
FOLKES PROPERTIES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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FOLKES PROPERTIES LIMITED

COMPANY INFORMATION

DIRECTORS

C J Folkes
P M Turner
C L Folkes
A A Folkes
S J Folkes (appointed 11 November 2014)
P Tomlinson
A S Parker
J Monkton (resigned 1 May 2015)
M T Bennett (appointed 12 February 2014)
M King

COMPANY SECRETARY

P Tomlinson

REGISTERED NUMBER

00836234

REGISTERED OFFICE

Forge House
Dudley Road
Lye
West Midlands
DY9 8EL

INDEPENDENT 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

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FOLKES PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

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

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 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.

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 (resigned 1 May 2015)
M T Bennett (appointed 12 February 2014)
M King
A A Folkes
S J Folkes (appointed 11 November 2014)

Mr C J Folkes has a beneficial interest in 51% of the voting rights of Folkes Holdings Jersey Limited, the ultimate parent company.

FOLKES PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

DISCLOSURE OF INFORMATION TO AUDITOR

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 auditor is 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 relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted with the provisions of S418 of the Companies Act 2006

AUDITOR

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 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, whilst an improvement over recent years, 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 2014. 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 2014**

This report was approved by the board on 12 May 2015 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'P Tomlinson', written in a cursive style.

P Tomlinson
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 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 17. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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

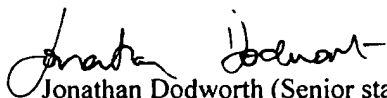
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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 from preparing a Strategic Report or in preparing the Directors' Report.



Jonathan Dodworth (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, UK
14 May 2015

FOLKES PROPERTIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £	2013 £
TURNOVER	1,2	1,016,772	1,045,827
Administrative expenses		(148,499)	(358,666)
		<hr/>	<hr/>
OPERATING PROFIT	3	868,273	687,161
Interest receivable and similar income		842	5,649
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		869,115	692,810
Tax on profit on ordinary activities	5	(186,848)	48,023
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR	12	682,267	740,833
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

The notes on pages 9 to 16 form part of these financial statements.

FOLKES PROPERTIES LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 £	2013 £
PROFIT FOR THE FINANCIAL YEAR	682,267	740,833
Unrealised surplus on revaluation of investment properties	<u>55,498</u>	<u>738,084</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u><u>737,765</u></u>	<u><u>1,478,917</u></u>

The notes on pages 9 to 16 form part of these financial statements.

FOLKES PROPERTIES LIMITED
REGISTERED NUMBER: 00836234

BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Investment property	6		13,852,582		14,537,084
Investments	7		96,437		96,437
			<u>13,949,019</u>		<u>14,633,521</u>
CURRENT ASSETS					
Debtors	8	581,445		449,223	
Cash at bank		61,294		138,425	
		<u>642,739</u>		<u>587,648</u>	
CREDITORS: amounts falling due within one year	9	(5,906,668)		(2,857,207)	
NET CURRENT LIABILITIES			<u>(5,263,929)</u>		<u>(2,269,559)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>8,685,090</u>		<u>12,363,962</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	10		(184,985)		(185,622)
NET ASSETS			<u>8,500,105</u>		<u>12,178,340</u>
CAPITAL AND RESERVES					
Called up share capital	11		10,000		10,000
Share premium account	12		111,494		111,494
Revaluation reserve	12		6,219,496		6,448,998
Other reserves	12		1,181,940		1,181,940
Profit and loss account	12		977,175		4,425,908
SHAREHOLDERS' FUNDS	13		<u>8,500,105</u>		<u>12,178,340</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: 12 May 2015

The notes on pages 9 to 16 form part of these financial statements.

FOLKES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

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. Tenant incentives payable in negotiating and arranging operating leases are capitalised and recognised as a reduction in lease income over the lease term on the same basis as lease income.

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.

FOLKES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (continued)

1.6 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 (2013 - £2,000) are borne by the intermediate parent undertaking, Folkes Holdings Limited. Non audit fees have been incurred and paid by the parent undertaking during this and the prior year on behalf of the company.

4. STAFF COSTS

The company has no employees other than the directors, who did not receive any remuneration (2013 - £NIL) from the company. The directors emoluments are borne by Folkes Holdings Limited a fellow group company and a management charge is paid to them. The element of the management charge which relates to directors emoluments is deemed to be £65,000 (2013: £65,000).

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

5. TAXATION

	2014 £	2013 £
Analysis of tax charge/(credit) in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	187,485	174,075
Adjustments in respect of prior periods	-	(181,371)
Total current tax	<u>187,485</u>	<u>(7,296)</u>
Deferred tax		
Origination and reversal of timing differences	(637)	(11,203)
Effect of changes in tax rates	-	(29,524)
Total deferred tax (see note 10)	<u>(637)</u>	<u>(40,727)</u>
Tax on profit on ordinary activities	<u><u>186,848</u></u>	<u><u>(48,023)</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - *lower than*) the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	<u>869,115</u>	<u>692,810</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	186,800	161,055
Effects of:		
Capital allowances for year in excess of depreciation	(390)	(514)
Adjustments to tax charge in respect of prior periods	-	(181,371)
Other timing differences leading to an increase (decrease) in taxation	1,075	13,534
Current tax charge/(credit) for the year (see note above)	<u><u>187,485</u></u>	<u><u>(7,296)</u></u>

Factors that may affect future tax charges

The reduction in the UK corporation tax rate from 23% to 21% (effective 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. The rate of 20% is used for the calculation of the deferred tax position at 31 December 2014 on the basis that it will materially reverse after 1 April 2015.

FOLKES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

6. INVESTMENT PROPERTY

	Freehold investment property £
Valuation	
At 1 January 2014	14,537,084
Disposals	(740,000)
Surplus on revaluation	55,498
	<hr/>
At 31 December 2014	13,852,582
	<hr/>
Comprising	
Cost	7,324,972
Annual revaluation surplus:	
2012 and prior	5,734,028
2013	738,084
2014	55,498
	<hr/>
At 31 December 2014	13,852,582
	<hr/>

The 2014 valuations were made by the directors of the company with reference to the August 2014 valuation made by CBRE, Chartered Surveyors, on an open market value for existing use basis.

The valuation is net of the rent free debtor of £122,418 as per note 8.

The disposal of £740,000 was made to Folkes Holdings Jersey Limited the ultimate parent undertaking.

7. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Cost	
At 1 January 2014 and 31 December 2014	374,785
	<hr/>
Impairment	
At 1 January 2014 and 31 December 2014	278,348
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Net book value	
At 31 December 2014	96,437
	<hr/>
At 31 December 2013	96,437
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FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

7. 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%

8. DEBTORS

	2014	2013
	£	£
Trade debtors	287,319	250,867
Amounts owed by group undertakings	171,708	-
Rent free debtor	122,418	-
Other debtors	-	198,356
	<u>581,445</u>	<u>449,223</u>

**9. CREDITORS:
Amounts falling due within one year**

	2014	2013
	£	£
Trade creditors	41,484	42,866
Amounts owed to group undertakings	4,416,000	1,473,096
Amounts owed to related undertaking	104,400	104,400
Corporation tax	96,992	2,585
Other taxation and social security	57,180	56,429
Other creditors	1,190,612	1,177,831
	<u>5,906,668</u>	<u>2,857,207</u>

10. DEFERRED TAXATION

	2014	2013
	£	£
At beginning of year	185,622	226,349
Released during year (P&L)	(637)	(40,727)
	<u>184,985</u>	<u>185,622</u>

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

10. DEFERRED TAXATION (continued)

The provision for deferred taxation is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	202,971	202,608
Short term timing differences	(17,986)	(16,986)
	<u>184,985</u>	<u>185,622</u>

11. SHARE CAPITAL

	2014 £	2013 £
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 2014	111,494	6,448,998	1,181,940	4,425,908
Profit for the financial year	-	-	-	682,267
Dividends: Equity capital	-	-	-	(4,416,000)
Deficit on revaluation of freehold property	-	55,498	-	-
Transfer between Revaluation reserve and P/L account	-	(285,000)	-	285,000
At 31 December 2014	<u>111,494</u>	<u>6,219,496</u>	<u>1,181,940</u>	<u>977,175</u>

The reserves transfer of £285,000 is the result of the sale of investment properties during the year.

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £	2013 £
Opening shareholders' funds	12,178,340	10,699,423
Profit for the financial year	682,267	740,833
Dividends (Note 14)	(4,416,000)	-
Other recognised gains and losses during the year	55,498	738,084
	<u>8,500,105</u>	<u>12,178,340</u>
Closing shareholders' funds	<u>8,500,105</u>	<u>12,178,340</u>

14. DIVIDENDS

	2014 £	2013 £
Dividends - £441.60 per share (2013 - £nil)	4,416,000	-
	<u>4,416,000</u>	<u>-</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 Jersey Limited. At 31 December 2014 the secured bank borrowings were £ 36,875,000 (2013 - £ 35,539,000).

16. RELATED PARTY TRANSACTIONS

During the year the company entered into transactions with various related parties and had outstanding balance at the year end receivable (payable) as detailed below:

	2014 £	2013 £
Folkes Holdings limited Management charge	130,000	-
Folkes Holdings Limited balance receivable (payable)	171,701	(1,473,096)
Folkes Holdings Jersey limited sale of investment property	740,000	-
John Folkes Lye Forge dividend paid	4,146,000	-
John Folkes Lye Forge Balance payable	(4,146,000)	-
Somers Forge Limited balance payable	(104,000)	(104,000)
	<u>(104,000)</u>	<u>(104,000)</u>

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is John Folkes (Lye Forge) Limited, a company registered in England and Wales.

The Company's ultimate parent undertaking is Folkes Holdings Jersey Limited, a company registered in Jersey.

The Company's ultimate controlling party is Mr C J Folkes who has a beneficial interest in 51% of the voting rights of Folkes Holdings Jersey Limited.