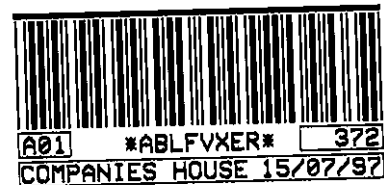


FOLKES PROPERTIES LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 1996



CLEMENT KEYS

Releasing business potential



Company No: 836234

# FOLKES PROPERTIES LIMITED

## DIRECTORS' REPORT

The directors present their report together with the audited accounts for the year ended 31 December 1996.

### Activities

The principal activities of the Company throughout the year were those of a property owning company.

### Results and dividends

The results for the year are set out on page 2.

The directors propose a final dividend of £1285644.

### Review of the business and future prospects

The company continued its record of ever-increasing profit in 1996. However the year ended with 14% of the property portfolio vacant, primarily due to the loss of a major tenant occupying some 150,000 sqft in an older property, and the availability of the newly constructed units at Britannia Park, Wednesbury, West Midlands.

On 25 March 1996 the company purchased a further tranche of land at Wednesbury, West Midlands, adjacent to Britannia Park, on which a pre-let 60,000 sqft distribution warehouse for Scottish & Newcastle had been negotiated. Completion of this unit was achieved during 1996 and the occupation will enhance the rent roll during 1997 and beyond.

Interest in Britannia Park has been strong and lettings achieved and this has resulted in commencement of the Phase 2 construction programme.

Development has taken place on other areas within the portfolio, particularly at Halesowen where a 47,000 sqft unit has been constructed on a pre-let basis.

Opportunities will be pursued during 1997 to further expand and enhance the portfolio.

### Fixed assets

Movements in fixed assets during the year are set out on page 5.

### Directors and their interests

The directors who served during the year were as follows:

C J Folkes  
H J Folkes  
F Coyle  
J Weston  
P M Turner

C J Folkes, H J Folkes and F Coyle are all directors of Folkes Group PLC and their interests are shown in the directors' report of that Company. No other director held any interest in the share capital of Folkes Group PLC.

By order of the Board



P M Turner  
Secretary

24 April 1997

## **FOLKES PROPERTIES LIMITED**

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

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those accounts, the directors are required to:

- a) select suitable accounting policies and then apply them consistently.
- b) make judgements and estimates that are reasonable and prudent.
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d) 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 proper accounting records which 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 1985. 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.

### **AUDITORS' REPORT TO THE SHAREHOLDERS OF FOLKES PROPERTIES LIMITED**

We have audited the financial statements on pages 1 to 9 which have been prepared under the historical cost convention as modified by the revaluation of certain assets and on the basis of the accounting policies set out on page 4.

#### **Respective responsibilities of directors and auditors**

As described above the directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **Basis of opinion**


We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Birmingham**  
**24 April 1997**

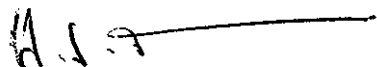
  
**CLEMENT KEYS**  
**Chartered Accountants**  
**Registered Auditor**

FOLKES PROPERTIES LIMITED

BALANCE SHEET

31 DECEMBER 1996

	Notes	1996	1995
		£	£
<b>Fixed assets</b>			
Tangible assets	2	37111493	34592928
<b>Current assets</b>			
Debtors	3	76218	230468
Creditors (amounts falling due within one year)	4	<u>21410793</u>	<u>19696903</u>
Net current liabilities		<u>(21334575)</u>	<u>(19466435)</u>
Total assets less current liabilities		15776918	15126493
Creditors (amounts falling due after more than one year)	5	<u>951465</u>	<u>301040</u>
		<u>14825453</u>	<u>14825453</u>
<b>Capital and reserves</b>			
Called up share capital	6	10000	10000
Share premium account	7	111494	111494
Revaluation reserve	7	13522020	13522020
Other reserves	7	<u>1181939</u>	<u>1181939</u>
		<u>14825453</u>	<u>14825453</u>



H J Folkes  
Director

**FOLKES PROPERTIES LIMITED**

**PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 31 DECEMBER 1996**

	Notes	1996	1995
		£	£
Turnover	8	4212787	3986280
Administrative expenses		<u>(1188204)</u>	<u>(1124305)</u>
		<u>(1188204)</u>	<u>(1124305)</u>
Operating profit	9	3024583	2861975
Interest payable	11	<u>(977940)</u>	<u>(884880)</u>
Profit from ordinary activities before taxation		2046643	1977095
Taxation	12	<u>(760999)</u>	<u>(644004)</u>
Profit from ordinary activities after taxation		1285644	1333091
Dividends		<u>(1285644)</u>	<u>(1333091)</u>
		<u>          -</u>	<u>          -</u>

The profit and loss account reflects the continuing operations of the Company. There were no material acquisitions or discontinued operations.

**FOLKES PROPERTIES LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

	1996	1995
	£	£
Profit for the financial year	1285644	1333091
Unrealised surplus on revaluation of properties	<u>-</u>	<u>1115737</u>
<b>Total recognised gains and losses for the financial year</b>	<u><b>1285644</b></u>	<u><b>2448828</b></u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 1996**

	1996	1995
	£	£
Profit for the financial year	1285644	1333091
Dividends	<u>(1285644)</u>	<u>(1333091)</u>
	-	-
Other recognised gains and losses relating to the year	<u>-</u>	<u>1115737</u>
Increase in shareholders' funds	-	1115737
<b>Opening Shareholders' funds</b>	<u><b>14825454</b></u>	<u><b>13709717</b></u>
<b>Closing Shareholders' funds</b>	<u><b>14825454</b></u>	<u><b>14825454</b></u>

**FOLKES PROPERTIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 DECEMBER 1996**

**1 Accounting policies**

The following accounting policies have been adopted by the Company in the preparation of the accounts:

**Accounting convention**

The accounts are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and are in accordance with applicable Accounting Standards except with regard to the depreciation of certain property assets referred to below.

**Depreciation of tangible fixed assets**

Depreciation is calculated on a straight line basis at annual rates estimated to write off the cost of each fixed asset over its estimated life and is generally charged as follows:

Plant and machinery	15% - 25%
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No depreciation is charged on freehold land, freehold buildings occupied for group use, assets in the course of construction and investment properties. It is the Company's policy to maintain its properties in good condition to prolong their useful lives. Maintenance is undertaken and systematically charged to the profit and loss account. Furthermore, the lives of these assets and their residual values based on prices prevailing at the time of acquisition or subsequent valuation are such that any depreciation is insignificant. The directors consider property valuations annually and in the opinion of the directors this accounting policy ensures that the financial statements show a true and fair view.

**Deferred taxation**

Deferred taxation is provided at the current rate of corporation tax on any significant timing differences except where it can be demonstrated with reasonable probability that a tax liability is unlikely to arise in the foreseeable future.

**Repairs and renewals**

All expenditure on repairs and renewals is written off in the year in which it is incurred.

**Grants**

Grants received in respect of capital expenditure on investment properties are applied to reduce the cost of the relevant investment property.

**Pensions**

The Company participates in defined benefit pension schemes the assets of which are held separately from those of the Company in independently administered funds. The cost of providing pensions is spread over the employees' working lives with the Company.

**FOLKES PROPERTIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 DECEMBER 1996**

**2 Tangible fixed assets**

<b>Cost or valuation</b>	<b>Freehold land and buildings £</b>	<b>Plant and machinery £</b>	<b>Total £</b>
At 1 January 1996	34500000	244984	34744984
Additions - external	3726337	48112	3774449
Disposals - external	(575372)	(10300)	(585672)
Grants	<u>(650426)</u>	<u>-</u>	<u>(650426)</u>
At 31 December 1996	<u>37000539</u>	<u>282796</u>	<u>37283335</u>
<b>Depreciation</b>			
At 1 January 1996	-	152056	152056
Charged in year	-	30086	30086
On disposals	<u>-</u>	<u>(10300)</u>	<u>(10300)</u>
At 31 December 1996	<u>-</u>	<u>171842</u>	<u>171842</u>
<b>Net book value</b>			
At 31 December 1996	<u>37000539</u>	<u>110954</u>	<u>37111493</u>
At 31 December 1995	<u>34500000</u>	<u>92928</u>	<u>34592928</u>
Cost or valuation at 31 December 1996 is represented by:			
Valuation in 1996	37000539	-	37000539
Cost	<u>-</u>	<u>282796</u>	<u>282796</u>
	<u>37000539</u>	<u>282796</u>	<u>37283335</u>

The details of cost and depreciation of freehold land and buildings included at a valuation are not given since the information cannot be obtained without unreasonable expense. However, original cost was reduced by grants totalling £3847207 (1995 £3196781). Included in freehold land and buildings is an amount of capitalised interest totalling £1218837 (1995 £1218837).

An internal valuation of investment properties was carried out as at 31 December 1996 by H J Folkes on the basis of open market value for existing use. As a result of the valuation, properties have been included in the balance sheet at £37000539.



**FOLKES PROPERTIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 DECEMBER 1996**

<b>3</b>	<b>Debtors</b>	<b>1996</b>	<b>1995</b>
		<b>£</b>	<b>£</b>
	<b>Due within one year</b>		
	Trade debtors	-	92959
	Amounts owed by fellow subsidiary undertakings	588	-
	Other debtors	45918	101699
	Prepayments	-	1170
	Taxation recoverable	<u>29712</u>	<u>34640</u>
		<u>76218</u>	<u>230468</u>
<b>4</b>	<b>Creditors (amounts falling due within one year)</b>	<b>1996</b>	<b>1995</b>
		<b>£</b>	<b>£</b>
	Bank overdraft	14434416	12583933
	Trade creditors	857443	1356819
	Amounts owed to parent undertaking	2829651	2927018
	Amounts owed to fellow subsidiary undertakings	271935	263074
	Other creditors	1148944	914267
	Corporation tax	415882	299328
	Other taxation and social security	128783	1348
	Accruals	38095	18025
	Dividend	<u>1285644</u>	<u>1333091</u>
		<u>21410793</u>	<u>19696903</u>
<b>5</b>	<b>Creditors (amounts falling due after more than one year)</b>	<b>1996</b>	<b>1995</b>
		<b>£</b>	<b>£</b>
	Other creditors	<u>951465</u>	<u>301040</u>
<b>6</b>	<b>Share capital</b>	<b>1996</b>	<b>1995</b>
		<b>£</b>	<b>£</b>
	<b>Authorised, allotted and fully paid</b>		
	10000 Ordinary shares of £1 each	<u>10000</u>	<u>10000</u>

**FOLKES PROPERTIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 DECEMBER 1996**

**7 Reserves**

<b>Share premium account</b>	£
At 1 January 1996 and 31 December 1996	<u>111494</u>
<b>Revaluation reserve</b>	£
At 1 January 1996 and 31 December 1996	<u>13522020</u>
<b>Other reserves</b>	£
At 1 January 1996 and at 31 December 1996	<u>1181939</u>

**8 Turnover**

Turnover represents income from rental of property within the United Kingdom excluding value added tax. Included in turnover are amounts from group undertakings amounting to £1328666 (1995 £1215878).

<b>9 Operating profit</b>	<b>1996</b>	<b>1995</b>
Operating profit is stated after charging/(crediting) the following:	£	£
Depreciation	30086	17199
Auditors remuneration - audit fees	7955	4500
Staff costs (Note 10)	164899	141939
Hire of plant	5293	6120
Profit on disposal of fixed assets	<u>(2250)</u>	<u>(12555)</u>

<b>10 Directors and employees</b>	<b>1996</b>	<b>1995</b>
	£	£
<b>Staff costs</b>		
Wages and salaries	148621	126960
Social security costs	11966	10175
Pension costs	<u>4312</u>	<u>4804</u>
	<u>164899</u>	<u>141939</u>

<b>Average number of employees by category</b>	<b>No</b>	<b>No</b>
Administration	4	4
Works	<u>9</u>	<u>9</u>
	<u>13</u>	<u>13</u>

**FOLKES PROPERTIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 DECEMBER 1996**

**10 Directors and employees (continued)**

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
<b>Directors' remuneration</b>		
For services as directors	Nil	Nil
For executive services	<u>47497</u>	<u>46008</u>
Emoluments (excluding pension contributions) of the Chairman	<u>Nil</u>	<u>Nil</u>
Emoluments (excluding pension contributions) of the highest paid director	<u>44824</u>	<u>30996</u>
The emoluments (excluding pension contributions) of the other directors fell within the following ranges:	No	No
£0 - £5000	4	3
£5001 - £10000	<u>-</u>	<u>1</u>

**11 Interest payable and similar charges**

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
On bank loans, overdrafts and other loans wholly repayable within 5 years	<u>977940</u>	<u>884880</u>

**12 Taxation**

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Corporation tax at the rate of 33% (1995 33%) on the taxable profit for the year	760999	703443
Prior year adjustment	<u>-</u>	<u>(59439)</u>
	<u>760999</u>	<u>644004</u>

**13 Deferred taxation**

The directors do not consider that a provision for deferred taxation is required. A summary of the full potential liability comprises:

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Timing differences between depreciation and capital allowances	<u>950366</u>	<u>1196077</u>

**FOLKES PROPERTIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 DECEMBER 1996**

**14 Pension commitments**

The Company along with other group undertakings participates in defined benefit pension schemes for certain employees. These schemes are administered by trustees and are independent of the Company's finances and on the advice of external actuaries are funded by contributions from the Company and employees.

Actuarial valuations and reports are carried out at intervals not exceeding three years on varying dates. The latest valuations were carried out in 1995 and 1996 and showed no deficiencies on a current funding level basis.

Details of the last actuarial valuation may be found in the accounts of the ultimate parent undertaking, Folkes Group PLC.

**15 Contingent liabilities**

The company is party to an unlimited interlocking guarantee to secure balances due to bankers by certain members of Folkes Group PLC. At 31 December 1996 the contingent liability was £Nil (1995 £Nil).

**16 Capital commitments**

Amounts contracted for but not provided in the accounts are £250000 (1995 £1351846). Amounts authorised by the directors but not contracted for are £1520000 (1995 £1200000).

**17 Ultimate parent undertaking**

The company's ultimate parent undertaking is Folkes Group PLC, a company registered in England and Wales. Group consolidated accounts are available to the public at Forge House, Dudley Road, Lye, West Midlands.

**18 Cash flow statement**

The Company has taken advantage of exemptions provided by Financial Reporting Standard 1 and not prepared a cash flow statement for the year.

**19 Board approval**

The accounts for the year were formally approved by the directors on 24 April 1997.