

Registered No: 836234

FOLKES PROPERTIES LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2000

*Clement  
Keys*



## FOLKES PROPERTIES LIMITED

### DIRECTORS' REPORT

The directors present their report together with the audited accounts for the year ended 31 December 2000.

#### 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 £1226963.

#### Review of the business and future prospects

The underlying trend for the Company is one of continued improvement in profitability. A change to group internal accounting treatment has meant that the Company is no longer subject to intra-group recharges.

Increased operating profit reflects the benefit of the developments in previous years in Wednesbury and Tamworth, both of which are fully occupied. Other estates within the portfolio, although experiencing some voids, have nevertheless performed well.

During the period an Inland Revenue investigation into the affairs of Folkes Group PLC and its executive directors commenced. Further details regarding the investigation can be found in the 2000 Report and Accounts of Folkes Group PLC, the ultimate parent of Folkes Properties Ltd. Provision has been made for the estimated tax, interest and penalties associated with this investigation.

The eleven acre site at Wendel Point, Wellingborough, which was acquired in June 1999, saw a first phase development completed in summer 2000, comprising three units totalling 63,000 square feet. One unit has been let. In March 2000 the Company acquired the entire issued share capital of Newbank Construction (Halesowen) Ltd. This company enjoys the benefit of a long ground lease on its property, with 28,000 square feet of existing premises on a 2.2 acre site in Halesowen. A major refurbishment of these premises was undertaken in the year.

Phoenix Beard, Chartered Surveyors, undertook an external review regarding the valuation of the portfolio at the year-end. This review has resulted in a valuation surplus for the period of £1248421. The value of the portfolio at the year-end was £60463128.

The Company will continue to explore all possibilities to further expand and enhance the portfolio during 2001.

#### Directors and their interests


The directors who served during the year were as follows:

J J Hartley (appointed 27 July 2000)  
C J Folkes (resigned 27 July 2000)  
H J Folkes (resigned 16 March 2001)  
F Coyle  
J Weston  
P M Turner  
A S Parker

J J Hartley and F Coyle are directors of Folkes Group PLC and their interests are shown in the directors' report of that Company. H J Folkes was a director of Folkes Group PLC until his resignation on 16 March 2001 and his interests are also shown in the director's report of that Company. No other director held any interest in the share capital of Folkes Group PLC.

26 April 2001

By order of the Board

  
P M Turner  
Secretary

## **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 11 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 and 5.

#### **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**

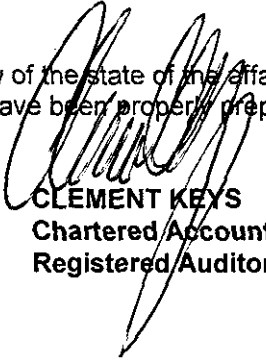
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 misstatement, 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Birmingham**  
**26 April 2001**



**CLEMENT KEYS**  
**Chartered Accountants**  
**Registered Auditors**

**FOLKES PROPERTIES LIMITED**

**BALANCE SHEET**

**31 DECEMBER 2000**

	Notes	2000		1999	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	2		60519270		57660503
Investments	3		-		-
<b>Current assets</b>					
Debtors	4	73186		174024	
<b>Creditors (amounts falling due within one year)</b>	5	<u>32907837</u>		<u>31797245</u>	
<b>Net current liabilities</b>			<u>(32834651)</u>		<u>(31623221)</u>
<b>Total assets less current liabilities</b>			27684619		26037282
Provision for liabilities and charges	6		<u>(950000)</u>		<u>-</u>
			<u>26734619</u>		<u>26037282</u>
<b>Capital and reserves</b>					
Called up share capital	7		10000		10000
Share premium account	8		111494		111494
Revaluation reserve	8		25431185		24733848
Other reserves	8		1181940		1181940
Profit and loss account	8		-		-
			<u>26734619</u>		<u>26037282</u>



F Coyle  
Director

**FOLKES PROPERTIES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2000**

	Notes	2000 £	1999 £
<b>Turnover</b>	9	4800733	4465808
Administrative expenses		(1150117)	(1438367)
<b>Operating profit</b>	10	3650616	3027441
Amount written off investments	12	(374785)	-
<b>Profit on ordinary activities before interest</b>		3275831	3027441
Interest payable	13	(1588098)	(1447911)
<b>Profit from ordinary activities before taxation</b>		1687733	1579530
Taxation	14	(1011854)	(333931)
<b>Profit from ordinary activities after taxation</b>		675879	1245599
Dividends	22	(1226963)	(1245599)
Deficit in year		(551084)	-

The profit and loss account reflects the continuing operations of the Company. There was no material effect on the reported results in respect of the acquisition of Newbank Construction (Halesowen) Limited.

**Note of Historical Cost Profits and Losses**

	2000 £	1999 £
Reported profit on ordinary activities before taxation	1687733	1579530
Release of revaluation surplus	551084	-
	2238817	1579530
Taxation	(1011854)	(333931)
Dividends	(1226963)	(1245599)
Historical cost profit for the year retained	-	-

**FOLKES PROPERTIES LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**

	2000	1999
	£	£
Profit for the financial year	675879	1245599
Unrealised surplus on revaluation of properties	1248421	6269821
	<hr/>	<hr/>
<b>Total recognised gains and losses for the financial year</b>	<b>1924300</b>	<b>7515420</b>
	<hr/>	<hr/>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**

	2000	1999
	£	£
Profit for the financial year	675879	1245599
Dividends	(1226963)	(1245599)
	<hr/>	<hr/>
	(551084)	-
Other recognised gains and losses relating to the year	1248421	6269821
	<hr/>	<hr/>
Increase in shareholders' funds	697337	6269821
<b>Opening Shareholders' funds</b>	<b>26037282</b>	<b>19767461</b>
	<hr/>	<hr/>
<b>Closing Shareholders' funds</b>	<b>26734619</b>	<b>26037282</b>
	<hr/>	<hr/>

# FOLKES PROPERTIES LIMITED

## NOTES TO THE ACCOUNTS

31 DECEMBER 2000

### 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 in force at the relevant time.

#### Depreciation of tangible fixed assets

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

Freehold buildings occupied for Group use	2%
Plant, machinery, fixtures and fittings	5% - 15%
Computers	25%
Motor vehicles	25%

Depreciation is not charged on freehold land, assets in the course of construction and, in accordance with SSAP 19 "Accounting for Investment Properties", investment properties. The accounting treatment of investment properties is a departure from the requirements of the Companies Act 1985 which, in the opinion of the directors, is necessary for the financial statements to give a true and fair view.

Profits and losses on disposal, being the difference between net sale proceeds and the carrying value, are taken to the profit and loss account.

#### Assets at a valuation

Surpluses arising from the revaluation of assets are taken directly to the revaluation reserve except to the extent that they are reversals of losses previously recognised in the profit and loss account, in which case they are credited to the profit and loss account. Deficits are taken initially to the revaluation reserve until the carrying value of the assets equals its depreciated historical cost, and then to the profit and loss account.

#### 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.

# FOLKES PROPERTIES LIMITED

## NOTES TO THE ACCOUNTS

31 DECEMBER 2000

### 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 the group defined benefit pension scheme 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.

### Group Accounts

The company has not prepared consolidated accounts as it is the wholly owned subsidiary of another company registered in England and Wales and has taken advantage of the exemption conferred by Section 228 of the Company Act 1985.

### 2 Tangible fixed assets

	Freehold land and buildings £	Plant, machinery vehicles and equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2000	57597755	303527	57901282
Additions – external	2093324	13779	2107103
Additions – internal	-	18700	18700
Disposals – external	(443500)	(45240)	(488740)
Revaluation	1248421	-	1248421
	<hr/>	<hr/>	<hr/>
At 31 December 2000	60496000	290766	60786766
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2000	-	240779	240779
Charged in year	32872	39084	71956
On disposals	-	(45239)	(45239)
	<hr/>	<hr/>	<hr/>
At 31 December 2000	32872	234624	267496
	<hr/>	<hr/>	<hr/>



**FOLKES PROPERTIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 DECEMBER 2000**

<b>Net book value</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 31 December 2000	60463128	56142	60519270
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 1999	57597755	62748	57660503
	<u>          </u>	<u>          </u>	<u>          </u>
Cost or valuation at 31 December 2000 is represented by:			
Valuation in 2000	60496000	-	60496000
Cost	-	290766	290766
	<u>          </u>	<u>          </u>	<u>          </u>
	60496000	290766	60786766
	<u>          </u>	<u>          </u>	<u>          </u>

Included within land and buildings are assets in the course of construction having a cost of £2548000 (1999: £3679000).

The historical cost of tangible fixed assets would have been included at the following amounts:

	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Cost	36754937	34580569
Accumulated depreciation	<u>267496</u>	<u>240779</u>
Net book value	<u>36487441</u>	<u>34339790</u>

Original cost was reduced by grants totalling £4785049 (1999 £4785049). Included in freehold land and buildings is an amount of capitalised interest totalling £1218837 (1999 £1218837).

An interim external revaluation of all properties was carried out as at 31 December 2000 by Phoenix Beard, Chartered Surveyors. The properties were valued in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors on an open market basis, except those principally occupied by Folkes Group PLC or one of its subsidiaries which were valued on the basis of existing use value. The valuation totalled £60496000. The last full valuation was carried out as at 31 December 1999.

**FOLKES PROPERTIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 DECEMBER 2000**

<b>3 Fixed asset investments</b>	<b>Subsidiary Undertakings £</b>
<b>Cost</b>	
At 1 January 2000	-
Additions	374785
	<hr/>
At 31 December 2000	374785
	<hr/>
<b>Amounts written off</b>	
At 1 January 2000	-
Written off in period	374785
	<hr/>
At 31 December 2000	374785
	<hr/>
<b>Net book value</b>	
At 31 December 2000	-
	<hr/>
At 31 December 1999	-
	<hr/>

The company holds 100% of the ordinary share capital of Newbank Construction (Halesowen) Limited, an undertaking registered in England and Wales.

<b>4 Debtors</b>	<b>2000 £</b>	<b>1999 £</b>
<b>Due within one year</b>		
Trade debtors	31811	148199
Other debtors	36885	15090
Prepayments	4490	2538
Taxation recoverable	-	8197
	<hr/>	<hr/>
	73186	174024
	<hr/>	<hr/>
<b>5 Creditors (amounts falling due within one year)</b>	<b>2000 £</b>	<b>1999 £</b>
Bank overdraft	21830847	24374248
Trade creditors	1157886	787208
Amounts owed to parent undertaking	7285559	4129350
Amounts owed to fellow subsidiary undertakings	194	62
Other creditors	1059776	1057219
Corporation tax	117186	-
Other taxation and social security	201547	176849
Accruals	27879	26710
Proposed dividend	1226963	1245599
	<hr/>	<hr/>
	32907837	31797245
	<hr/>	<hr/>

**FOLKES PROPERTIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 DECEMBER 2000**

**6 Provision for liabilities and charges**

	Total £	Investigation costs £
At 1 January 2000	-	-
Provided in the year:		
- interest and penalties	500000	500000
- VAT	100000	100000
- Corporation Tax	350000	350000
	<hr/>	<hr/>
At 31 December 2000	950000	950000
	<hr/>	<hr/>

The investigation costs provision relates to the estimated tax, VAT and associated interest and penalties which may arise from the settlement with the Inland Revenue and HM Customs & Excise following the Inland Revenue investigation of Folkes Group PLC and related subsidiaries.

<b>7 Share capital</b>	<b>2000</b>	<b>1999</b>
	£	£
<b>Authorised, allotted and fully paid</b>		
10000 Ordinary shares of £1 each	10000	10000
	<hr/>	<hr/>
<b>8 Reserves</b>		
<b>Share premium account</b>		£
At 1 January 2000 and 31 December 2000		111494
		<hr/>
<b>Revaluation reserve</b>		£
At 1 January 2000		24733848
Revaluation in the year		1248421
Release of revaluation surplus		(551084)
		<hr/>
At 31 December 2000		25431185
		<hr/>
<b>Other reserves</b>		£
At 1 January 2000 and at 31 December 2000		1181940
		<hr/>
<b>Profit and loss account</b>		£
At 1 January 2000		-
Profit before dividends		675879
Dividends		(1226963)
Release of revaluation surplus		551084
		<hr/>
At 31 December 2000		-
		<hr/>

**FOLKES PROPERTIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 DECEMBER 2000**

**9 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 £NIL (1999 £NIL).

<b>10 Operating profit</b>	<b>2000</b>	<b>1999</b>
Operating profit is stated after charging/(crediting) the following:	£	£
Depreciation	71956	29319
Auditors remuneration - audit fees	5380	7340
Staff costs (Note 11)	283330	227687
Hire of plant	3555	3777
Profit on disposal of fixed assets	(7999)	(3000)
	<hr/>	<hr/>

<b>11 Directors and employees</b>	<b>2000</b>	<b>1999</b>
	£	£
<b>Staff costs</b>		
Wages and salaries	240636	195758
Social security costs	21374	15807
Pension costs	21320	16122
	<hr/>	<hr/>
	283330	227687
	<hr/>	<hr/>

<b>Average number of employees by category</b>	<b>No</b>	<b>No</b>
Administration	5	4
Works	6	10
	<hr/>	<hr/>
	11	14
	<hr/>	<hr/>

**Directors' remuneration**

Aggregate directors' emoluments in the year amount to £180671 (1999 £66943). Details of retirement benefits in relation to the directors of Folkes Group PLC are given in the accounts of that Company. Retirement benefits are accruing under the group defined benefit scheme to the other directors.

<b>12 Amounts written off investments</b>	<b>2000</b>	<b>1999</b>
	£	£
Investment in subsidiary undertaking	374785	-
	<hr/>	<hr/>

In the opinion of the directors the aggregate value of the company's investment in its subsidiary undertaking, Newbank Construction (Halesowen) Limited is £NIL. The relevant amount in its balance sheet has therefore been written off.

**FOLKES PROPERTIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 DECEMBER 2000**

<b>13</b>	<b>Interest payable</b>	<b>2000</b>	<b>1999</b>
		£	£
	On bank overdrafts	1588098	1447911
		<u>          </u>	<u>          </u>
<b>14</b>	<b>Taxation</b>	<b>2000</b>	<b>1999</b>
		£	£
	Corporation tax at the rate of 30% (1999 30.25%) on the taxable profit for the year	475383	-
	Group relief	536471	333931
		<u>1011854</u>	<u>333931</u>

**15 Deferred taxation**

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

	<b>2000</b>	<b>1999</b>
	£	£
Timing differences between depreciation and capital allowances	1298679	1410603
Excess of the balance sheet amounts of revalued properties over their cost	3248061	3318580
	<u>          </u>	<u>          </u>

**16 Pension commitments**

The Company along with other group undertakings participates in a defined benefit pension scheme for certain employees. This scheme is administered by trustees and is independent of the Company's finances and on the advice of external actuaries is 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 valuation, based as at 5 April 2000, showed no deficiencies on a current funding level basis.

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

**17 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 2000 the contingent liability was £Nil (1999 £Nil).

**18 Capital commitments**

Amounts contracted for but not provided in the accounts are £31000 (1999 £1796750).

**FOLKES PROPERTIES LIMITED**

**NOTES TO THE ACCOUNTS**

**31 DECEMBER 2000**

**19 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.

**20 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.

**21 Acquisitions**

The share capital of Newbank Construction (Halesowen) Limited was acquired with effect from 13 March 2000.

The consideration was £374785 and was paid in cash.

	Book value £	Fair value adjustment £	Fair value to company £
<b>Fixed assets</b>			
Long leasehold property	-	385000	385000
<b>Current assets</b>			
Debtors	2298	-	2298
Cash at bank and in hand	306	-	306
	<hr/>	<hr/>	<hr/>
Total assets	2604	385000	387604
<b>Liabilities</b>			
Creditors and accruals	12819	-	12819
	<hr/>	<hr/>	<hr/>
Net (liabilities)/assets acquired	(10215)	385000	374785
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**22 Dividends**

	2000 £	1999 £
Proposed dividend – Equity	1226963	1245599
	<hr/> <hr/>	<hr/> <hr/>

**23 Board approval**

The accounts for the year were formally approved by the directors on 26 April 2001.