

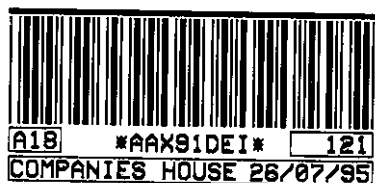
FOLKES PROPERTIES LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 1994

CLEMENT KEYS

Releasing business potential



Company No: 836234

FOLKES PROPERTIES LIMITED

DIRECTORS' REPORT

The directors present their report together with the audited accounts for the year ended 31 December 1994.

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 £1272031.

Review of the business and future prospects

An improved result over 1993 in a depressed property climate is testament to the soundness of the company. The increased trading profit reflects new lettings and some successful rent reviews.

The year saw a gradual improvement in tenant interest, particularly from European companies wishing to enter or expand their activities in the British market. They see the West Midlands where the company's property interests lie, as a convenient entry point.

The improving environment has enhanced values and yields resulting in an improvement in capital values. Consequently the five-yearly professional valuation of the portfolio at December 1994 incorporates a surplus into the balance sheet.

During the year the final 55,000 square feet of industrial warehousing at Washington Centre was developed and the now completed estate is 84% let.

A number of opportunities have been pursued in the year to further expand activity. On 7 April 1995 the company agreed to purchase from the Black Country Development Corporation ten acres of development land at Wednesbury, West Midlands in order to build a new estate which is to be named Britannia Park. The development will ultimately comprise some 160,000 square feet of industrial buildings, the first being available for occupation before the end of 1995.

Further opportunities will be pursued during 1995 to further expand and enhance the portfolio.

Fixed assets

Movements in fixed assets during the year are set out on page 6.

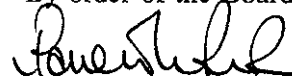
Directors and their interests

The directors who served during the year were as follows:

C J Folkes
H J Folkes
F Coyle
J Weston
P M Turner
M H C Alexander - resigned 28 February 1995

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 1995

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 11 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 4 and 5.

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

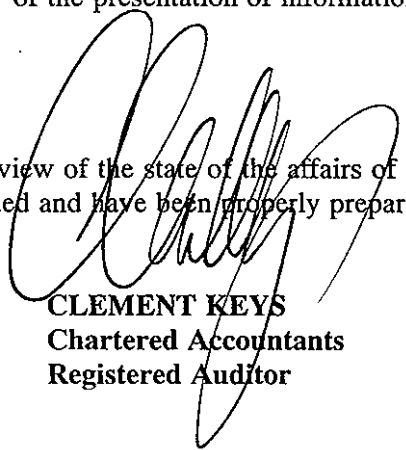
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 mis-statement, 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 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Edgbaston
27 April 1995



CLEMENT KEYS
Chartered Accountants
Registered Auditor

FOLKES PROPERTIES LIMITED

BALANCE SHEET

31 DECEMBER 1994

	Notes	1994	1993
		£	£
Fixed assets			
Tangible assets	2	31811809	29609764
Current assets			
Debtors	3	141058	113113
Creditors (amounts falling due within one year)	4	<u>17034181</u>	<u>15923211</u>
Net current liabilities		(16893123)	(15810098)
Total assets less current liabilities		14918686	13799666
Creditors (amounts falling due after more than one year)	5	<u>1208970</u>	<u>1092986</u>
		<u>13709716</u>	<u>12706680</u>
Capital and reserves			
Called up share capital	6	10000	10000
Share premium account	7	111494	111494
Revaluation reserve	7	12406283	11403247
Other reserves	7	<u>1181939</u>	<u>1181939</u>
		<u>13709716</u>	<u>12706680</u>

C J Folkes

H J Folkes

) Directors

FOLKES PROPERTIES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1994

	Notes	1994	1993
		£	£
Turnover	8	3216015	3056883
Administrative expenses	(574213)	(456127)	
Other operating income	—	201	
		<u>574213</u>	<u>455926</u>
Operating profit	9	2641802	2600957
Interest payable	11	<u>713799</u>	—
Profit from ordinary activities before taxation		1928003	2600957
Taxation	12	<u>655972</u>	<u>734687</u>
Profit from ordinary activities after taxation		1272031	1866270
Dividends		<u>1272031</u>	<u>1866270</u>
		<u>—</u>	<u>—</u>

The profit and loss account reflects the continuing operations of the Company. There were no material acquisitions or discontinued operations.

FOLKES PROPERTIES LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1994

	1994	1993
	£	£
Profit for the financial year	1272031	1866270
Unrealised surplus on revaluation of properties	<u>1003036</u>	<u>1000000</u>
Total recognised gains and losses for the financial year	<u><u>2275067</u></u>	<u><u>2866270</u></u>

Reconciliation of Movements in Shareholders' Funds
For the year ended 31 December 1994

	1994	1993
	£	£
Profit for the financial year	1272031	1866270
Dividends	<u>(1272031)</u>	<u>(1866270)</u>
	-	-
Other recognised gains and losses relating to the year	<u>1003036</u>	<u>1000000</u>
Increase in shareholders' funds	1003036	1000000
Opening Shareholders' funds	<u>12706680</u>	<u>11706680</u>
Closing Shareholders' funds	<u><u>13709716</u></u>	<u><u>12706680</u></u>

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1994

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 and are in accordance with applicable Accounting Standards 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 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 is charged on freehold land, freehold buildings occupied for group use, assets in the course of construction and investment properties. It is the Company's policy to maintain its properties in good condition to prolong their useful lives. Maintenance is undertaken and systematically charged to the profit and loss account. Furthermore, the lives of these assets and their residual values based on prices prevailing at the time of acquisition or subsequent valuation are such that any depreciation is insignificant. The directors consider property valuations annually and in the opinion of the directors this accounting policy ensures that the financial statements show a true and fair view.

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.

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1994

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 defined benefit pension schemes 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 1994

2 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 1994	29565505	187455	29752960
Additions - external	1255459	24770	1280229
Revaluation adjustment	1003036	-	1003036
Disposals - external	<u>(52000)</u>	<u>(13826)</u>	<u>(65826)</u>
At 31 December 1994	<u>31772000</u>	<u>198399</u>	<u>31970399</u>
Depreciation			
At 1 January 1994	-	143196	143196
Charged in year	-	27220	27220
On disposals	<u>-</u>	<u>(11826)</u>	<u>(11826)</u>
At 31 December 1994	<u>-</u>	<u>158590</u>	<u>158590</u>
Net book value			
At 31 December 1994	<u>31772000</u>	<u>39809</u>	<u>31811809</u>
At 31 December 1993	<u>29565505</u>	<u>44259</u>	<u>29609764</u>
Cost or valuation at 31 December 1994 is represented by:			
Valuation in 1994	31772000	-	31772000
Cost	<u>-</u>	<u>198399</u>	<u>198399</u>
	<u>31772000</u>	<u>198399</u>	<u>31970399</u>

The details of cost and depreciation of freehold land and buildings included at a valuation are not given since the records cannot be obtained without unreasonable expense. However, original cost was reduced by grants totalling £1324386 at 31 December 1994. Included in freehold land and buildings is an amount of capitalised interest totalling £1218837 (1993 £1218837).

An external valuation of investment properties was carried out as at 31 December 1994 by Messrs. Grimley. As a result investment properties have been included in the balance sheet at £31772000 being an assessment of the aggregate open market values.

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1994

3	Debtors	1994	1993
		£	£
	Due within one year		
	Trade debtors	90792	46522
	Other debtors	39981	56306
	Taxation recoverable	<u>10285</u>	<u>10285</u>
		141058	113113
		<u><u> </u></u>	<u><u> </u></u>
4	Creditors (amounts falling due within one year)	1994	1993
		£	£
	Bank overdraft	10886611	488908
	Trade creditors	771635	526180
	Amounts owed to parent undertaking	2828611	12237196
	Amounts owed to fellow subsidiary undertakings	256226	267250
	Other creditors	585590	198999
	Corporation tax	273560	57297
	Other taxation and social security	140797	258247
	Accruals	19120	22864
	Dividend	<u>1272031</u>	<u>1866270</u>
		17034181	15923211
		<u><u> </u></u>	<u><u> </u></u>
5	Creditors (amounts falling due after more than one year)	1994	1993
		£	£
	Other creditors	<u>1208970</u>	<u>1092986</u>
		<u><u> </u></u>	<u><u> </u></u>
6	Share capital	1994	1993
		£	£
	Authorised, allotted and fully paid		
	10000 Ordinary shares of £1 each	<u>10000</u>	<u>10000</u>
		<u><u> </u></u>	<u><u> </u></u>

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1994

7 Reserves

Share premium account	£
At 1 January 1994 and 31 December 1994	<u>111494</u>
Revaluation reserve	£
At 1 January 1994	11403247
Revaluation in the year	<u>1003036</u>
At 31 December 1994	<u>12406283</u>

No potential taxation liability arises as a result of the movement on the revaluation reserve.

Other reserves	£
At 1 January 1994 and at 31 December 1994	<u>1181939</u>

8 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 £795500 (1993 £919500).

9 Operating profit	1994	1993
Operating profit is stated after charging/(crediting) the following:	£	£
Depreciation	27220	23275
Auditors remuneration - audit fees	2150	7600
Staff costs (Note 10)	156344	109405
Hire of plant	5073	3935
Profit on disposal of fixed assets	<u>(13452)</u>	<u>(79999)</u>

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1994

10	Directors and employees	1994	1993
		£	£
	Staff costs		
	Wages and salaries	143316	98261
	Social security costs	12402	8189
	Pension costs	626	2955
		<u>156344</u>	<u>109405</u>
	Average number of employees by category	No	No
	Administration	4	3
	Works	8	8
		<u>12</u>	<u>11</u>
	Directors' remuneration	£	£
	For services as directors	Nil	Nil
	For executive services	83013	44701
		<u></u>	<u></u>
	Emoluments (excluding pension contributions) of the Chairman	Nil	Nil
		<u></u>	<u></u>
	Emoluments (excluding pension contributions) of the highest paid director	47795	31196
		<u></u>	<u></u>
	The emoluments (excluding pension contributions) of the other directors fell within the following ranges:		
	£0 - £5000	3	2
	£5001 - £10000	-	2
	£30001 - £35000	1	-
		<u></u>	<u></u>
11	Interest payable and similar charges	1994	1993
		£	£
	On bank loans, overdrafts and other loans wholly repayable within 5 years	713799	230837
	Interest capitalised	-	(230837)
		<u>713799</u>	<u>-</u>

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1994

12	Taxation	1994 £	1993 £
	Corporation tax at the rate of 33% (1993 33%) on the taxable profit for the year	576700	-
	Group relief	<u>79272</u>	<u>(734687)</u>
		<u>655972</u>	<u>(734687)</u>

13 Deferred taxation

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

	1994 £	1993 £
Timing differences between depreciation and capital allowances	<u>994402</u>	<u>1058935</u>

14 Pension commitments

The Company along with other group undertakings participates in defined benefit pension schemes for certain employees. These schemes are administered by trustees and are independent of the Company's finances and on the advice of external actuaries are 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 latest valuations were carried out in 1992 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.

15 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 1994 the contingent liability was £NIL (1993 £4147403).

FOLKES PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1994

16 Capital commitments

Amounts contracted for but not provided in the accounts are £100000 (1993 £12500). Amounts authorised by the directors but not contracted for are £NIL (1993 £1500000).

17 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, Stourbridge, West Midlands.

18 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.

19 Board approval

The accounts for the year were formally approved by the directors on 27 April 1995.