
FOLKES PROPERTIES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

THURSDAY



A1D0BBDV

A31

12/07/2012

#301

COMPANIES HOUSE

FOLKES PROPERTIES LIMITED

COMPANY INFORMATION

DIRECTORS

C J Folkes
P M Turner
C L Folkes
A S Parker
P Tomlinson
J Monkton
M Stephenson
A A Folkes
M Harris
J Thompson (appointed 15 March 2012)

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

FOLKES PROPERTIES LIMITED

CONTENTS

	Page
Directors' report	1 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the financial statements	9 - 17

FOLKES PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the financial statements for the year ended 31 December 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

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, and
- 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
M Stephenson
A A Folkes
M Harris

The interest of C J Folkes in the share capital of Folkes Holdings Limited are shown in the Directors' Report of that company. J Thompson was appointed as a director of the company on 15 March 2012.

FOLKES PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

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 2011. 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.

FOLKES PROPERTIES LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011**

This report was approved by the board on 3 July 2012 and signed on its behalf

A handwritten signature in black ink, appearing to be 'J Monkton', written over a horizontal line.

J Monkton
Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOLKES PROPERTIES LIMITED

We have audited the financial statements of Folkes Properties Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 18. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, 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 apparent material misstatements 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 2011 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.

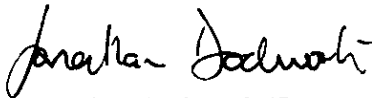
Opinion on other matter prescribed by the Companies Act 2006

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.

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

3 July 2012

FOLKES PROPERTIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £	2010 £
TURNOVER	1,2	1,121,524	1,112,079
Administrative expenses		(186,972)	(193,784)
OPERATING PROFIT	3	934,552	918,295
Interest receivable and similar income		68,624	56,101
Interest payable and similar charges	5	(802)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,002,374	974,396
Tax on profit on ordinary activities	6	12,534	(258,772)
PROFIT FOR THE FINANCIAL YEAR	13	1,014,908	715,624

All amounts relate to continuing operations

The notes on pages 9 to 17 form part of these financial statements

FOLKES PROPERTIES LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011	2010
	£	£
PROFIT FOR THE FINANCIAL YEAR	1,014,908	715,624
Unrealised (deficit)/surplus on revaluation of investment properties	<u>(668,727)</u>	<u>899,727</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u><u>346,181</u></u>	<u><u>1,615,351</u></u>

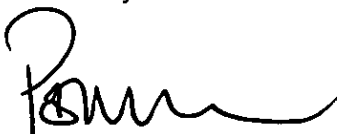
The notes on pages 9 to 17 form part of these financial statements

FOLKES PROPERTIES LIMITED
REGISTERED NUMBER 836234

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Investment property	7		13,040,000		13,708,727
Investments	8		96,437		96,437
			<u>13,136,437</u>		<u>13,805,164</u>
CURRENT ASSETS					
Debtors amounts falling due after more than one year	9	24,194,300		24,710,456	
Debtors amounts falling due within one year	9	184,620		124,255	
Cash at bank		3,881,121		2,395,775	
		<u>28,260,041</u>		<u>27,230,486</u>	
CREDITORS amounts falling due within one year	10	(1,819,366)		(1,786,111)	
NET CURRENT ASSETS			<u>26,440,675</u>		<u>25,444,375</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>39,577,112</u>		<u>39,249,539</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	11		(245,335)		(263,943)
NET ASSETS			<u><u>39,331,777</u></u>		<u><u>38,985,596</u></u>
CAPITAL AND RESERVES					
Called up share capital	12		10,000		10,000
Share premium account	13		111,494		111,494
Revaluation reserve	13		4,951,914		5,620,641
Other reserves	13		1,181,940		1,181,940
Profit and loss account	13		33,076,429		32,061,521
SHAREHOLDERS' FUNDS	14		<u><u>39,331,777</u></u>		<u><u>38,985,596</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 3 July 2012

The notes on pages 9 to 17 form part of these financial statements

FOLKES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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. 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 during the year, exclusive of Value Added Tax and trade discounts.

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term.

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.

FOLKES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 (2010 - £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 (2010 - £NIL)

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

5 INTEREST PAYABLE

	2011 £	2010 £
Other interest payable	802	-

6 TAXATION

	2011 £	2010 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	6,074	266,402
Adjustments in respect of prior periods	-	826
Total current tax	6,074	267,228
Deferred tax		
Origination and reversal of timing differences	943	1,319
Effect of changes in tax rates	(19,551)	(9,775)
Total deferred tax (see note 11)	(18,608)	(8,456)
Tax on profit on ordinary activities	(12,534)	258,772

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

6 TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - *lower than*) the standard rate of corporation tax in the UK of 26.5% (2010 - 28%). The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>1,002,374</u>	<u>974,396</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	265,629	272,831
Effects of		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	144	(5,110)
Capital allowances for year in excess of depreciation	(998)	(1,319)
Adjustments to tax charge in respect of prior periods	-	826
Small companies rate	(1,874)	-
Group relief	(256,374)	-
Industrial building allowances claimed	(453)	-
Current tax charge for the year (see note above)	<u>6,074</u>	<u>267,228</u>

Factors that may affect future tax charges

The 2011 Budget introduced a reduction in the main rate of corporation tax from 26% to 25% effective 1 April 2012. This change was substantively enacted on 19 July 2011 and as such deferred tax at the balance sheet date has been recognised at the 25% rate on the basis that it will materially reverse after 1 April 2012.

In the 2012 Budget, issued on 21 March 2012, the Chancellor announced that the main rate of corporation tax would be further reduced to 24% with effect from 1 April 2012, with further annual 1% rate reductions down to 22% by 1 April 2014. As these future rate reductions had not been enacted at the balance sheet date, they have not been reflected in these financial statements. The effect of these tax rate reductions will be accounted for in the period they are substantively enacted.

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

7 INVESTMENT PROPERTY

	Freehold investment property £
Valuation	
At 1 January 2011	13,708,727
Deficit on revaluation	(668,727)
	<hr/>
At 31 December 2011	13,040,000
	<hr/>
Comprising	
Cost	8,064,972
Annual revaluation surplus/(deficit)	
2009 and prior	4,744,028
2010	899,727
2011	(668,727)
	<hr/>
At 31 December 2011	13,040,000
	<hr/>

The 2011 valuations were made by CBRE, Chartered Surveyors, on an open market value for existing use basis

8. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Cost	
At 1 January 2011 and 31 December 2011	374,785
	<hr/>
Impairment	
At 1 January 2011 and 31 December 2011	278,348
	<hr/>
Net book value	
At 31 December 2011	96,437
	<hr/>
At 31 December 2010	96,437
	<hr/>

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

8 FIXED ASSET INVESTMENTS (continued)

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 2011 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	-

9 DEBTORS

	2011 £	2010 £
Due after more than one year		
Amounts owed by group undertakings	24,069,300	24,560,456
Other debtors	125,000	150,000
	24,194,300	24,710,456
Due within one year		
Trade debtors	63,104	22,221
Other debtors	121,516	102,034
	184,620	124,255

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

10 CREDITORS:
Amounts falling due within one year

	2011 £	2010 £
Trade creditors	135,296	4,707
Amounts owed to group undertakings	104,400	104,400
Corporation tax	272,477	497,352
Social security and other taxes	26,421	50,880
Other creditors	1,280,772	1,128,772
	<u>1,819,366</u>	<u>1,786,111</u>

11. DEFERRED TAXATION

	2011 £	2010 £
At beginning of year	263,943	272,399
Released during year	(18,608)	(8,456)
	<u>245,335</u>	<u>263,943</u>

The provision for deferred taxation is made up as follows

	2011 £	2010 £
Accelerated capital allowances	252,011	271,154
Short term timing differences	(6,676)	(7,211)
	<u>245,335</u>	<u>263,943</u>

12 SHARE CAPITAL

	2011 £	2010 £
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

13. RESERVES

	Share premium account £	Revaluation reserve £	Other reserves £	Profit and loss account £
At 1 January 2011	111,494	5,620,641	1,181,940	32,061,521
Profit for the year	-	-	-	1,014,908
Deficit on revaluation of freehold property	-	(668,727)	-	-
At 31 December 2011	<u>111,494</u>	<u>4,951,914</u>	<u>1,181,940</u>	<u>33,076,429</u>

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Opening shareholders' funds	38,985,596	37,370,245
Profit for the year	1,014,908	715,624
Other recognised gains and losses during the year	(668,727)	899,727
Closing shareholders' funds	<u>39,331,777</u>	<u>38,985,596</u>

15 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 £ 37,323,000 (2010 - £ 44,625,000)

16 RELATED PARTY TRANSACTIONS

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

FOLKES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

17. POST BALANCE SHEET EVENTS

On 14 February 2012 the group headed by the company's ultimate parent undertaking completed a restructuring whereby it was demerged into four separate groups. Four new holding companies have been created which divide the group into its defined business activities being property, forging, heat treatment and builders merchants. This new structure will give the group a more commercial perspective so that the separate groups can develop independently on more of a standalone basis. Folkes Forgings Limited has been transferred into the ownership of the forging group, the heat treatment trade and assets in Folkes Forgings Limited (along with the dormant companies Controlled Heat Treatments Limited and Express Heat Treatments Limited) have been transferred into the ownership of the heat treatment group and William Williams (Bridgnorth) Limited has been transferred into the ownership of the builders merchants group. All other companies remain as subsidiaries of Folkes Holdings Limited in the property group, although this company is now a wholly owned subsidiary of Hamsard 3270 Limited. The ownership of the new holding companies has been maintained in the same proportions as the ownership of Folkes Holdings Limited as at 31 December 2011. As a result of this demerger, various agreements have been renegotiated in order that they are moved into the correct legal entity. Clearance has also been obtained from HMRC. All aspects of the demerger have now been completed.

18. 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 C J Folkes who has a beneficial interest in 84% of the issued share capital of Folkes Holdings Limited.