

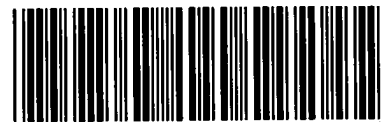
Registered number: 00836234

FOLKES PROPERTIES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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FOLKES PROPERTIES LIMITED

COMPANY INFORMATION

Directors	S J Folkes C L Folkes A A Folkes M King P Tomlinson T Inglis S Wheatley (appointed 1 January 2022) C Bartley (appointed 16 June 2022)
Company secretary	P Tomlinson
Registered number	00836234
Registered office	Forge House Dudley Road Lye West Midlands DY9 8EL
Independent auditors	Crowe UK LLP Black Country House Rounds Green Road Oldbury B69 2DG
Bankers	HSBC Bank plc 114 High Street Stourbridge West Midlands DY8 1DZ

FOLKES PROPERTIES LIMITED

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FOLKES PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

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 profit for the year, after taxation, amounted to £2,190,719 (2021 - £4,227,361).

Effect of COVID-19 coronavirus pandemic

Whilst the threat from the virus has receded over the last twelve months accompanied by the release of all lockdown restrictions in the UK, the threat remains active and the Directors continue to monitor the situation at a local and international level.

War in Ukraine

The Russia-Ukraine conflict dominated the news in 2022 and into 2023, severely impacting businesses in ongoing supply chain issues, increasing energy costs as well as the wider macro economic factors of rising inflation and interest rates.

The industrial property sector continues to demonstrate resilience to these issues with high occupier demand and low availability resulting in strong rental growth and low vacancy rates. As a result, the Company continues to be well positioned to weather the disruption from the current global issues with a strong tenant mix and long lease terms along with a WAULT to expiry of over 5 years.

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.

FOLKES PROPERTIES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Directors

S J Folkes
C L Folkes
A A Folkes
M King
P Tomlinson
A Priest (resigned 16 June 2022)
J Jones (resigned 22 March 2022)
T Inglis
S Wheatley (appointed 1 January 2022)
C Bartley (appointed 16 June 2022)

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.

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

Post balance sheet events

No significant events have occurred post 31 December 2022 that require adjustment.

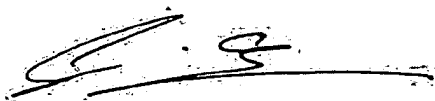
Auditors

The auditors, Crowe UK 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: 29 February 2024

FOLKES PROPERTIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FOLKES PROPERTIES LIMITED

Opinion

We have audited the financial statements of Folkes Properties Limited (the 'Company') for the year ended 31 December 2022, 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

FOLKES PROPERTIES LIMITED

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

Other Information

The other information comprises the information included in the annual report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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,

FOLKES PROPERTIES LIMITED

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

or have no realistic alternative but to do so.

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 Auditors' 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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. This description forms part of our Auditors' report.

FOLKES PROPERTIES LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FOLKES PROPERTIES LIMITED
(CONTINUED)**

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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe UK LLP

Mark Evans (Senior statutory auditor)

for and on behalf of
Crowe UK LLP

Black Country House
Rounds Green Road
Oldbury
B69 2DG

29 February 2024

FOLKES PROPERTIES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover		1,418,033	1,331,832
Gross profit		<u>1,418,033</u>	<u>1,331,832</u>
Administrative expenses		(370,389)	(359,264)
Fair value movements		1,828,132	5,008,183
Operating profit		<u>2,875,776</u>	<u>5,980,751</u>
Interest receivable and similar income		1,074	4
Profit before tax		<u>2,876,850</u>	<u>5,980,755</u>
Tax on profit	5	(686,131)	(1,753,394)
Profit for the financial year		<u><u>2,190,719</u></u>	<u><u>4,227,361</u></u>

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 12 to 24 form part of these financial statements.

FOLKES PROPERTIES LIMITED
REGISTERED NUMBER: 00836234

BALANCE SHEET
AS AT 31 DECEMBER 2022


	Note	2022 £	2021 £
Fixed assets			
Investments	6	96,437	96,437
Investment property	7	25,430,633	23,602,501
		<u>25,527,070</u>	<u>23,698,938</u>
Current assets			
Debtors: amounts falling due within one year	8	5,981,336	5,190,416
Cash at bank and in hand	9	566,465	535,801
		<u>6,547,801</u>	<u>5,726,217</u>
Creditors: amounts falling due within one year	10	(5,413,000)	(5,444,391)
Net current assets		<u>1,134,801</u>	<u>281,826</u>
Total assets less current liabilities		<u>26,661,871</u>	<u>23,980,764</u>
Provisions for liabilities			
Deferred tax	12	(3,061,429)	(2,571,041)
		<u>(3,061,429)</u>	<u>(2,571,041)</u>
Net assets		<u><u>23,600,442</u></u>	<u><u>21,409,723</u></u>
Capital and reserves			
Called up share capital	13	10,000	10,000
Share premium account	14	111,494	111,494
Investment property reserve	14	14,803,469	13,432,369
Other reserves	14	1,181,940	1,181,940
Profit and loss account	14	7,493,539	6,673,920
		<u><u>23,600,442</u></u>	<u><u>21,409,723</u></u>

FOLKES PROPERTIES LIMITED
REGISTERED NUMBER: 00836234

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

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: 29 February 2024

FOLKES PROPERTIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Share premium account	Investment property revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2022	10,000	111,494	13,432,369	1,181,940	6,673,920	21,409,723
Comprehensive income for the year						
Profit for the year	-	-	-	-	2,190,719	2,190,719
Other comprehensive income for the year						
	-	-	-	-	-	-
Total comprehensive income for the year					2,190,719	2,190,719
Revaluation through profit and loss account	-	-	-	-	(1,371,100)	(1,371,100)
Revaluation through profit and loss account	-	-	1,828,132	-	-	1,828,132
Deferred tax on revaluation	-	-	(457,032)	-	-	(457,032)
Total other reserve movements			1,371,100	-	(1,371,100)	-
At 31 December 2022	10,000	111,494	14,803,469	1,181,940	7,493,539	23,600,442

The notes on pages 12 to 24 form part of these financial statements.

FOLKES PROPERTIES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Share premium account	Investment property revaluation reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2021	10,000	111,494	10,759,984	1,181,940	5,118,944	17,182,362
Comprehensive income for the year						
Profit for the year	-	-	-	-	4,227,361	4,227,361
Other comprehensive income for the year						
	-	-	-	-	-	-
Total comprehensive income for the year					4,227,361	4,227,361
Revaluation through profit and loss account	-	-	-	-	(2,672,385)	(2,672,385)
Revaluation through profit and loss account	-	-	5,008,183	-	-	5,008,183
Deferred tax on revaluation	-	-	(2,335,798)	-	-	(2,335,798)
Total other reserve movements			2,672,385		(2,672,385)	-
At 31 December 2021	10,000	111,494	13,432,369	1,181,940	6,673,920	21,409,723

The notes on pages 12 to 24 form part of these financial statements.

FOLKES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

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.

FOLKES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 board of directors 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.

FOLKES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

The Company has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted by the UK Endorsement Board) with the disclosure requirements of Sections 11 and 12 and the other presentation requirements of FRS 102.

Financial instruments are recognised in the Company's Balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables due within the operating cycle fall into this category of financial instruments.

FOLKES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.13 Financial Instruments (continued)

Other financial assets

Other financial assets, which includes investments in equity instruments which are not classified as subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the recognised transaction price. Such assets are subsequently measured at fair value with the changes in fair value being recognised in the profit or loss. Where other financial assets are not publicly traded, hence their fair value cannot be measured reliably, they are measured at cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instruments any contract that evidences a residual interest in the assets of the Company after the deduction of all its liabilities.

Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

Debt instruments are subsequently carried at their amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Other financial instruments

Derivatives, including forward exchange contracts, futures contracts and interest rate swaps, are not classified as basic financial instruments. These are initially recognised at fair value on the date the derivative contract is entered into, with costs being charged to the profit or loss. They are subsequently measured at fair value with changes in the profit or loss.

FOLKES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.13 Financial Instruments (continued)

Debt instruments that do not meet the conditions as set out in FRS 102 paragraph 11.9 are subsequently measured at fair value through the profit or loss. This recognition and measurement would also apply to financial instruments where the performance is evaluated on a fair value basis as with a documented risk management or investment strategy.

Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Company transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Company will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

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.

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors:

	2022	2021
	£	£
Fees payable to the Company's auditors for the audit of the Company's financial statements	4,000	4,000

4. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2021 - £NIL)

5. Taxation

	2022	2021
	£	£
Corporation tax		
Current tax on profits for the year	108,140	112,438
Adjustments in respect of previous periods	(1,900)	(22,230)
	<u>106,240</u>	<u>90,208</u>
 Group taxation relief payable	 89,503	 72,094
	<u>195,743</u>	<u>162,302</u>
 Total current tax	 <u>195,743</u>	 <u>162,302</u>
Deferred tax		
Origination and reversal of timing differences	348,959	1,252,385
Effect of tax rate change on opening balance	110,197	316,477
Adjustments in respect of prior periods	31,232	22,230
 Total deferred tax	 <u>490,388</u>	 <u>1,591,092</u>
 Taxation on profit on ordinary activities	 <u>686,131</u>	 <u>1,753,394</u>

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	2,876,850	5,980,755
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	546,602	1,136,343
Effects of:		
Effect of changes in tax rate	-	617,051
Adjustments to tax charge in respect of prior periods	(1,901)	(22,230)
Adjustments to tax charge in respect of prior periods - deferred tax	31,232	22,230
Remeasurement of deferred tax for changes in tax rate	110,198	-
Total tax charge for the year	686,131	1,753,394

Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax liability/(asset) as at 31 December 2022 has been calculated based on this rate.

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Fixed asset investment

	Investments in subsidiary companies £
Cost	
At 1 January 2022	374,785
At 31 December 2022	<u>374,785</u>
Impairment	
At 1 January 2022	278,348
At 31 December 2022	<u>278,348</u>
Net book value	
At 31 December 2022	<u>96,437</u>
At 31 December 2021	<u>96,437</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

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

The aggregate of the share capital and reserves as at 31 December 2022 and the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

Name	Aggregate of share capital and reserves
Newbank Construction (Halesowen) Limited	97,017

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Investment property

	Freehold Investment property £
Valuation	
At 1 January 2022	23,602,501
Surplus on revaluation	1,828,132
At 31 December 2022	25,430,633
Comprising	
Cost	7,834,334
Annual revaluation surplus/(deficit):	
Pre 2020	10,759,984
2021	5,008,183
2022	1,828,132
At 31 December 2022	25,430,633

The 2022 valuations were made by CBRE Limited, on an open market value for existing use basis.

	2022 £	2021 £
Revaluation reserves		
At 1 January 2022	13,432,369	10,759,984
Net surplus/(deficit) in movement properties	1,371,100	2,672,385
At 31 December 2022	14,803,469	13,432,369

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Debtors

	2022	2021
	£	£
Trade debtors	140,744	95,871
Amounts owed by group undertakings	5,721,225	4,926,410
Other debtors	119,367	168,135
	<u>5,981,336</u>	<u>5,190,416</u>

9. Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	566,465	535,801
	<u>566,465</u>	<u>535,801</u>

10. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Trade creditors	-	1,140
Amounts owed to group undertakings	4,416,000	4,416,000
Amounts owed to associates	-	104,400
Corporation tax	94,848	184,533
Other taxation and social security	143,418	143,010
Other creditors	758,734	595,308
	<u>5,413,000</u>	<u>5,444,391</u>

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Financial Instruments

	2022 £	2021 £
Financial assets		
Financial assets measured at fair value through profit or loss	566,465	535,801
Financial assets that are debt instruments measured at amortised cost	5,981,336	5,190,416
	<u>6,547,801</u>	<u>5,726,217</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(5,174,734)</u>	<u>(5,116,848)</u>

12. Deferred taxation

	2022 £	2021 £
At beginning of year	(2,571,041)	(979,949)
Charged to the profit or loss	(490,388)	(1,591,092)
At end of year	<u>(3,061,429)</u>	<u>(2,571,041)</u>

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Fixed asset timing differences	(269,083)	(267,710)
Short term timing differences	485	32,467
Capital gains / (losses)	(2,792,831)	(2,335,798)
	<u>(3,061,429)</u>	<u>(2,571,041)</u>

Deferred tax has been provided at 25% (2021 - 25%). In September 2022, the UK Government announced that the proposed increase in the UK Corporation Tax rate to 25% will no longer take effect and that the Corporation Tax rate will remain at 19%. As this proposed reduction was not substantively enacted at the Balance Sheet date, Deferred Tax continues to be recognised at the rate of 25%.

FOLKES PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
10,000 (2021 - 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

The revaluation reserve includes the accumulated revaluation of investment properties of £17,596,299 (2021: £15,768,167) less the deferred tax on this of £2,792,830 (2021: £2,335,798).

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 2022 the secured bank borrowings were £37,644,207 (2021 - £35,218,331).

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:

	2022 £	2021 £
Folkes Holdings Limited balance receivable	5,721,225	4,926,410
Folkes Holdings Limited - management charge	(300,000)	(300,000)
John Folkes (Lye Forge) Limited balance payable	(4,416,000)	(4,416,000)
Somers Forge Limited balance payable		(104,400)

FOLKES PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. Post balance sheet events

There have been no events subsequent to 31 December 2022 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.