	£
At 1 January 1999	18464027
Revaluation in the year	6269821
	<hr/>
At 31 December 1999	24733848
	<hr/>
Other reserves	£
At 1 January 1999 and at 31 December 1999	1181940
	<hr/>
Profit and loss account	£
At 1 January 1999	-
Profit before dividends	1245599
Dividends	(1245599)
	<hr/>
At 31 December 1999	-
	<hr/>

7 Turnover

Turnover represents income from rental of property within the United Kingdom excluding value added tax. Included in turnover are amounts from group undertakings amounting to £NIL (1998 £1265250).

8 Operating profit	1999	1998
Operating profit is stated after charging/(crediting) the following:	£	£
Depreciation	29319	31174
Auditors remuneration - audit fees	7340	7115
Staff costs (Note 9)	227687	225657
Hire of plant	3777	15820
(Profit)/loss on disposal of fixed assets	(3000)	1351
	<hr/>	<hr/>

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1999

9	Directors and employees	1999	1998
		£	£
	Staff costs		
	Wages and salaries	195758	192932
	Social security costs	15807	16196
	Pension costs	16122	16529
		<hr/>	<hr/>
		227687	225657
		<hr/>	<hr/>
	Average number of employees by category	No	No
	Administration	4	4
	Works	10	10
		<hr/>	<hr/>
		14	14
		<hr/>	<hr/>
	Directors' remuneration		
	Aggregate directors' emoluments in the year amount to £66943 (1998 £46124). Details of retirement benefits in relation to the directors of Folkes Group PLC are given in the accounts of that Company. Retirement benefits are accruing under the group defined benefit scheme to the other three directors.		
10	Interest payable	1999	1998
		£	£
	On bank loans, overdrafts and other loans wholly repayable within 5 years	1447911	1590863
		<hr/>	<hr/>
11	Taxation	1999	1998
		£	£
	Corporation tax at the rate of 30.25% (1998 31%) on the taxable profit for the year	-	5250
	Prior year adjustment	-	(66950)
	Group relief	333931	441868
		<hr/>	<hr/>
		333931	380168
		<hr/>	<hr/>

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1999

12 Deferred taxation

The directors do not consider that a provision for deferred taxation is required. A summary of the full potential liability comprises:

	1999	1998
	£	£
Timing differences between depreciation and capital allowances	1410603	1068913
Excess of the balance sheet amounts of revalued properties over their cost	3318580	1013697
	<hr/>	<hr/>

13 Pension commitments

The Company along with other group undertakings participates in a defined benefit pension scheme for certain employees. This scheme is administered by trustees and is independent of the Company's finances and on the advice of external actuaries is funded by contributions from the Company and employees.

Actuarial valuations and reports are carried out at intervals not exceeding three years on varying dates. The last valuation was carried out in 1998 and showed no deficiencies on a current funding level basis.

Details of the last actuarial valuation may be found in the accounts of the ultimate parent undertaking, Folkes Group PLC.

14 Contingent liabilities

The Company is party to an unlimited interlocking guarantee to secure balances due to bankers by certain members of Folkes Group PLC. At 31 December 1999 the contingent liability was £Nil (1998 £Nil).

15 Capital commitments

Amounts contracted for but not provided in the accounts are £1796750 (1998 £1091640).

16 Ultimate parent undertaking

The Company's ultimate parent undertaking is Folkes Group PLC, a company registered in England and Wales. Group consolidated accounts are available to the public at Forge House, Dudley Road, Lye, West Midlands.

17 Cash flow statement

The Company has taken advantage of exemptions provided by Financial Reporting Standard 1 and not prepared a cash flow statement for the year.

18 Board approval

The accounts for the year were formally approved by the directors on 27 April 2000.