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**FOLKES PROPERTIES LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

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## **FOLKES PROPERTIES LIMITED**

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### **COMPANY INFORMATION**

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#### **DIRECTORS**

C J Folkes  
P M Turner  
C L Folkes  
A A Folkes (appointed 12 July 2010)  
A S Parker  
P Tomlinson  
J Monkton  
J Weston  
M Stephenson

#### **COMPANY SECRETARY**

J Monkton

#### **COMPANY NUMBER**

836234

#### **REGISTERED OFFICE**

Forge House  
Dudley Road  
Lye  
West Midlands  
DY9 8EL

#### **AUDITORS**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Birmingham, UK

#### **BANKERS**

HSBC Bank plc  
114 High Street  
Stourbridge  
West Midlands  
DY8 1DZ

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**FOLKES PROPERTIES LIMITED**

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## **FOLKES PROPERTIES LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

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The directors present their report and the financial statements for the year ended 31 December 2010

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

#### **PRINCIPAL ACTIVITIES**

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

#### **DIRECTORS**

The directors who served during the year were

C J Folkes  
P M Turner  
C L Folkes  
A S Parker  
P Tomlinson  
J Monkton  
J Weston  
M Stephenson  
A A Folkes (appointed 12 July 2010)

The interest of C J Folkes in the share capital of Folkes Holdings Limited are shown in the Directors' Report of that company.

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## FOLKES PROPERTIES LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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#### PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

#### AUDITORS

The auditors, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006

#### 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, group debtors supported by group bank facilities along with the satisfactory trading of the company's ultimate parent undertaking, from whom these balances are due 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 the group has met all of the loan covenants as at 31 December 2010. Our current forecasts and projections, taking account of reasonable forecast changes in property valuations, show that the group should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future. In assessing likely market yield movements, we have considered available market information, consulted with our advisers and applied our own knowledge and experience to the group's property portfolio. If property values were to decline below that which has been assumed in the group's current forecasts, the group may not be able to meet all of its covenants when tested in the future. Should a covenant breach become likely, we believe that constructive discussions with our banks would enable the debt to be refinanced. This could result in increased costs to the business.

This report was approved by the board on 22 June 2011 and signed on its behalf



**J Monkton**  
Secretary

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## **FOLKES PROPERTIES LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FOLKES PROPERTIES LIMITED**

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We have audited the financial statements of Folkes Properties Limited for the year ended 31 December 2010, which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any material misstatement or inconsistencies we consider the implications for our report.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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## FOLKES PROPERTIES LIMITED

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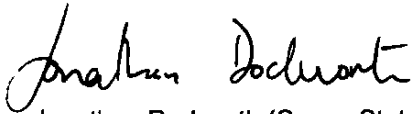
### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FOLKES PROPERTIES LIMITED

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#### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' report



Jonathan Dodworth (Senior Statutory Auditor)

for and on behalf of

**Deloitte LLP**

Chartered Accountants and Statutory Auditor

Birmingham, UK

24 June 2011

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**FOLKES PROPERTIES LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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	Note	2010 £	2009 £
<b>TURNOVER</b>	1,2	<b>1,112,079</b>	<b>1,091,791</b>
Administrative expenses		<b>(193,784)</b>	<b>(316,711)</b>
<b>OPERATING PROFIT</b>	3	<b>918,295</b>	<b>775,080</b>
Interest receivable and similar income		<b>56,101</b>	<b>88,515</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>974,396</b>	<b>863,595</b>
Tax on profit on ordinary activities	5	<b>(258,772)</b>	<b>(226,844)</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	12	<b>715,624</b>	<b>636,751</b>

All amounts relate to continuing operations

The notes on pages 8 to 15 form part of these financial statements



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**FOLKES PROPERTIES LIMITED**

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>715,624</b>	<b>636,751</b>
Unrealised surplus/(deficit) on revaluation of investment properties	<b>899,727</b>	<b>(31,391)</b>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<b>1,615,351</b>	<b>605,360</b>

The notes on pages 8 to 15 form part of these financial statements

**FOLKES PROPERTIES LIMITED**  
**REGISTERED NUMBER 836234**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2010**

	Note	£	2010 £	£	2009 £
<b>FIXED ASSETS</b>					
Investment property	6		13,708,727		12,809,000
Investments	7		96,437		96,437
			<u>13,805,164</u>		<u>12,905,437</u>
<b>CURRENT ASSETS</b>					
Debtors amounts falling due after more than one year	8	24,710,456		25,319,821	
Debtors amounts falling due within one year	8	124,255		106,510	
Cash at bank		2,395,775		1,189,081	
		<u>27,230,486</u>		<u>26,615,412</u>	
<b>CREDITORS</b> amounts falling due within one year	9	(1,786,111)		(1,878,205)	
<b>NET CURRENT ASSETS</b>			<u>25,444,375</u>		<u>24,737,207</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>39,249,539</u>		<u>37,642,644</u>
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax	10		(263,943)		(272,399)
<b>NET ASSETS</b>			<u><u>38,985,596</u></u>		<u><u>37,370,245</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	11		10,000		10,000
Share premium account	12		111,494		111,494
Revaluation reserve	12		5,620,641		4,720,914
Other reserves	12		1,181,940		1,181,940
Profit and loss account	12		32,061,521		31,345,897
<b>SHAREHOLDERS' FUNDS</b>	13		<u><u>38,985,596</u></u>		<u><u>37,370,245</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by



**P M Turner**  
Director

Date 22 June 2011

The notes on pages 8 to 15 form part of these financial statements

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## **FOLKES PROPERTIES LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

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#### **1. ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with applicable UK 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.

The company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

##### **1.2 Cash flow**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

##### **1.3 Turnover**

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

##### **1.4 Investments**

Investments held as fixed assets are shown at cost less provision for impairment.

##### **1.5 Investment properties**

Investment properties are included in the Balance sheet at their open market value in accordance with Statement of Standard Accounting Practice No 19 and are not depreciated. This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the company. The financial effect from the departure from the statutory accounting rules is not material.

##### **1.6 Related party transactions**

The company is a wholly owned subsidiary of Folkes Holdings Limited, the consolidated accounts 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 Limited group.

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## **FOLKES PROPERTIES LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

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#### **1. ACCOUNTING POLICIES (continued)**

##### **1.7 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

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**

The whole of the turnover is attributable to rental income from the leasing of investment properties

All turnover arose within the United Kingdom

#### **3. OPERATING PROFIT**

Fees payable to the company's auditors for the audit of the company's annual financial statements of £2,000 (2009 £2,000) are borne by the ultimate parent undertaking, Folkes Holdings Limited

#### **4. STAFF COSTS**

The company has no employees other than the directors, who did not receive any remuneration (2009 - £NIL)

**FOLKES PROPERTIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**5 TAXATION**

	2010 £	2009 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	266,402	230,123
Adjustments in respect of prior periods	826	(282)
<b>Total current tax</b>	<u>267,228</u>	<u>229,841</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,319	1,649
Adjustments in respect of prior periods	-	(4,646)
Effect of changes in tax rates	(9,775)	-
<b>Total deferred tax</b> (see note 10)	<u>(8,456)</u>	<u>(2,997)</u>
<b>Tax on profit on ordinary activities</b>	<u><u>258,772</u></u>	<u><u>226,844</u></u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2009 - lower than) the standard rate of corporation tax in the UK of 28% (2009 - 28%). The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	<u>974,396</u>	<u>863,595</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	272,831	241,807
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(5,110)	-
Capital allowances for year in excess of depreciation	(1,319)	(1,649)
Adjustments to tax charge in respect of prior periods	826	(282)
Industrial building allowances claimed	-	(10,035)
<b>Current tax charge for the year</b> (see note above)	<u><u>267,228</u></u>	<u><u>229,841</u></u>

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**FOLKES PROPERTIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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**5. TAXATION (continued)**

**Factors that may affect future tax charges**

On 23rd March 2011 the Government announced that the main rate of Corporation Tax would reduce to 26% with effect from 1 April 2011, with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. These tax rate reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in the financial statements. The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

**6 INVESTMENT PROPERTY**

	<b>Freehold investment property £</b>
<b>Cost</b>	
At 1 January 2010	12,809,000
Surplus/(deficit) on revaluation	899,727
	<u>13,708,727</u>
At 31 December 2010	<u>13,708,727</u>
<b>Comprising</b>	
Cost	8,064,972
Annual revaluation surplus/(deficit)	
2008 and prior	4,775,419
2009	(31,391)
2010	899,727
	<u>13,708,727</u>
At 31 December 2010	<u>13,708,727</u>

The 2010 valuations were made by the directors, supported by advice from Phoenix Beard, Chartered Surveyors, on an open market value for existing use basis.

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**FOLKES PROPERTIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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**7. FIXED ASSET INVESTMENTS**

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2010 and 31 December 2010	374,785
<b>Impairment</b>	
At 1 January 2010 and 31 December 2010	278,348
<b>Net book value</b>	
At 31 December 2010	96,437
<i>At 31 December 2009</i>	96,437

**Subsidiary undertakings**

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Newbank Construction (Halesowen) Limited	Ordinary	100 %

Name	Business	Registered office
Newbank Construction (Halesowen) Limited	Property development	West Midlands, DY9 8EL

The aggregate of the share capital and reserves as at 31 December 2010 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Newbank Construction (Halesowen) Limited	96,424	-

**FOLKES PROPERTIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**8. DEBTORS**

	2010 £	2009 £
<b>Due after more than one year</b>		
Amounts owed by group undertakings	24,560,456	25,144,821
Other debtors	150,000	175,000
	<u>24,710,456</u>	<u>25,319,821</u>
<b>Due within one year</b>		
Trade debtors	22,221	18,733
Other debtors	102,034	87,777
	<u>124,255</u>	<u>106,510</u>

**9. CREDITORS.**

**Amounts falling due within one year**

	2010 £	2009 £
Trade creditors	4,707	39,325
Amounts owed to group undertakings	104,400	104,400
Corporation tax	497,352	577,458
Social security and other taxes	50,880	41,378
Other creditors	1,128,772	1,115,644
	<u>1,786,111</u>	<u>1,878,205</u>

**10. DEFERRED TAXATION**

	2010 £	2009 £
At beginning of year	272,399	275,396
Released during year	(8,456)	(2,997)
	<u>263,943</u>	<u>272,399</u>



**FOLKES PROPERTIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**10. DEFERRED TAXATION (continued)**

The provision for deferred taxation is made up as follows

	2010 £	2009 £
Accelerated capital allowances	271,154	279,878
Short term timing differences	(7,211)	(7,479)
	<u>263,943</u>	<u>272,399</u>

**11. SHARE CAPITAL**

	2010 £	2009 £
Allotted, called up and fully paid 10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

**12. RESERVES**

	Share premium account £	Revaluation reserve £	Other reserves £	Profit and loss account £
At 1 January 2010	111,494	4,720,914	1,181,940	31,345,897
Profit for the year				715,624
Surplus on revaluation of freehold property		899,727		
At 31 December 2010	<u>111,494</u>	<u>5,620,641</u>	<u>1,181,940</u>	<u>32,061,521</u>

**13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2010 £	2009 £
Opening shareholders' funds	37,370,245	36,764,885
Profit for the year	715,624	636,751
Other recognised gains and losses during the year	899,727	(31,391)
Closing shareholders' funds	<u>38,985,596</u>	<u>37,370,245</u>

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**FOLKES PROPERTIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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**14. CONTINGENT LIABILITIES**

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 2010 the secured bank borrowings were £44,625,000 (2009 - £48,639,000)

**15. RELATED PARTY TRANSACTIONS**

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8

**16. ULTIMATE PARENT UNDERTAKING 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