

COMPANY REGISTRATION NUMBER 836234

# **Folkes Properties Limited**

## **Report and Financial Statements**

31 December 2009

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COMPANIES HOUSE

# Folkes Properties Limited

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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 2009

### Results and dividends

The profit for the year, after taxation, amounted to £636,751 (2008 £550,843) The directors do not recommend the payment of a final dividend (2008 £nil)

### 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  
C L Folkes (Appointed 27 April 2009)  
J Weston  
A S Parker  
P Tomlinson  
J Monkton

The interests of C J Folkes in Folkes Holdings Limited are shown in the Directors' Report of that company

### 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 2009 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

## Directors' report

### Disclosure of information to the auditors

Each Director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps (such as making enquiries of other Directors and the auditors and any other steps required by the directors' duty to exercise due care, skill and diligence) that he ought to have taken in his duty as Director in order to make himself 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 Section 418(2) of the Companies Act 2006

### 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 applicable to companies entitled to the small companies' exemption

By order of the board



J Monkton  
Secretary

6 September 2010

## **Statement of directors' responsibilities in respect of the financial statements**

### **Directors' responsibilities statement**

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). 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 accounting 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.

# **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 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical cost Profits and Losses, 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 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 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 (APB'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.

### **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 2009 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.



Christopher Robertson (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Birmingham, UK  
8 September 2010

## Profit and loss account for the year ended 31 December 2009

		2009	2008
	Notes	£	£
<b>Turnover</b>	2	1,091,791	1,147,778
Administrative expenses		(316,711)	(274,563)
<b>Operating profit</b>	3	775,080	873,215
Amounts written off subsidiary undertakings		-	(278,348)
Interest receivable and similar income	5	88,515	438,342
Interest payable	6	-	(104,150)
<b>Profit on ordinary activities before taxation</b>		863,595	929,059
Tax on profit on ordinary activities	7	(226,844)	(378,216)
<b>Profit for the financial year</b>		636,751	550,843

All amounts derive from continuing operations

## Statement of total recognised gains and losses for the year ended 31 December 2009

	2009	2008
	£	£
Profit for the financial year	636,751	550,843
Unrealised deficit on revaluation of freehold property	(31,391)	(3,251,000)
<b>Total recognised gains and losses relating to the year</b>	<b>605,360</b>	<b>(2,700,157)</b>

## Note of historical cost profits and losses for the year ended 31 December 2009

	2009	2008
	£	£
Reported profit on ordinary activities before taxation	863,595	929,059
Realised gain on property disposal	-	-
<b>Historical cost profit on ordinary activities before taxation</b>	<b>863,595</b>	<b>929,059</b>
<b>Historical cost profit on ordinary activities after taxation</b>	<b>636,751</b>	<b>550,843</b>

**Balance sheet**  
at 31 December 2009

		2009	2008
	Notes	£	£
<b>Fixed assets</b>			
Tangible assets	9	12,809,000	12,840,391
Investments	10	96,437	96,437
		<u>12,905,437</u>	<u>12,936,828</u>
<b>Current assets</b>			
Debtors	11	25,426,331	17,623,101
Cash at bank		1,189,081	8,411,022
		<u>26,615,412</u>	<u>26,034,123</u>
<b>Creditors: amounts falling due within one year</b>	12	(1,878,205)	(1,930,670)
<b>Net current assets</b>		<u>24,737,207</u>	<u>24,103,453</u>
<b>Total assets less current liabilities</b>		<u>37,642,644</u>	<u>37,040,281</u>
<b>Provisions</b>	7(c)	(272,399)	(275,396)
<b>Net assets</b>		<u>37,370,245</u>	<u>36,764,885</u>
<b>Capital and reserves</b>			
Called up share capital	14	10,000	10,000
Share premium account	15	111,494	111,494
Revaluation reserve	15	4,720,914	4,752,305
Other reserves	15	1,181,940	1,181,940
Profit and loss account	15	31,345,897	30,709,146
<b>Shareholder' funds</b>	15	<u>37,370,245</u>	<u>36,764,885</u>

Debtors include £25,406,331 (2008 £17,562,235) due after more than one year

The financial statements of Folkes Properties Limited (Company Number 836234) were approved by the board and authorised for issue on 6 September 2010



P M Turner  
Director

6 September 2010



## Notes to the financial statements

at 31 December 2009

### 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*

The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company.

#### *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 2006 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 2009

### 1. Accounting policies (continued)

#### **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

	2009 £	2008 £
Fees payable to the company's auditors for the audit of the company's annual accounts	2,000	2,000

### 4. Staff costs and directors' emoluments

The company has no employees in the current or preceding period. No directors received any remuneration during the year (2008: £nil) for their services to this company. The directors were remunerated by Folkes Holdings Limited, the company's ultimate parent undertaking.

### 5. Interest receivable and similar income

	2009 £	2008 £
Bank interest received	88,515	438,342

### 6. Interest payable

	2009 £	2008 £
Other interest	-	104,150

## Notes to the financial statements

at 31 December 2009

### 7. Tax

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2009 £	2008 £
<i>Current tax</i>		
UK corporation tax	230,123	335,204
Tax (over)/under provided in previous years	(282)	19,354
Total current tax (note 7(b))	229,841	354,558
<i>Deferred tax</i>		
Current year	1,649	2,224
(Over)/under provision in respect of prior years	(4,646)	21,434
	(2,997)	23,658
Tax on profit on ordinary activities	226,844	378,216

#### (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% (2008 28.5%). The differences are reconciled below

	2009 £	2008 £
Profit on ordinary activities before taxation	863,595	929,059
	2009 £	2008 £
Profit on ordinary activities multiplied by the standard rate of tax of 28% (2008 28.5%)	241,807	264,782
Expenses not deductible for tax purposes	-	79,329
Accelerated capital allowances	(1,649)	(2,264)
Industrial building allowances claimed	(10,035)	(6,643)
Tax(over)/under provided in previous years	(282)	19,354
Total current tax (note 7(a))	229,841	354,558

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 was a blended rate of 28.5%

## Notes to the financial statements

at 31 December 2009

### 7. Tax (continued)

#### (c) Deferred tax

##### Provided

	2009 £	2008 £
Capital allowances in advance of depreciation	279,878	278,229
Short term timing differences	(7,479)	(2,833)
Provision for deferred taxation	<u>272,399</u>	<u>275,396</u>

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

	£
At 1 January 2009	275,396
Credit for the year	(2,997)
At 31 December 2009	<u>272,399</u>

##### Not provided

	2009 £	2008 £
Tax on revaluation surpluses	<u>469,000</u>	<u>536,000</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

	2009 £	2008 £
Interim paid of £nil (2008 £nil) per ordinary share	<u>-</u>	<u>-</u>

### 9. Tangible fixed assets

	Freehold land & buildings £
Valuation	
At 1 January 2009	12,840,391
Revaluation	(31,391)
At 31 December 2009	<u>12,809,000</u>

Freehold land and buildings are investment properties valued at £12,809,000 (2008 12,840,391)

The net book value of freehold land and buildings under the historical cost convention would have been included at £8,064,972 (2008 £8,064,972)

## Notes to the financial statements

at 31 December 2009

### 9. Tangible fixed assets (continued)

A review of the market value of the investment properties was carried out at 31 December 2009 by the directors, supported by advice from Phoenix Beard, Chartered Surveyors. The valuation totalled £12,809,000. 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.

### 10. Investments

	<i>Shares in subsidiary undertaking £</i>
<i>Cost</i>	
At 1 January 2009 and 31 December 2009	374,785
<i>Provision</i>	
At 1 January 2009 and 31 December 2009	278,348
<i>Net book value</i>	
At 31 December 2009	96,437
At 31 December 2008	96,437

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

	2009 £	2008 £
Trade debtors	18,733	2,983
Amounts owed by group undertakings	25,144,821	17,362,235
Other debtors	262,777	257,883
	<u>25,426,331</u>	<u>17,623,101</u>

Amounts due from group undertakings include £25,144,821 (2008: £17,362,235) due after more than one year. Other debtors include £200,000 (2008: £225,000) repayable in annual instalments of £25,000.

### 12. Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	39,325	275,607
Amounts owed to group undertakings	104,400	104,400
Corporation tax	577,458	671,625
Other taxation and social security	41,378	34,191
Other creditors	1,115,644	844,847
	<u>1,878,205</u>	<u>1,930,670</u>

## Notes to the financial statements

at 31 December 2009

### 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 2009 the secured bank borrowings were £48,639,000 (2008 £45,621,000)

### 14. Share capital

		2009		Authorised 2008
		£		£
Ordinary shares of £1 each		10,000		10,000

  

		Allotted, called up and fully paid			
		2009		2008	
	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 2008	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
Profit for the year	—	—	—	—	636,751	636,751
Revaluation deficit	—	—	(31,391)	—	—	(31,391)
At 31 December 2009	10,000	111,494	4,720,914	1,181,940	31,345,897	37,370,245

The revaluation reserve of £4,720,914 (2008 £4,752,305) 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.