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COMPANY REGISTRATION NUMBER 836234

Folkes Properties Limited

Report and Financial Statements

31 December 2008



Folkes Properties Limited

Registered No: 836234

Directors

C J Folkes
P M Turner
C L Folkes
J Weston
A S Parker
P Tomlinson
J Monkton

Secretary

J Monkton

Auditors

Deloitte LLP
Four Brindleyplace
Birmingham, UK
B1 2HZ

Registered office

Forge House
Dudley Road
Lye
Stourbridge
West Midlands
DY9 8EL

Directors' report

The directors present their report and financial statements for the year ended 31 December 2008.

Results and dividends

The profit for the year, after taxation, amounted to £550,843 (2007: £2,139,983). An interim dividend of £1,850,000 was paid during 2007. The directors do not recommend the payment of a final dividend.

Principal activities and review of the business

The principal activity of the company during the year was as a property owning company.

The company has made a solid profit for the year from its retained properties.

The directors look forward to further progress in the ensuing year.

Directors

The directors who served the company during the year were as follows:

C J Folkes
C S Griffin (Resigned 10 July 2009)
P M Turner
J Weston
A S Parker
P Tomlinson (Appointed 19 February 2008)
J Monkton

The interests of C J Folkes in Folkes Holdings Limited are shown in the Directors' Report of that company. C L Folkes was appointed a director of the company on 27 April 2009.

Going Concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and consider that there are no material uncertainties that lead to significant doubt upon the company's ability to continue as a going concern. Cash flow forecasts are prepared annually as part of the planning and budgeting process and are monitored and reworked monthly. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Given the present economic environment, the directors are aware of the general concern affecting the assessment of the going concern basis for all businesses and have therefore taken particular care in reviewing the going concern basis this year. The company carefully monitors its forecast cash balances and bank overdraft and has relatively liquid assets, which it could draw on if necessary.

The Company has not encountered any difficulty in paying its trade payables in good time and has met all of the loan covenants as at 31 December 2008. The valuation of the property portfolio is currently appropriate to the position the market is showing, but due regard has been given to the potential exposure should values continue to fall. The directors consider that the position is protected by a variety of mechanisms including the provision of additional security, the ability to sell assets, the availability of additional finance sources through asset finance and the reduction of facility due to non-utilisation.

Directors' report

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

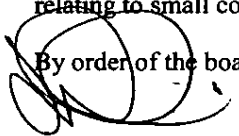
- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Auditors

A resolution to reappoint Deloitte LLP will be put to the members at the Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act relating to small companies.


By order of the board

J Monkton
Secretary

17 August 2009

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

Independent auditors' report

to the members of Folkes Properties Limited

We have audited the financial statements of Folkes Properties Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical costs profits and losses the Balance Sheet and the related notes 1 to 16. These financial statements have been prepared under 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

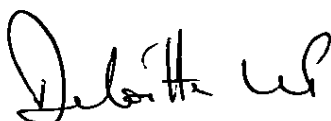
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte LLP
Chartered Accountants and Registered Auditors
Birmingham, UK

18 August

2009

Profit and loss account for the year ended 31 December 2008

		2008	2007
	Notes	£	£
Turnover	2	1,147,778	1,152,881
Administrative expenses		(274,563)	(240,917)
Operating profit	3	873,215	911,964
Profit on disposal of tangible fixed asset		-	827,076
Income from shares in group undertakings		-	350,000
Amounts written off subsidiary undertakings		(278,348)	-
Interest receivable and similar income	5	438,342	300,066
Interest payable	6	(104,150)	(28,741)
Profit on ordinary activities before taxation		929,059	2,360,635
Tax on profit on ordinary activities	7	(378,216)	(220,652)
Retained profit for the financial year		550,843	2,139,983

All amounts derive from continuing operations.

Statement of total recognised gains and losses for the year ended 31 December 2008

	2008	2007
	£	£
Profit for the financial year	550,843	2,139,983
Unrealised deficit on revaluation of freehold property	(3,251,000)	(1,573,114)
Total recognised gains and losses relating to the year	(2,700,157)	566,869

Note of historical cost profits and losses for the year ended 31 December 2008

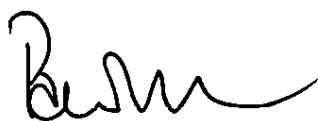
	2008	2007
	£	£
Reported profit on ordinary activities before taxation	929,059	2,360,635
Realised gain on property disposal	-	1,164,399
Historical cost profit on ordinary activities before taxation	929,059	3,525,034
Historical cost profit on ordinary activities after taxation	550,843	3,304,382

Balance sheet
at 31 December 2008

		2008	2007
	Notes	£	£
Fixed assets			
Tangible assets	9	12,840,391	16,060,000
Investments	10	96,437	374,785
		<u>12,936,828</u>	<u>16,434,785</u>
Current assets			
Debtors	11	17,623,101	18,399,509
Cash at bank		8,411,022	7,485,358
		<u>26,034,123</u>	<u>25,884,867</u>
Creditors: amounts falling due within one year	12	(1,930,670)	(2,602,872)
Net current assets		<u>24,103,453</u>	<u>23,281,995</u>
Total assets less current liabilities		<u>37,040,281</u>	<u>39,716,780</u>
Provisions	7(c)	(275,396)	(251,738)
Net assets		<u>36,764,885</u>	<u>39,465,042</u>
Capital and reserves			
Called up share capital	14	10,000	10,000
Share premium account	15	111,494	111,494
Revaluation reserve	15	4,752,305	8,003,305
Other reserves	15	1,181,940	1,181,940
Profit and loss account	15	30,709,146	30,158,303
Equity shareholder' funds	15	<u>36,764,885</u>	<u>39,465,042</u>

Debtors include £17,562,235 (2007: £18,321,507) due after more than one year.

The financial statements were approved by the board and authorised for issue on 17 August 2009.



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P M Turner
Director

17 August 2009

Notes to the financial statements

at 31 December 2008

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of properties, and in accordance with UK applicable accounting standards and have been applied consistently in the current and preceding year. The financial statements have been prepared on a going concern basis as discussed in the directors' report.

Group financial statements

Group financial statements have not been prepared as the company is itself a subsidiary of Folkes Holdings Limited which prepares group financial statements. The company has therefore claimed the exemption conferred by section 228 of the Companies Act 1985.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

Related parties transactions

The company is a wholly owned subsidiary of Folkes Holdings Limited, the consolidated financial statements of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the Folkes Holdings group of companies.

Investment properties

Investment properties are accounted for in accordance with SSAP 19 (revised), as follows:

- (i) Investment properties are revalued annually and the surplus or deficit arising is transferred to a revaluation reserve unless a deficit is expected to be permanent, in which case it is charged to the profit and loss account.
- (ii) No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years unexpired.

Although the Companies Act 1985 would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation or amortisation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. 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.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

at 31 December 2008

1. Accounting policies

Taxation (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Turnover

Turnover represents income from rental of property within the United Kingdom, excluding value added tax.

3. Operating profit

	2008 £	2007 £
Fees payable to the company's auditors for the audit of the company's annual accounts	2,000	1,000

4. Staff costs and directors' emoluments

	2008 £	2007 £
Wages and salaries	-	-
Social security costs	-	-

The company has no employees in the current or preceding period. No directors received any remuneration during the year (2007: £nil) for their services to this company, the directors were remunerated by Folkes Holdings Limited, their ultimate parent undertaking.

5. Interest receivable and similar income

	2008 £	2007 £
Bank interest received	438,342	300,066

6. Interest payable

	2008 £	2007 £
Other interest	104,150	28,471

Notes to the financial statements

at 31 December 2008

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2008 £	2007 £
<i>Current tax:</i>		
UK corporation tax	335,204	308,219
Tax under provided in previous years	19,354	94,345
Total current tax (note 7(b))	354,558	402,564
<i>Deferred tax:</i>		
Current year	2,224	(181,912)
Under provision in respect of prior years	21,434	-
	23,658	(181,912)
Tax on profit on ordinary activities	378,216	220,652

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities varies from the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are reconciled below:

	2008 £	2007 £
Profit on ordinary activities before taxation	929,059	2,360,635
	2008 £	2007 £
Profit on ordinary activities multiplied by the standard rate of tax of 28.5% (2007: 30%)	264,782	708,191
Expenses not deductible for tax purposes	79,329	5,174
Accelerated capital allowances	(2,264)	(52,023)
Industrial building allowances claimed	(6,643)	-
Non-taxable income	-	(353,123)
Tax under provided in previous years	19,354	94,345
Total current tax (note 7(a))	354,558	402,564

On 1 April 2008 the full rate of UK corporation tax reduced from 30% to 28%. Therefore, the effective current tax rate applying to the year ended 31 December 2008 is a blended rate of 28.5%.

Notes to the financial statements

at 31 December 2008

7. Tax (continued)

(c) Deferred tax

Provided

The movement in deferred taxation provision for the year is as follows:

	£
At January 2008	251,738
Charge for the year	23,658
At 31 December 2008	<u>275,396</u>

Not provided

	2008	2007
	£	£
Tax on revaluation surpluses	<u>536,000</u>	<u>1,475,000</u>

These amounts represent deferred tax on unrealised gains in respect of the company's property portfolio. These gains will only crystallise once the properties are sold and therefore deferred tax is not provided on these gains.

8. Dividends

	2008	2007
	£	£
Interim paid of £nil (2007: £185) per ordinary share	<u>-</u>	<u>1,850,000</u>

9. Tangible fixed assets

	<i>Freehold land & buildings</i>
	£
Valuation:	
At 1 January 2007	16,060,000
Revaluation	(3,251,000)
Additions	31,391
At 31 December 2007	<u>12,840,391</u>

Freehold land and buildings are investment properties valued at £12,840,391 (2007: 16,060,000).

The net book value of freehold land and buildings under the historical cost convention would have been included at £8,064,972 (2007: £8,033,581).

A review of the market value of the investment properties was carried out at 31 December 2008 by the directors, supported by advice from Phoenix Beard, Chartered Surveyors. The valuation totalled £12,840,391. The last full valuation in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors was carried out as at 31 December 2002.

Notes to the financial statements

at 31 December 2008

10. Investments

	<i>Shares in subsidiary undertaking £</i>
Cost	
At 1 January 2008 and 31 December 2008	374,785
Provision during the year and at 31 December 2008	278,348
Net book value	
At 31 December 2008	96,437
At 31 December 2007	374,785

The company owns 100% of the issued share capital of Newbank Construction (Halesowen) Limited, a property investment company, which is registered in England and Wales. In the opinion of the directors the aggregate value of the company's investment in its subsidiary undertaking is not less than the aggregate of the relevant amounts included in its balance sheet.

11. Debtors

	<i>2008 £</i>	<i>2007 £</i>
Trade debtors	2,983	4,130
Amounts owed by group undertakings	17,362,235	18,096,507
Other debtors	257,883	298,872
	<u>17,623,101</u>	<u>18,399,509</u>

Amounts due from group undertakings include £17,362,235 (2007: £18,096,507) due after more than a year. Other debtors include £225,000 (2007: £250,000) repayable in annual instalments of £25,000.

12. Creditors: amounts falling due within one year

	<i>2008 £</i>	<i>2007 £</i>
Trade creditors	275,607	276,550
Amounts owed to group undertakings	104,400	104,400
Corporation tax	671,625	580,985
Other taxation and social security	34,191	43,636
Other creditors	844,847	1,597,301
	<u>1,930,670</u>	<u>2,602,872</u>

Notes to the financial statements

at 31 December 2008

13. Contingent liability

The Company is party to an unlimited guarantee to secure balances due to bankers by certain members of the group headed by Folkes Holdings Limited. At 31 December 2008 the secured bank borrowings were £45,621,000 (2007: £44,488,000).

14. Share capital

	2008		Authorised 2007	
	£		£	
Ordinary shares of £1 each	10,000		10,000	

	Allotted, called up and fully paid 2008		2007	
	No.	£	No.	£
Ordinary shares of £1 each	10,000	10,000	10,000	10,000

15. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Share premium account	Revaluation reserve	Capital Reserve	Profit and loss account	Total share- holders' funds
	£	£	£	£	£	£
At 1 January 2007	10,000	111,494	10,740,818	1,181,940	28,703,921	40,748,173
Profit for the year	—	—	—	—	2,139,983	2,139,983
Revaluation deficit	—	—	(1,573,114)	—	—	(1,573,114)
Transfer on disposal	—	—	(1,164,399)	—	1,164,399	—
Dividends	—	—	—	—	(1,850,000)	(1,850,000)
At 31 December 2007	10,000	111,494	8,003,305	1,181,940	30,158,303	39,465,042
Profit for the year	—	—	—	—	550,843	550,843
Revaluation deficit	—	—	(3,251,000)	—	—	(3,251,000)
At 31 December 2008	10,000	111,494	4,752,305	1,181,940	30,709,146	36,764,885

The revaluation reserve of £4,752,305 (2007: £8,003,305) is in respect of investment properties.

16. Ultimate parent company and controlling party

The Company's immediate parent undertaking is John Folkes (Lye Forge) Limited.

The Company's ultimate parent undertaking is Folkes Holdings Limited, a company registered in England and Wales. Folkes Holdings Limited is the parent company of the only group of which the company is a member and for which group financial statements are drawn up. Consolidated financial statements of the group are available to the public from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Company's ultimate controlling party is Mr CJ Folkes who has a beneficial interest in 84% of the issued share capital of Folkes Holdings Limited.