

KENTSTONE PROPERTIES PLC

Reports & Accounts 2000

Registered in England 27th November 1862.
Company No. 86

Directors: C.C. Blakey O.B.E., R.D., J.P. (*Chairman*)
W.T. Cox, F.C.A. (*Financial Director*)
R.J. Corben, F.C.I.O.B., J.P. (*Managing Director*)
T.C. Monckton

Consultant: A.C.B. Lister, F.R.I.C.S.

Auditors: Messrs. Day, Smith & Hunter
Star House
Pudding Lane
Maidstone ME14 1LT

Agents: Messrs. Sibley Pares & Partners
32 King Street
Maidstone ME14 1AZ

Solicitors: Messrs. Whitehead Monckton
72 King Street
Maidstone ME14 1BL

**Secretary and
Registered Office:** R.N.J. Coombe
6 Tonbridge Road
Maidstone ME16 8RP

Bankers: National Westminster Bank PLC
3 High Street
Maidstone ME14 1XU



KENTSTONE PROPERTIES PLC

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND THIRTY SIXTH ANNUAL GENERAL MEETING of KENTSTONE PROPERTIES PLC will be held at The Hilton Hotel, Weaving, Maidstone, Kent, on Wednesday 20th September, 2000 at 12.30 p.m. for the following purposes.

1. To receive the Directors' and Auditors' Reports and Accounts for the year to 31st March 2000.
2. To confirm the payment of the First and Second Interim Dividends.
3. As special business to consider and if thought fit to pass the following resolution as an Ordinary Resolution:

"That A.C.B. Lister be appointed a director of the Company"

4. As special business to consider and if thought fit, to pass the following resolution as a Special Resolution:

"That the Company be authorised to enter into and complete the terms of the contract proposed to be made between the Company and those shareholders listed in the Memorandum produced to the Meeting for the purchase of 291,444 shares of 50p each in the Company".

Note: A copy of the Memorandum is at the Appendix

5. To re-appoint Messrs. Day, Smith & Hunter, Chartered Accountants, of Star House, Maidstone, as Auditors and to authorise the Directors to fix their remuneration.
6. To transact any other business of an Annual General Meeting.

BY ORDER OF THE BOARD


R.N.J. Coombe
Secretary

6 Tonbridge Road,
Maidstone,
Kent.

A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.

27th July 2000

KENTSTONE PROPERTIES PLC

Chairman's Statement 1999/2000

An £81,085 (13%) OVERALL improvement in profitability is, at first, not obvious when I report on a good year for your Company and, I am pleased to add, we have got off to a most successful start in the current year.

Turnover, excluding the £109,390 surrender premium received in the previous year, shows an increase of £80,914 (9.7%). Increased taxation, resulting from the good sales of secondary properties, has been offset in part by the improved interest situation as a result of such sales, this allowed the Directors to recommend an increase to the second Interim Dividend to 4.35p per share (4.2p:1999) making a total of 6.85p per share for the year (6.7p:1999). Profits on sales of residential properties are, of course, subject to taxation; however, the policy remains, after all such considerations in each case, to continue with the disposals of these unsatisfactory parts of our portfolio. In total, four residences and two commercial properties were sold and one commercial property acquired by the group during the year. In addition the sale of land at the Walnut Tree site for development was completed.

Despite having written down the valuation of one of our commercial properties prior to redevelopment by £50,000, due to the presence of asbestos, an improvement in the Balance Sheet of £436,996 (5.6%) has been achieved.

Numerous potential purchases have been considered and auctions attended where we were always under-bidders, but the Board remains resolute in that we shall only make acquisitions that meet pre-determined criteria. It is intended that we shall acquire commercial investments, which currently represent 8% of our portfolio, rather than further expand our retail holdings which currently represent 54%.

In order to ensure that we keep up-to-date, shareholders will recall that we updated our Articles of Association during the year and have followed this up by proceeding to arrange for the Company to buy-back shares. I have long felt that these moves were necessary and will be of ultimate benefit to shareholders. Further, the Company is revising its procedures to enable it to offer an improved service to shareholders who wish to purchase and sell shares. Details will be circulated shortly.

Earlier reports expressed concern regarding the opening of the Bluewater Shopping Centre. It is pleasing to know that this has not affected our lettings in Gravesend where all properties are now occupied.

May I conclude by paying tribute to Martyn Wakefield, who recently died. He had been a Director for many years, latterly as our Chairman and Managing Director and he guided the Company through the buoyant years of the eighties and the most difficult times of the early nineties. He was a true gentleman and will be sadly missed.

C C BLAKEY
CHAIRMAN



27th July 2000

KENTSTONE PROPERTIES PLC

Financial Highlights

<u>March 31st</u>	<u>2000</u>	<u>1999</u>
Rental Income	£918,716	£947,192
Profit before Tax and sales of properties	£684,746	£648,271
Profit from sales of properties	£1,889	£66,669
Profit after Tax	£449,230	£562,018
Earnings per share	8.0pence	10.0 pence
Dividends per share	6.85 pence	6.7 pence
Retained profits carried forward	£3,315,578	£2,927,320

The Ten Year Performance – 1991 to 2000

Profit on Ordinary
Activities before
taxation
£'000

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
419	452	548	575	587	566	668	526	714	686

Dividend payable
£'000

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
263	285	310	336	347	347	364	369	375	384

KENTSTONE PROPERTIES PLC

Report of the Directors

For the year ended 31st March 2000

The directors submit their report and accounts for the year ended 31st March 2000.

PRINCIPAL ACTIVITY

The group's principal activity during the year was property investment.

RESULTS

The Consolidated Profit and Loss Account is shown on page 7. A review of the business, together with future developments, is shown in the Chairman's statement on page 3.

DIVIDEND

No final dividend is recommended by the board, leaving total dividends for the year of 6.85p per ordinary share which compares with 6.7p per ordinary share for the previous year.

FIXED ASSETS

The movements in tangible fixed assets during the year are shown in note 9 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors during the year ended 31st March 2000 and their interests in the ordinary shares of the company at the beginning and end of the financial year were as follows:—

	31st March 2000		31st March 1999	
	Beneficially	As trustee	Beneficially	As trustee
W.T. Cox	253,000	310,583	253,000	330,824
R.J. Corben	55,732	—	55,732	—
C.C. Blakey	354,584	—	354,584	—
T.C. Monckton	12,555	310,583	12,555	330,824

With the exception of the interests noted above and in note 22 to the accounts, the directors have not been advised of any individual interest or group interest held by persons acting together which at the date of this report exceeds 3% of the company's issued share capital.

SUPPLIER PAYMENT POLICY AND PRACTICE

It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with.

Report of the Directors

For the year ended 31st March 2000

(continued)

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 and of the profit or loss of the company and group for that period. In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for maintaining 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to reappoint Messrs. Day, Smith & Hunter as auditors will be proposed at the forthcoming Annual General Meeting.

CLOSE COMPANY

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

BY ORDER OF THE BOARD


R.N.J. Coombe
Secretary

27th July 2000

Registered Office:-
6 Tonbridge Road
Maidstone
Kent ME16 8RP

KENTSTONE PROPERTIES PLC

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Consolidated Profit and Loss Account

For the year ended 31st March 2000

	<u>Notes</u>		<u>31.3.1999</u>
Rental income		918,716	947,192
Property expenses and collection costs		<u>65,270</u>	<u>70,486</u>
GROSS PROFIT		853,446	876,706
Administrative expenses		<u>139,867</u>	<u>171,296</u>
OPERATING PROFIT	2,3	713,579	705,410
Interest received		<u>10,751</u>	<u>1,302</u>
		724,330	706,712
Interest payable	4	<u>39,584</u>	<u>58,441</u>
		684,746	648,271
Profit from sales of properties	5	<u>1,889</u>	<u>66,669</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		686,635	714,940
Taxation	6	<u>237,405</u>	<u>152,922</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	7	449,230	562,018
Dividends	8	<u>383,600</u>	<u>375,200</u>
Retained profit for the year	14	<u>£65,630</u>	<u>£186,818</u>

The Group's rental income and expenses all relate to continuing operations.

The notes on pages 12 to 17 form part of these accounts.

KENTSTONE PROPERTIES PLC

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Statement of Total Recognised Gains or Losses

For the year ended 31st March 2000

		<u>31.3.1999</u>
Profit for the financial year	449,230	562,018
Unrealised surplus on revaluation of properties	<u>371,366</u>	<u>557,645</u>
TOTAL RECOGNISED GAINS AND LOSSES	<u>£820,596</u>	<u>£1,119,663</u>

Note of Historical Cost Profits and Losses

For the year ended 31st March 2000

		<u>31.3.1999</u>
Reported profit on ordinary activities before taxation	686,635	714,940
Realisation of property revaluations in previous years	<u>322,628</u>	<u>207,642</u>
Historical cost profit on ordinary activities before taxation	<u>£1,009,263</u>	<u>£922,582</u>
Historical cost profit on ordinary activities after taxation and dividends	<u>£388,258</u>	<u>£394,460</u>

The notes on pages 12 to 17 form part of these accounts.

KENTSTONE PROPERTIES PLC

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Consolidated Balance Sheet

31st March 2000

		Notes		31.3.1999
FIXED ASSETS	Tangible fixed assets	9	8,846,550	8,916,052
CURRENT ASSETS	Debtors	10	308,813	18,619
	Cash at bank		162,819	12,201
			<u>471,632</u>	<u>30,820</u>
CREDITORS	Amounts falling due within one year	11	<u>858,525</u>	<u>916,811</u>
NET CURRENT (LIABILITIES)			(386,893)	(885,991)
TOTAL ASSETS LESS CURRENT LIABILITIES			8,459,657	8,030,061
CREDITORS	Amounts falling due after more than one year	12	206,380	213,780
NET ASSETS			<u>£8,253,277</u>	<u>£7,816,281</u>
CAPITAL AND RESERVES	Called up share capital	13	2,800,000	2,800,000
	Revaluation reserve	14	2,137,699	2,088,961
	Profit and loss account	14	<u>3,315,578</u>	<u>2,927,320</u>
SHAREHOLDERS' FUNDS		15	<u>£8,253,277</u>	<u>£7,816,281</u>

Approved by the Board of Directors on 27th July 2000

C.C. Blakey

W.T. Cox

DIRECTORS

The notes on pages 12 to 17 form part of these accounts.

KENTSTONE PROPERTIES PLC

KENTSTONE PROPERTIES PLC

Balance Sheet

31st March 2000

		Notes		31.3.1999
FIXED ASSETS	Tangible fixed assets	9	3,793,754	4,022,302
	Investments	16	18,021	18,021
			<u>3,811,775</u>	<u>4,040,323</u>
CURRENT ASSETS	Debtors	10	254,760	175,863
	Amounts due from subsidiary undertakings		3,975,298	3,564,376
	Cash at bank and in hand		6,272	5,034
			<u>4,236,330</u>	<u>3,745,273</u>
CREDITORS	Amounts falling due within one year	11	721,903	810,353
NET CURRENT ASSETS			<u>3,514,427</u>	<u>2,934,920</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£7,326,202</u>	<u>6,975,243</u>
CREDITORS	Amounts falling due after more than one year	12	206,380	213,780
NET ASSETS			<u>£7,119,822</u>	<u>£6,761,463</u>
CAPITAL AND RESERVES	Called up share capital	13	2,800,000	2,800,000
	Revaluation reserve	14	1,208,906	1,230,032
	Profit and loss account	14	<u>3,110,916</u>	<u>2,731,431</u>
SHAREHOLDERS' FUNDS		15	<u>£7,119,822</u>	<u>£6,761,463</u>

Approved by the Board of Directors on 27th July 2000

C.C. Blakey

W.T. Cox

DIRECTORS

The notes on pages 12 to 17 form part of these accounts.

KENTSTONE PROPERTIES PLC

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Cash Flow Statement

For the year ended 31st March 2000

	<u>Notes</u>		<u>31.3.1999</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	688,005	702,847
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	10,751	1,302	
Interest paid	(39,824)	(56,787)	
Dividends paid	(376,568)	(368,041)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(405,641)	(423,526)
TAXATION		(95,712)	(130,470)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets	(429,001)	(487,540)	
Receipts from sales of tangible fixed assets	582,310	592,199	
NET CASH INFLOW FROM INVESTING ACTIVITIES		153,309	104,659
NET CASH INFLOW BEFORE FINANCING		339,961	253,510
FINANCING			
Repayment of bank loan	(6,727)	(6,115)	
INCREASE IN CASH	18	<u>£333,234</u>	<u>£247,395</u>

The notes on pages 12 to 17 form part of these accounts.

KENTSTONE PROPERTIES PLC

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Notes to the Accounts

31st March 2000

1. ACCOUNTING POLICIES

- (a) Accounting convention The accounts are prepared under the historical cost convention modified to include the revaluation of investment properties and in accordance with applicable Accounting Standards.
- (b) Rental Income Rental income is recognised in the period in which it falls due.
- (c) Basis of consolidation The consolidated profit and loss account and balance sheet include the accounts of the parent company and its subsidiary undertakings for the year ended 31st March 2000. As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements.
- (d) Investment properties Investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve.
- Profits or losses on sales of properties are taken into account on the date of contract.
- The profits or losses arising are calculated on the excess of sale proceeds over valuation and are included within the group profit. Taxation on the gains arising is shown as part of the taxation charge.
- (e) Depreciation Depreciation is provided on the office furniture and equipment at a rate calculated to write off the cost evenly over a period of four years.
- In accordance with SSAP 19 depreciation is not provided on investment properties. The directors consider that this accounting policy (which represents a departure from the statutory accounting rules) is necessary to provide a true and fair view.
- (f) Pension scheme The company operates a defined contribution pension scheme and the assets of the scheme are held separately to those of the company in an independently administered fund. Charges made to the profit and loss account represent contributions paid within the period.

2. OPERATING PROFIT

This is stated after charging the following:-	31.3.2000	31.3.1999
Depreciation and profit on sale of fixed assets	£502	£404
Auditors' remuneration	£5,600	£5,600
Staff costs:-		
Wages and salaries	£84,057	£76,117
Social security costs	£7,155	£6,905
Other pension costs	£1,430	£1,327

Included in rental income in the previous year to 31st March 1999 was an amount arising on the surrender of leases of £109,390

3. DIRECTORS AND EMPLOYEES

The average number of persons (including Directors) employed by the Group during the year was 6 (1999: 5) all of whom were involved in general administration.

The total Directors' remuneration was £62,753 (1999: £56,545)

	31.3.2000	31.3.1999
Chairman	£15,700	£14,100
Highest paid director	£29,908	£27,050
Other directors		
£5,001 to £10,000	2	2

KENTSTONE PROPERTIES PLC

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Notes to the Accounts

31st March 2000 (continued)

4. INTEREST PAYABLE		<u>31.3.2000</u>	<u>31.3.1999</u>
On bank loans and overdrafts			
Repayable within five years		18,774	37,019
Repayable in more than five years		20,810	21,422
		<u>£39,584</u>	<u>£58,441</u>
5. PROFIT FROM SALES OF PROPERTIES		<u>31.3.2000</u>	<u>31.3.1999</u>
Net Proceeds from Sales of properties		867,643	504,014
Less Historical Cost		(543,126)	(229,703)
Prior Year's revaluation surplus realised		(322,628)	(207,642)
		<u>£1,889</u>	<u>£66,669</u>
6. TAXATION		<u>31.3.2000</u>	<u>31.3.1999</u>
Corporation tax at the effective rate of 28% (1999: 27%) on the profit for the year		237,215	152,922
Under provision in previous years		190	—
		<u>£237,405</u>	<u>£152,922</u>
7. PROFIT FOR THE FINANCIAL YEAR		<u>31.3.2000</u>	<u>31.3.1999</u>
Parent Company		448,909	561,296
Subsidiary undertakings		321	722
		<u>£449,230</u>	<u>£562,018</u>
8. DIVIDENDS		<u>31.3.2000</u>	<u>31.3.1999</u>
Interim paid January 2000 2.5p (1999: 2.5p)		140,000	140,000
Second interim: August 2000 4.35p (1999: Final 4.2p)		243,600	235,200
		<u>£383,600</u>	<u>£375,200</u>

KENTSTONE PROPERTIES PLC

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Notes to the Accounts

31st March 2000 (continued)

9. TANGIBLE FIXED ASSETS

Investment Properties	Group		Parent Company
At Valuation			
At 1st April 1999	8,914,850		4,021,100
Additions at cost	424,985		79,255
Disposals	(865,755)		(600,755)
Increase in valuation	371,366		293,050
At 31st March 2000	8,845,446		3,792,650
	Group		
Office furniture & equipment	Cost	Depreciation	Written down value
At 1st April 1999	5,235	(4,033)	1,202
Additions	404	—	404
Depreciation charge	—	(502)	(502)
At 31st March 2000	5,639	(4,535)	1,104
At 31st March 2000			£8,846,550
At 31st March 1999			£8,916,052
			£3,793,754
			£4,022,302

The directors valued the investment properties at 31st March 2000 on the basis of open market value for investment purposes. The investment properties were revalued professionally on 31st March 1999 by Messers. Sibley Pares & Partners, Chartered Surveyors, on the same basis.

	Group	Parent Company
Historical cost: At 31st March 2000	£6,007,747	£1,883,744
At 31st March 1999	£6,125,888	£2,091,067

10. DEBTORS

	Group		Parent Company	
	31.3.2000	31.3.1999	31.3.2000	31.3.1999
Prepayments and accrued income	23,480	18,619	8,760	13,863
Dividends receivable from group companies	—	—	246,000	162,000
Other debtors	285,333	—	—	—
	£308,813	£18,619	£254,760	£175,863

KENTSTONE PROPERTIES PLC

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Notes to the Accounts

31st March 2000 (continued)

11. CREDITORS:

AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Parent Company	
	31.3.2000	31.3.1999	31.3.2000	31.3.1999
Bank loan	7,400	6,727	7,400	6,727
Bank overdraft	243,932	426,548	243,932	426,548
Accruals and deferred income	106,850	118,332	55,619	55,632
Other taxes and social security	8,179	11,585	6,394	6,813
Other creditors	11,349	22,897	8,774	15,811
Dividends	243,600	235,200	243,600	235,200
Advance corporation tax	—	35,000	—	35,000
Corporation tax	237,215	60,522	156,184	28,622
	<u>£858,525</u>	<u>£916,811</u>	<u>£721,903</u>	<u>£810,353</u>

12. CREDITORS:

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.3.2000	31.3.1999
Bank loan	<u>£206,380</u>	<u>£213,780</u>
Amounts due within five years	37,440	34,184
Amounts due after five years	168,940	179,596
	<u>£206,380</u>	<u>£213,780</u>

The bank loan is repayable by monthly instalments up to 2014 and bears interest at a fixed rate of 10%.

The bank loan is secured by a fixed charge over certain of the company's properties:

Analysis of debt maturity:

	Group		Parent Company	
	31.3.2000	31.3.1999	31.3.2000	31.3.1999
Bank loan and overdraft				
In one year or less or on demand	251,332	433,275	251,332	433,275
Between one and two years	8,140	7,400	8,140	7,400
Between two and five years	29,300	26,784	29,300	26,784
In five years or more	168,940	179,596	168,940	179,596
	<u>£457,712</u>	<u>£647,055</u>	<u>£457,712</u>	<u>£647,055</u>

13. CALLED UP SHARE CAPITAL

	Group		Parent Company	
	31.3.2000	31.3.1999	31.3.2000	31.3.1999
Authorised:-				
10,000,000 ordinary shares of 50p each	<u>£5,000,000</u>	<u>£5,000,000</u>	<u>£5,000,000</u>	<u>£5,000,000</u>
Allotted, issued and fully paid:-				
5,600,000 ordinary shares of 50p each	<u>£2,800,000</u>	<u>£2,800,000</u>	<u>£2,800,000</u>	<u>£2,800,000</u>

KENTSTONE PROPERTIES PLC

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Notes to the Accounts

31st March 2000 (continued)

14. RESERVES

	Revaluation Reserve		Profit & Loss	
	Group	Parent Company	Group	Parent Company
At 1st April 1999	2,088,961	1,230,032	2,927,320	2,731,431
Retained profit for the year	—	—	65,630	65,309
Transfer on disposal of properties	(322,628)	(314,176)	322,628	314,176
Surplus on revaluation	371,366	293,050	—	—
At 31st March 2000	<u>£2,137,699</u>	<u>£1,208,906</u>	<u>£3,315,578</u>	<u>£3,110,916</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Parent Company	
	31.3.2000	31.3.1999	31.3.2000	31.3.1999
Total recognised gains and losses for the year	820,596	1,119,663	741,959	961,096
Dividends	(383,600)	(375,200)	(383,600)	(375,200)
	436,996	744,463	358,359	585,896
Opening shareholders' funds	7,816,281	7,071,818	6,761,463	6,175,567
Closing shareholders' funds	<u>£8,253,277</u>	<u>£7,816,281</u>	<u>£7,119,822</u>	<u>£6,761,463</u>

16. INVESTMENTS

These represent ordinary shares in subsidiary undertakings at cost.

The subsidiary undertakings which are all wholly owned, property investment companies, and were all incorporated in England are:-

Kentstone Finance Limited (formerly Herbros Holdings Limited)	£17,019
Herbros Holdings Limited (formerly Kentstone Finance Limited)	£1,000
Baynecrest Limited	£2

Herbros Holdings Limited (formerly Kentstone Finance Limited) has been dormant since 28th September 1990 and Baynecrest Limited has been dormant since 31st March 1993.

17. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31.3.2000	31.3.1999
Operating Profit	713,579	705,410
Depreciation	502	404
Increase in debtors	(4,861)	(4210)
(Decrease)/increase in creditors	(21,215)	1,243
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>£688,005</u>	<u>£702,847</u>

KENTSTONE PROPERTIES PLC

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Notes to the Accounts

31st March 2000 (continued)

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT AS SHOWN IN THE BALANCE SHEET

	AT 1.4.1999	CASH FLOWS	AT 31.3.2000
Cash at bank and in hand	12,201	150,618	162,819
Bank overdraft	(426,548)	182,616	(243,932)
	(414,347)	333,234	(81,113)
Bank loans			
Due within one year	(6,727)	(673)	(7,400)
Due after one year	(213,780)	7,400	(206,380)
	<u>£(634,854)</u>	<u>£339,961</u>	<u>£(294,893)</u>

19. RELATED PARTY TRANSACTIONS

- (i) During the course of the year the group has, on a normal commercial basis, paid Corben Construction Limited £Nil (1999 - £3,602) for improvement and repair work on its investment properties. In addition £6,105 (1999 - £6,735) was paid to R. Corben & Son (Holdings) Limited for office rent and services. Corben Construction Limited and R. Corben & Son (Holdings) Limited are both companies in which R. J. Corben is materially interested.
- (ii) T. C. Monckton is a partner in Messrs Whitehead Monckton the solicitors engaged by the group. A total of £40,113 was paid for legal and secretarial services to that partnership during the year (1999 - £32,947).

20. CAPITAL COMMITMENTS

	Group		Parent Company	
	31.3.2000	31.3.1999	31.3.2000	31.3.1999
Capital expenditure Authorised but not contracted for	<u>£125,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

21. CONTINGENT LIABILITIES

- (i) There is a contingent liability of the group in respect of all bank overdrafts which are secured by composite guarantees from the companies in the group. At 31st March 2000 the total on bank overdraft amounted to £243,932 (1998: £426,548)
- (ii) The potential liability to corporation tax that would arise if all the companies' properties were sold at their balance sheet values is estimated at:-

	31.3.2000	31.3.1999
Group	<u>£240,000</u>	<u>£195,000</u>
Parent Company	<u>£240,000</u>	<u>£195,000</u>

22. SUBSTANTIAL SHAREHOLDINGS

The following are the registered proprietors of more than 3% of the issued share capital.

	Beneficially
CUIM Nominee Limited	274,380
Mrs G. Glenn	174,800

KENTSTONE PROPERTIES PLC

Report of the Auditors to the Shareholders of Kentstone Properties PLC

We have audited the financial statements on pages 7 to 17 which have been prepared following the accounting policies set out on page 12.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 6 the company's 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 group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which 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 and group as at 31st March 2000 and of the group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Star House,
Maidstone,
Kent.

Date: 27th July 2000



DAY, SMITH & HUNTER
Chartered Accountants
Registered Auditor