

Registered number: 00836234

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**FOLKES PROPERTIES LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**



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**FOLKES PROPERTIES LIMITED**

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**COMPANY INFORMATION**

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|-----------------------------|---|
| <b>Directors</b>            | S J Folkes<br>C L Folkes<br>A A Folkes<br>M King<br>P Tomlinson<br>A Priest<br>J Jones<br>T Inglis (appointed 1 March 2021) |
| <b>Company secretary</b>    | P Tomlinson   |
| <b>Registered number</b>    | 00836234  |
| <b>Registered office</b>    | Forge House<br>Dudley Road<br>Lye<br>West Midlands<br>DY9 8EL   |
| <b>Independent auditors</b> | Mazars LLP<br>Two Chamberlain Square<br>Birmingham<br>B3 3AX  |
| <b>Bankers</b>              | HSBC Bank plc<br>114 High Street<br>Stourbridge<br>West Midlands<br>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 2020

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The directors present their report and the financial statements for the year ended 31 December 2020.

#### 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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 to 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.

#### Results and dividends

The loss for the year, after taxation, amounted to £244,207 (2019 - profit £2,253,886).

#### Effect of the Withdrawal of the United Kingdom from the European Union

Following the Brexit transition period ending on 31 December 2020 and the UK ceasing to be a member of the European Union, the directors do not anticipate that the withdrawal will have any material impact on the business of the company.

#### Effect of COVID-19 coronavirus pandemic

The continued spread of the COVID-19 coronavirus initially created substantial market uncertainty. As the Country approaches twelve months since the initial outbreak, the Company's portfolio continues to be well positioned to weather the disruption with the industrial property demonstrating great resilience against a decrease in capital values.

The directors continue to assess the impact on the Company to ensure it is well managed throughout the pandemic. The Company is strictly following local government and public health guidelines, with significant focus on adopting social distancing measures.

Whilst it is too early to assess the full impact the COVID-19 virus has had on the Company, the directors continue to consider emerging risks at the monthly board meetings along with performing a stress test on the business to confirm it can continue to operate as a going concern.

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**FOLKES PROPERTIES LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Directors**

C J Folkes (resigned 2 March 2021)  
S J Folkes  
C L Folkes  
A A Folkes  
P M Turner (resigned 2 March 2021)  
M King  
P Tomlinson  
A Priest  
J Jones

**Disclosure 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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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 auditors are aware of that information.

**Post balance sheet events**

Whilst the spread of Covid-19 coronavirus has created unprecedented short term disruption to all companies, the portfolio of the Company has been resilient, with our rent collection for the first quarter of 2021 remaining strong.

As a result, no significant events have occurred post 31 December 2020 that require adjustment.

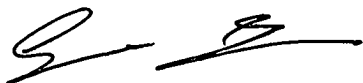
**Auditors**

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

**Small companies note**

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

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



**S J Folkes**  
Director

Date:

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## **FOLKES PROPERTIES LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF FOLKES PROPERTIES LIMITED**

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#### **Opinion**

We have audited the financial statements of Folkes Properties Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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## **FOLKES PROPERTIES LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF FOLKES PROPERTIES LIMITED (CONTINUED)**

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#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

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**FOLKES PROPERTIES LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF FOLKES PROPERTIES  
LIMITED (CONTINUED)**

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**Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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## **FOLKES PROPERTIES LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF FOLKES PROPERTIES LIMITED (CONTINUED)**

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#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Folkes Properties Limited and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation and employment regulation and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, risk of fraud in revenue recognition in relation to cut off and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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**FOLKES PROPERTIES LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF FOLKES PROPERTIES  
LIMITED (CONTINUED)**

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**Use of our report**

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.

*Ian Holder*

Ian Holder (Senior statutory auditor)

for and on behalf of  
**Mazars LLP**

Two Chamberlain Square  
Birmingham  
B3 3AX

Date: 21st July 2021

**FOLKES PROPERTIES LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

|   | Note | 2020<br>£               | 2019<br>£               |
|---|------|-------------------------|-------------------------|
| Turnover                                    |      | 1,396,660               | 1,395,867               |
| <b>Gross profit</b>                         |      | <u>1,396,660</u>        | <u>1,395,867</u>        |
| Administrative expenses                     |      | (364,236)               | (250,367)               |
| Fair value movements                        | 7    | (1,174,912)             | 1,596,842               |
| <b>Operating (loss)/profit</b>              |      | <u>(142,488)</u>        | <u>2,742,342</u>        |
| Interest receivable and similar income      |      | 188                     | 843                     |
| <b>(Loss)/profit before tax</b>             |      | <u>(142,300)</u>        | <u>2,743,185</u>        |
| Tax on (loss)/profit                        | 5    | (101,907)               | (489,299)               |
| <b>(Loss)/profit for the financial year</b> |      | <u><u>(244,207)</u></u> | <u><u>2,253,886</u></u> |

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 12 to 23 form part of these financial statements.

**FOLKES PROPERTIES LIMITED**  
**REGISTERED NUMBER: 00836234**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2020**

|  | Note | 2020<br>£                | 2019<br>£                |
|--|------|--------------------------|--------------------------|
| <b>Fixed assets</b>                            |      |                          |                          |
| Investments                                    | 6    | 96,437                   | 96,437                   |
| Investment property                            | 7    | 18,594,318               | 19,769,230               |
|  |      | <u>18,690,755</u>        | <u>19,865,667</u>        |
| <b>Current assets</b>                          |      |                          |                          |
| Debtors: amounts falling due within one year   | 8    | 4,390,975                | 3,599,779                |
| Cash at bank and in hand                       | 9    | 635,656                  | 421,135                  |
|  |      | <u>5,026,631</u>         | <u>4,020,914</u>         |
| Creditors: amounts falling due within one year | 10   | (5,555,075)              | (5,363,995)              |
| <b>Net current liabilities</b>                 |      | <u>(528,444)</u>         | <u>(1,343,081)</u>       |
| <b>Total assets less current liabilities</b>   |      | <u>18,162,311</u>        | <u>18,522,586</u>        |
| <b>Provisions for liabilities</b>              |      |                          |                          |
| Deferred tax                                   | 12   | (979,949)                | (1,096,017)              |
|  |      | <u>(979,949)</u>         | <u>(1,096,017)</u>       |
| <b>Net assets</b>                              |      | <u><u>17,182,362</u></u> | <u><u>17,426,569</u></u> |
| <b>Capital and reserves</b>                    |      |                          |                          |
| Called up share capital                        | 13   | 10,000                   | 10,000                   |
| Share premium account                          | 14   | 111,494                  | 111,494                  |
| Investment property reserve                    | 14   | 10,759,984               | 11,934,896               |
| Other reserves                                 | 14   | 1,181,940                | 1,181,940                |
| Profit and loss account                        | 14   | 5,118,944                | 4,188,239                |
|  |      | <u>17,182,362</u>        | <u>17,426,569</u>        |

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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

  
**S J Folkes**  
 Director

Date:

**FOLKES PROPERTIES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

|  | Called up<br>share capital | Share<br>premium<br>account | Investment<br>property<br>revaluation<br>reserve | Other<br>reserves | Profit and<br>loss account | Total equity      |
|--|----------------------------|-----------------------------|--|-------------------|----------------------------|-------------------|
|  | £                          | £                           | £  | £                 | £                          | £                 |
| At 1 January 2020                              | 10,000                     | 111,494                     | 11,934,896                                       | 1,181,940         | 4,188,239                  | 17,426,569        |
| <b>Comprehensive income for the year</b>       |                            |                             |  |                   |                            |                   |
| Loss for the year                              | -                          | -                           | -  | -                 | (244,207)                  | (244,207)         |
| <b>Other comprehensive income for the year</b> | -                          | -                           | -  | -                 | -                          | -                 |
| <b>Total comprehensive income for the year</b> | -                          | -                           | -  | -                 | (244,207)                  | (244,207)         |
| Transfer to/from profit and loss account       | -                          | -                           | -  | -                 | 1,174,912                  | 1,174,912         |
| Revaluation through profit and loss account    | -                          | -                           | (1,174,912)                                      | -                 | -                          | (1,174,912)       |
| <b>Total other reserve movements</b>           | -                          | -                           | (1,174,912)                                      | -                 | 1,174,912                  | -                 |
| <b>At 31 December 2020</b>                     | <b>10,000</b>              | <b>111,494</b>              | <b>10,759,984</b>                                | <b>1,181,940</b>  | <b>5,118,944</b>           | <b>17,182,362</b> |

The notes on pages 12 to 23 form part of these financial statements.

FOLKES PROPERTIES LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019

|  | Called up<br>share capital | Share<br>premium<br>account | Investment<br>property<br>revaluation<br>reserve | Other<br>reserves | Profit and<br>loss account | Total equity      |
|--|----------------------------|-----------------------------|--|-------------------|----------------------------|-------------------|
|  | £                          | £                           | £  | £                 | £                          | £                 |
| At 1 January 2019                              | 10,000                     | 111,494                     | 10,338,054                                       | 1,181,940         | 3,531,195                  | 15,172,683        |
| <b>Comprehensive income for the year</b>       |                            |                             |  |                   |                            |                   |
| Profit for the year                            | -                          | -                           | -  | -                 | 2,253,886                  | 2,253,886         |
| <b>Other comprehensive income for the year</b> |                            |                             |  |                   |                            |                   |
|  | -                          | -                           | -  | -                 | -                          | -                 |
| <b>Total comprehensive income for the year</b> | -                          | -                           | -  | -                 | 2,253,886                  | 2,253,886         |
| Transfer to/from profit and loss account       | -                          | -                           | -  | -                 | (1,596,842)                | (1,596,842)       |
| Revaluation through profit and loss account    | -                          | -                           | 1,596,842  | -                 | -                          | 1,596,842         |
| <b>Total other reserve movements</b>           | -                          | -                           | 1,596,842  | -                 | (1,596,842)                | -                 |
| <b>At 31 December 2019</b>                     | <b>10,000</b>              | <b>111,494</b>              | <b>11,934,896</b>                                | <b>1,181,940</b>  | <b>4,188,239</b>           | <b>17,426,569</b> |

The notes on pages 12 to 23 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 2020**

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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 unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

##### **1.2 Exemption from preparing consolidated financial statements**

The Company, and the Group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exemption to prepare consolidated accounts.

##### **1.3 Going concern**

The Company continues to adopt the going concern basis in preparing its financial statements.

The uncertainty as to the future impact on the Company of the recent COVID-19 pandemic (coronavirus) has been considered as part of the Company's adoption of the going concern basis. Thus far we have not observed any material impact on the Company's results in the first half of 2021.

Cash flow forecasts are prepared annually as part of the planning and budgeting process and are monitored and reworked monthly, which show that the Company will be able to repay its liabilities as they fall due. For this reason, the Company continues to adopt the going concern basis in preparing the financial statements.

##### **1.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

###### **Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

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## FOLKES PROPERTIES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1. Accounting policies (continued)

##### 1.5 Interest income

Interest income is recognised in profit or loss using the effective interest method.

##### 1.6 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### 1.7 Investment property

Investment property is carried at fair value determined annually either by external valuers or the company's RICS qualified valuer and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the statement of comprehensive income.

##### 1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 1.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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## FOLKES PROPERTIES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1. Accounting policies (continued)

##### 1.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### 1.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### 1.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

##### 1.13 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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## FOLKES PROPERTIES LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 2. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The investment property valuation contains a number of assumptions upon which the Directors have based their valuation of the company's properties. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2012. However, if any assumptions made by the property valuer prove to be inaccurate, this may mean that the value of the company's properties differs from their valuation, which could have a material effect on the company's financial position. Refer to Note 6 for further details.

#### 3. Auditors' remuneration

|   | 2020<br>£ | 2019<br>£ |
|---|-----------|-----------|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts | 5,000     | 3,100     |

#### 4. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2019 - £NIL).

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**FOLKES PROPERTIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**5. Taxation**

|  | <b>2020<br/>£</b> | <b>2019<br/>£</b> |
|--|-------------------|-------------------|
| <b>Corporation tax</b>                           |                   |                   |
| Current tax on profits for the year              | 72,920            | 138,398           |
|  | <u>72,920</u>     | <u>138,398</u>    |
| Group taxation relief payable                    | 145,055           | 79,707            |
|  | <u>217,975</u>    | <u>218,105</u>    |
| <b>Total current tax</b>                         | <u>217,975</u>    | <u>218,105</u>    |
| <b>Deferred tax</b>                              |                   |                   |
| Origination and reversal of timing differences   | (245,012)         | 271,194           |
| Effect of tax rate change on opening balance     | 128,944           | -                 |
|  | <u>(116,068)</u>  | <u>271,194</u>    |
| <b>Taxation on profit on ordinary activities</b> | <u>101,907</u>    | <u>489,299</u>    |

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**FOLKES PROPERTIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**5. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2019 - *lower than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

|   | 2020<br>£      | 2019<br>£      |
|---|----------------|----------------|
| (Loss)/profit on ordinary activities before tax   | (142,300)      | 2,743,185      |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%) | (27,037)       | 521,205        |
| <b>Effects of:</b>  |                |                |
| (Income) / Expenses not deductible for tax purposes, other than goodwill amortisation and impairment              | 223,233        | (303,400)      |
| Effect of revaluation of investment properties  | (223,233)      | 303,400        |
| Effect of changes in tax rate   | 128,944        | (31,906)       |
| <b>Total tax charge for the year</b>  | <b>101,907</b> | <b>489,299</b> |

**Factors that may affect future tax charges**

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax (asset)/liability at 31 December 2020 has been calculated at 19% (31 December 2019: 17%).

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date any deferred tax asset/liabilities recognised would need to be updated to reflect this rate change.

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**FOLKES PROPERTIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**6. Fixed asset investment**

|                       | <b>Investments<br/>in<br/>subsidiary<br/>companies<br/>£</b> |
|-----------------------|--|
| <b>Cost</b>           |  |
| At 1 January 2020     | 374,785  |
| At 31 December 2020   | <u>374,785</u>   |
| <b>Impairment</b>     |  |
| At 1 January 2020     | 278,348  |
| At 31 December 2020   | <u>278,348</u>   |
| <b>Net book value</b> |  |
| At 31 December 2020   | <u>96,437</u>  |
| At 31 December 2019   | <u>96,437</u>  |

**Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

| <b>Name</b>                                 | <b>Registered office</b>                             | <b>Principal activity</b> | <b>Class of<br/>shares</b> | <b>Holding</b> |
|---|--|---------------------------|----------------------------|----------------|
| Newbank Construction<br>(Halesowen) Limited | Forge House, Dudley<br>Road, Stourbridge, DY9<br>8EL | Dormant                   | Ordinary                   | 100%           |

The aggregate of the share capital and reserves as at 31 December 2020 and the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

| <b>Name</b>                              | <b>Aggregate<br/>of share<br/>capital and<br/>reserves</b> |
|--|--|
| Newbank Construction (Halesowen) Limited | 97,017   |

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**FOLKES PROPERTIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**7. Investment property**

|                                       | <b>Freehold<br/>investment<br/>property<br/>£</b> |
|---------------------------------------|---|
| <b>Valuation</b>                      |   |
| At 1 January 2020                     | 19,769,230  |
| Surplus on revaluation                | (1,174,912)                                       |
|                                       | <u>18,594,318</u>                                 |
| <b>At 31 December 2020</b>            | <u><u>18,594,318</u></u>                          |
| <b>Comprising</b>                     |   |
| Cost                                  | 14,876,877  |
| Annual revaluation surplus/(deficit): |   |
| Pre 2018                              | 3,295,511   |
| 2019                                  | 1,596,842   |
| 2020                                  | (1,174,912)                                       |
| At 31 December 2020                   | <u>18,594,318</u>                                 |

The 2020 valuations were made by the Directors, on an open market value for existing use basis.

|  | <b>2020<br/>£</b>        | <b>2019<br/>£</b>        |
|--|--------------------------|--------------------------|
| <b>Revaluation reserves</b>                  |                          |                          |
| At 1 January 2020                            | 11,934,896               | 10,338,054               |
| Net surplus/(deficit) in movement properties | (1,174,912)              | 1,596,842                |
|  | <u>10,759,984</u>        | <u>11,934,896</u>        |
| <b>At 31 December 2020</b>                   | <u><u>10,759,984</u></u> | <u><u>11,934,896</u></u> |

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**FOLKES PROPERTIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**8. Debtors**

|                                    | <b>2020</b>      | <b>2019</b>      |
|------------------------------------|------------------|------------------|
|                                    | <b>£</b>         | <b>£</b>         |
| Trade debtors                      | 192,532          | 137,029          |
| Amounts owed by group undertakings | 3,977,273        | 3,231,980        |
| Other debtors                      | 221,170          | 230,770          |
|                                    | <u>4,390,975</u> | <u>3,599,779</u> |

**9. Cash and cash equivalents**

|                          | <b>2020</b>    | <b>2019</b>    |
|--------------------------|----------------|----------------|
|                          | <b>£</b>       | <b>£</b>       |
| Cash at bank and in hand | 635,656        | 421,135        |
|                          | <u>635,656</u> | <u>421,135</u> |

**10. Creditors: Amounts falling due within one year**

|                                    | <b>2020</b>      | <b>2019</b>      |
|------------------------------------|------------------|------------------|
|                                    | <b>£</b>         | <b>£</b>         |
| Amounts owed to group undertakings | 4,416,000        | 4,416,000        |
| Amounts owed to associates         | 104,400          | 104,400          |
| Corporation tax                    | 213,838          | 218,105          |
| Other taxation and social security | 211,796          | 123,158          |
| Other creditors                    | 609,041          | 502,332          |
|                                    | <u>5,555,075</u> | <u>5,363,995</u> |

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**FOLKES PROPERTIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**11. Financial instruments**

|   | <b>2020</b><br>£   | <b>2019</b><br>£   |
|---|--------------------|--------------------|
| <b>Financial assets</b>   |                    |                    |
| Financial assets measured at fair value through profit or loss        | 635,656            | 421,135            |
| Financial assets that are debt instruments measured at amortised cost | 4,390,975          | 3,599,779          |
|   | <u>5,026,631</u>   | <u>4,020,914</u>   |
| <b>Financial liabilities</b>  |                    |                    |
| Financial liabilities measured at amortised cost                      | <u>(5,129,441)</u> | <u>(5,022,732)</u> |

**12. Deferred taxation**

|                               | <b>2020</b><br>£ | <b>2019</b><br>£   |
|-------------------------------|------------------|--------------------|
| At beginning of year          | (1,096,017)      | (824,823)          |
| Charged to the profit or loss | 116,068          | (271,194)          |
| <b>At end of year</b>         | <u>(979,949)</u> | <u>(1,096,017)</u> |

The provision for deferred taxation is made up as follows:

|                                | <b>2020</b><br>£ | <b>2019</b><br>£   |
|--------------------------------|------------------|--------------------|
| Accelerated capital allowances | (202,252)        | (179,708)          |
| Other timing difference        | 45,955           | 20,378             |
| Revaluation                    | (823,652)        | (936,687)          |
|                                | <u>(979,949)</u> | <u>(1,096,017)</u> |

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**FOLKES PROPERTIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**13. Share capital**

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| <b>Allotted, called up and fully paid</b>            |             |             |
| 10,000 (2019 - 10,000) Ordinary shares of £1.00 each | 10,000      | 10,000      |

**14. Reserves**

**Share premium account**

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium

**Investment property revaluation reserve**

Accumulated revaluation movements relating to investment properties.

**Other reserves**

Capital redemption reserve resulting from the purchase of own shares.

**Profit & loss account**

Includes all current and prior period retained profits and losses.

**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 2020 the secured bank borrowings were £37,008,450 (2019 - £37,952,500).

**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:

|   | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
|   | <b>£</b>    | <b>£</b>    |
| John Folkes (Lye Forge) Ltd balance payable | (4,416,000) | (4,416,000) |
| Somers Forge Ltd balance payable            | (104,400)   | (104,400)   |
| Folkes Holdings Ltd management charge       | (300,000)   | (260,000)   |
| Folkes Holdings Ltd balance receivable      | 3,977,273   | 3,231,980   |

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**FOLKES PROPERTIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**17. Post balance sheet events**

There have been no events subsequent to 31 December 2020 that require disclosure in these financial statements.

**18. 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 Channel Islands 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 Channel Islands Limited.