

Company Number 86C

**KENTSTONE
PROPERTIES PLC**

**REPORTS &
ACCOUNTS**

2002



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17/09/02

Reports & Accounts 2002

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

Directors:	C.C. Blakey, O.B.E., R.D., (<i>Chairman</i>) R.J. Corben, F.C.I.O.B., J.P. (<i>Managing Director</i>) R.J. Clarke, F.C.A. (<i>Financial Director</i>) T.C. Monckton 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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND THIRTY EIGHTH ANNUAL GENERAL MEETING of KENTSTONE PROPERTIES PLC will be held at The Hilton Hotel, Weaving, Maidstone, Kent, on Thursday 11th July, 2002 at 12.30pm for the following purposes.

1. To receive the Directors' and Auditors' Reports and Accounts for the year to 31st March 2002.
2. To declare a Final Dividend.
3. To re-appoint Messrs. Day, Smith & Hunter, Chartered Accountants, of Star House, Maidstone, as Auditors and to authorise the Directors to fix their remuneration.

BY ORDER OF THE BOARD

6 Tonbridge Road,
Maidstone,
Kent.

R.N.J. Coombe
Secretary

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.

28th May 2002

Chairman's Statement 2001/2002

Kentstone Properties has a long tradition of making steady progress. This report includes details of continued improvements and benefit to shareholders.

For the first time, we have achieved income in excess of £1million and, with a full year of rental stream from a recent high-yielding acquisition, the current year should see yet further growth. Of particular significance is the fact that Net Asset Value (NAV) of our shares has increased from £1.69 to £2.04 (+21%).

In accordance with my statement last year we are pleased to propose a further increase in the annual dividend to 7.7p (7.5p). This high yield is achieved without detriment to the growth prospects of your Company.

Sales of properties that have little chance of further growth, improved yield or development potential have continued with selling prices achieved generally in line with valuation figures.

I would like to mention one significant purchase by the Company which was made at auction in late 2001. This already shows an exceptional yield and has potential for both growth and development.

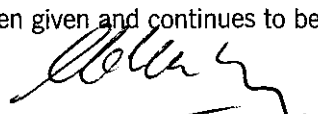
As a result of the proposed departure at the end of June of Mr. Richard Corben, Mr. Anthony Lister has been appointed Managing Director, bringing his extensive experience and proven ability in dealing with all aspects of Commercial Property Management and Investment. The Board wishes to acknowledge the twenty four years that Mr. Corben served as Director and, in recent years, as Managing Director, during which time considerable progress was achieved.

After seventeen years Mrs. Pat Trott is due to retire later this year and I pay tribute to her dedication and commitment to the Company.

For many years we have rented our office accommodation at 6 Tonbridge Road, Maidstone. As these premises have been sold we shall have to move and it is proposed to relocate near Ashford (Kent). Full details will be advised separately. With these changes that are taking place your Board intends to improve the effectiveness of management and actively move the Company forward.

Shareholders will be encouraged to know that we still have no shares on offer but a number of enquiries from prospective purchasers.

This year of report has been challenging and successful. I am grateful for all the support that has been given and continues to be forthcoming in the current year.



C. C. BLAKEY, O.B.E., R.D.
CHAIRMAN

28th May 2002



Kentstone Properties PLC



Charles Conrad Blakey

Aged 60 years.

Educated at Paisley Grammar School and HMS "Conway".

Director Kentstone Properties PLC 1990, appointed Chairman 1994.

Spent nearly 30 years in the textile industry concluding this period of business career as Deputy Chairman of Martello Textile Company Ltd.

In the Public Sector served as Chairman of two NHS Hospital Trusts for over six years and as Chairman of Kent Probation Committee for five years.

Currently a Director of MENAS (Middle East Navigation Aids Service) and Folkestone Sports Centre Trust Limited.

Served as a Justice of the Peace for over 30 years.

Personal interests include classical music, general aviation (helicopter and fixed wing pilot), rugby and cruising.

Married, two sons.



Richard James Corben

Aged 62 years.

Director Kentstone Properties PLC since 1979 and Managing Director since 1991.

Spent a business life in building and property.

Fellow of the Institute of Building.

Involved with various organisations as Trustee or Director, mostly property related.

A Justice of the Peace, married with three children and has lived in Kent for 35 years.



Roger John Clarke

Aged 59 years.

A Chartered Accountant and Senior Partner of Larkings based in their Canterbury office.

Trained with KPMG and has been with Larkings since 1966.

Appointed a Director of Kentstone Properties PLC in 2001.

Non Executive Director of Buckland Press Group Ltd.

Governor of Canterbury College.

Personal interests include all sports, particularly rugby, cricket and golf.

Married with two children both Chartered Accountants.



Timothy Charles Monckton

Aged 48 years.

A Solicitor and partner with Whitehead Monckton Solicitors in Maidstone.

Qualified in 1980 and acts for a wide range of clients with commercial property interests. Appointed Director of Kentstone Properties PLC in 1994.

Interests include winter sports and tennis.

Married with one daughter.



Anthony Charles Bramham Lister

Aged 62 years.

Fellow of the Royal Institution of Chartered Surveyors.

Professional Consultant to BTF Lister, Chartered Surveyors, from 2002. Previously Director of own firm – Lister & Associates, established in Canterbury in 1991, specialising in commercial property, agency, management and investments.

Joined Geering & Colyer in 1966 and appointed Equity Partner from 1973 to 1982.

Previously spent seven years with London firms.

Appointed Consultant to Kentstone Properties PLC 1994, Director from 2000 and Managing Director from 2002.

Interests include golf, rugby and sailing.

Married with three sons, including a set of twins.



Robert Nigel James Coombe

Aged 42 years.

Partner and head of commercial department at Whitehead Monckton, solicitors, specialising in commercial property and corporate law.

Appointed Company Secretary to Kentstone Properties PLC in January 1998.

Interests include all sports especially cricket and golf.

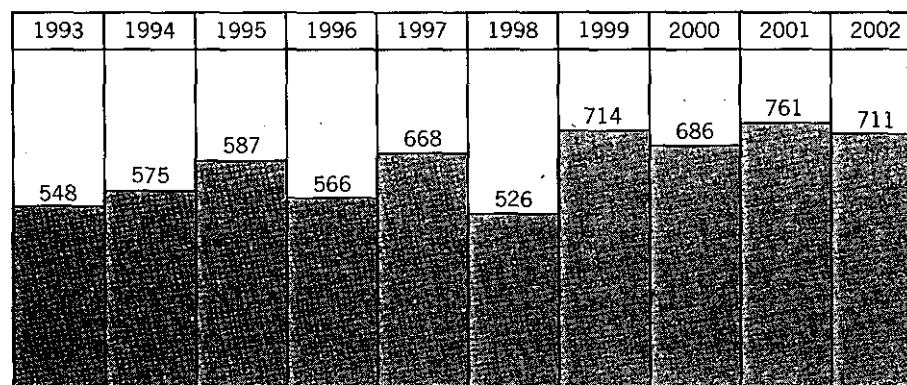
Married with two children.

Financial Highlights

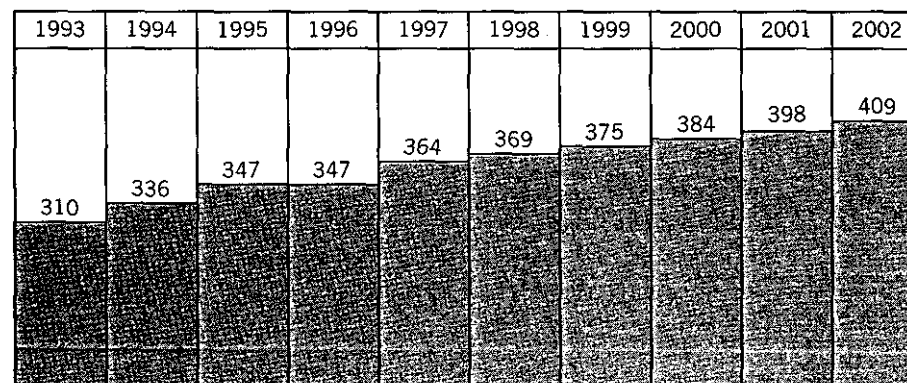
<u>March 31st</u>	<u>2002</u>	<u>2001</u>
Rental Income	£1,092,142	£887,691
Profit before Tax and sales of properties	£730,928	£611,346
(Loss)/Profit from sales of properties	£(19,534)	£149,705
Profit after Tax	£529,271	£560,085
Earnings per share	10.0 pence	10.5 pence
Dividends per share	7.7 pence	7.5 pence
Retained profits carried forward	£3,382,593	£3,389,016

The Ten Year Performance – 1993 to 2002

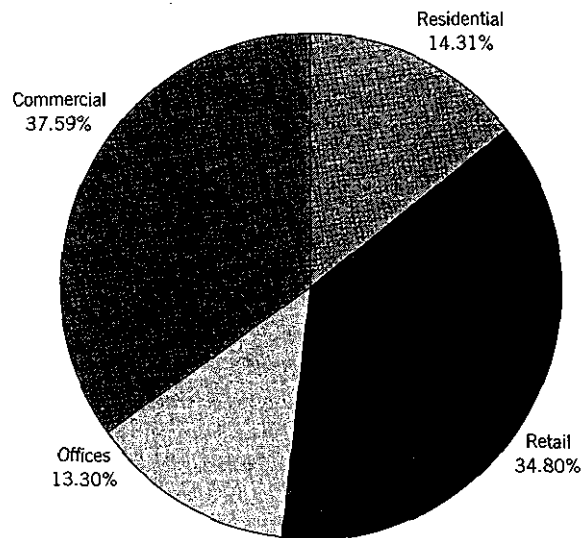
Profit on Ordinary
Activities before
taxation
£'000



Dividend payable
£'000

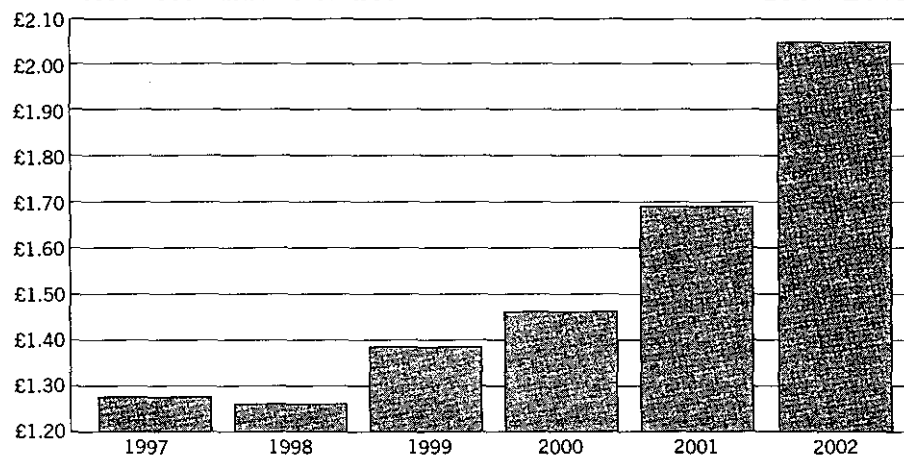


The Portfolio Distribution



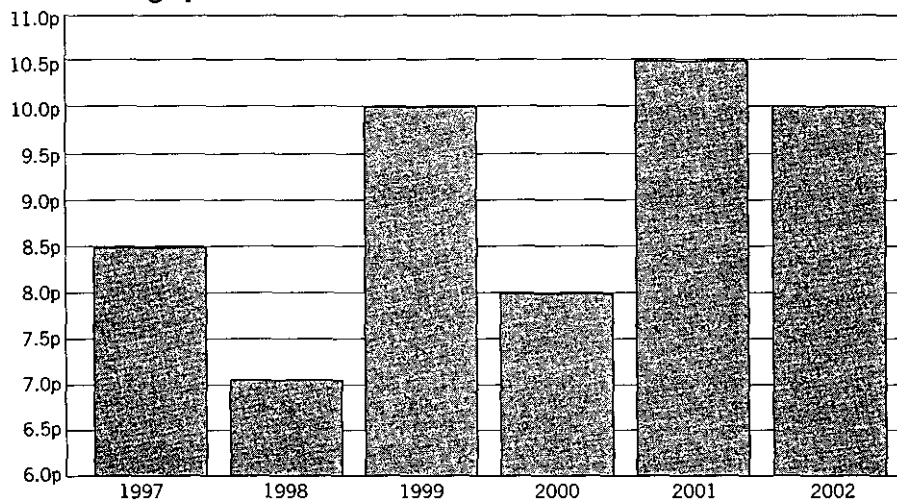
Net Asset Value of Shares

1997-2002



Earnings per Share

1997-2002



Report of the Directors

For the year ended 31st March 2002

The directors submit their report and accounts for the year ended 31st March 2002.

PRINCIPAL ACTIVITY

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

RESULTS

The Consolidated Profit and Loss Account is shown on page 10. A review of the business, together with future developments, is shown in the Chairman's statement on page 3.

DIVIDEND

The directors propose a final dividend of 5.2p to give total dividends for the year of 7.7p per ordinary share which compares with 7.5p 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 2002 and their interests in the ordinary shares of the company at the beginning and end of the financial year were as follows:-

	<u>31st March 2002</u>		<u>31st March 2001</u>	
	<u>Beneficially</u>	<u>As trustee</u>	<u>Beneficially</u>	<u>As trustee</u>
C.C. Blakey	478,749	-	354,584	-
R.J. Corben	55,732	-	55,732	-
T.C. Monckton	12,555	164,684	12,555	292,742
A.C.B. Lister	10,000	-	3,000	-
R.J. Clarke (appointed 1st April 2001)	19,910	-	9,000	-

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 2002

(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 the group 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

13th May 2002

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

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Consolidated Profit and Loss Account

For the year ended 31st March 2002

	<u>Notes</u>		<u>31.3.2001</u>
Rental income		1,092,142	887,691
Property expenses and collection costs		<u>53,154</u>	<u>72,391</u>
GROSS PROFIT		1,038,988	815,300
Administrative expenses		<u>177,380</u>	<u>166,132</u>
OPERATING PROFIT	2,3	861,608	649,168
Interest received		<u>4,449</u>	<u>7,983</u>
		866,057	657,151
Interest payable	4	<u>135,129</u>	<u>45,805</u>
		730,928	611,346
(Loss)/Profit from sales of properties	5	<u>(19,534)</u>	<u>149,705</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		711,394	761,051
Taxation	6	<u>182,123</u>	<u>200,966</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	7	529,271	560,085
Dividends	8	<u>409,063</u>	<u>398,455</u>
Retained profit for the year	14	<u>£120,208</u>	<u>£161,630</u>

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

The notes on pages 15 to 20 form part of these accounts.

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES**Statement of Total Recognised Gains or Losses**

For the year ended 31st March 2002

		<u>31.3.2001</u>
Profit for the financial year	529,271	560,085
Unrealised surplus on revaluation of properties	<u>1,728,541</u>	<u>900,141</u>
TOTAL RECOGNISED GAINS AND LOSSES	<u>£2,257,812</u>	<u>£1,460,226</u>

Note of Historical Cost Profits and Losses

For the year ended 31st March 2002

		<u>31.3.2001</u>
Reported profit on ordinary activities before taxation	711,394	761,051
Realisation of property revaluations in previous years	<u>(126,631)</u>	<u>215,196</u>
Historical cost profit on ordinary activities before taxation	<u>£584,763</u>	<u>£976,247</u>
Historical cost (loss)/profit on ordinary activities after taxation and dividends	<u>£(6,423)</u>	<u>£376,826</u>

The notes on pages 15 to 20 form part of these accounts.

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Consolidated Balance Sheet

31st March 2002

		Notes		31.3.2001
FIXED ASSETS	Tangible fixed assets	9	13,787,022	11,388,468
CURRENT ASSETS	Debtors	10	458,156	654,818
	Cash at bank		130,137	150,930
			<u>588,293</u>	<u>805,748</u>
CREDITORS	Amounts falling due within one year	11	<u>2,014,906</u>	<u>3,182,556</u>
NET CURRENT (LIABILITIES)			<u>(1,426,613)</u>	<u>(2,376,808)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			12,360,409	9,011,660
CREDITORS	Amounts falling due after more than one year	12	<u>1,500,000</u>	-
NET ASSETS			<u>£10,860,409</u>	<u>£9,011,660</u>
CAPITAL AND RESERVES	Called up share capital	13	2,656,254	2,656,254
	Capital redemption reserve	14	143,746	143,746
	Revaluation reserve	14	4,677,816	2,822,644
	Profit and loss account	14	<u>3,382,593</u>	<u>3,389,016</u>
SHAREHOLDERS' FUNDS		15	<u>£10,860,409</u>	<u>£9,011,660</u>

Approved by the Board of Directors on 13th May 2002

C.C. Blakey

R.J. Clarke

DIRECTORS

The notes on pages 15 to 20 form part of these accounts.

KENTSTONE PROPERTIES PLC

Balance Sheet

31st March 2002

		<u>Notes</u>		<u>31.3.2001</u>
FIXED ASSETS	Tangible fixed assets	9	8,694,372	6,120,918
	Investments	16	<u>17,019</u>	<u>17,019</u>
			8,711,391	6,137,937
CURRENT ASSETS	Debtors	10	663,645	487,307
	Amounts due from subsidiary undertaking		2,706,936	3,765,504
	Cash at bank and in hand		<u>18,419</u>	<u>2,776</u>
			3,389,000	4,255,587
CREDITORS	Amounts falling due within one year	11	<u>1,861,139</u>	<u>3,036,119</u>
NET CURRENT ASSETS			<u>1,527,861</u>	<u>1,219,468</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			10,239,252	7,357,405
CREDITORS	Amounts falling due after more than one year	12	<u>1,500,000</u>	<u>-</u>
NET ASSETS			<u>£8,739,252</u>	<u>£7,357,405</u>
CAPITAL AND RESERVES	Called up share capital	13	2,656,254	2,656,254
	Capital redemption reserve	14	143,746	143,746
	Revaluation reserve	14	2,566,422	1,466,925
	Profit and loss account	14	3,372,830	3,090,480
SHAREHOLDERS' FUNDS		15	<u>£8,739,252</u>	<u>£7,357,405</u>

Approved by the Board of Directors on 13th May 2002

C.C. Blakey.....

R.J. Clarke.....

DIRECTORS

The notes on pages 15 to 20 form part of these accounts.

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Cash Flow Statement

For the year ended 31st March 2002

	<u>Notes</u>		<u>31.3.2001</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	1,107,448	475,610
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	4,223	7,983	
Interest paid	(126,389)	(40,919)	
Dividends paid	(396,443)	(374,088)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(518,609)	(407,024)
TAXATION		(191,617)	(237,411)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets	(1,643,260)	(2,340,513)	
Receipts from sales of tangible fixed assets	943,080	726,839	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(700,180)	(1,613,674)
NET CASH OUTFLOW BEFORE FINANCING		(302,958)	(1,782,499)
FINANCING			
Purchase of own shares	-	-	(303,388)
Repayment of bank loan	-	-	(213,780)
New loan	1,500,000	-	-
INCREASE/(DECREASE) IN CASH	18	<u>£1,197,042</u>	<u>£(2,299,667)</u>

The notes on pages 15 to 20 form part of these accounts.

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Notes to the Accounts

31st March 2002

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 undertaking for the year ended 31st March 2002. 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:-	31.3.2002	31.3.2001
Depreciation	£671	£676
Auditors' remuneration	£6,145	£5,910
Staff costs:-		
Wages and salaries	£102,280	£92,312
Social security costs	£9,113	£7,747
Other pension costs	£1,626	£1,570

3. DIRECTORS AND EMPLOYEES

The average number of persons (including Directors) employed by the Group during the year was 6 (2001: 6) all of whom were involved in general administration. The total Directors' remuneration was £86,020 (2001: £71,766)

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Notes to the Accounts

31st March 2002 (continued)

4. INTEREST PAYABLE		<u>31.3.2002</u>	<u>31.3.2001</u>
On bank loans and overdrafts			
Repayable within five years		103,938	45,805
Repayable in more than five years		<u>31,191</u>	<u>-</u>
		<u>£135,129</u>	<u>£45,805</u>
5. (LOSS)/PROFIT FROM SALES OF PROPERTIES		<u>31.3.2002</u>	<u>31.3.2001</u>
Net Proceeds from sales of properties		956,716	847,805
Less Historical Cost		(1,102,881)	(482,904)
Prior years revaluation deficit/(surplus) realised		126,631	(215,196)
		<u>£(19,534)</u>	<u>£149,705</u>
6. TAXATION		<u>31.3.2002</u>	<u>31.3.2001</u>
UK corporation tax on profit of the year		194,134	200,770
Adjustments in respect of previous years		<u>(12,011)</u>	<u>196</u>
		<u>£182,123</u>	<u>£200,966</u>
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below.			
Profit on ordinary activities before taxation		<u>711,394</u>	<u>761,051</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%		213,418	228,315
Loss/(Profit) on sale of properties		5,860	(8,402)
Expenses not deductible for tax purposes		1,200	-
Capital allowances in excess of depreciation		(6,754)	(9,738)
Marginal relief		<u>(19,590)</u>	<u>(9,405)</u>
		<u>£194,134</u>	<u>£200,770</u>
7. PROFIT FOR THE FINANCIAL YEAR		<u>31.3.2002</u>	<u>31.3.2001</u>
Parent Company		528,611	559,140
Subsidiary undertaking		<u>660</u>	<u>945</u>
		<u>£529,271</u>	<u>£560,085</u>
8. DIVIDENDS		<u>31.3.2002</u>	<u>31.3.2001</u>
Interim paid January 2002 2.5p (2001: 2.5p)		132,813	132,830
Final: August 2002 5.2p (2001: 5.0p)		<u>276,250</u>	<u>265,625</u>
		<u>£409,063</u>	<u>£398,455</u>

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Notes to the Accounts

31st March 2002 (continued)

9. TANGIBLE FIXED ASSETS

Investment Properties	Group		Parent Company
At Valuation			
At 1st April 2001	11,387,350		6,119,800
Additions at cost	1,646,934		1,519,576
Transfer from subsidiary	-		425,000
Disposals	(976,250)		(632,750)
Increase in valuation	1,728,541		1,262,299
At 31st March 2002	13,786,575		8,693,925
	Group		
Office furniture & equipment	Cost	Depreciation	Written down value
At 1st April 2002	6,329	(5,211)	1,118
Depreciation charge	-	(671)	(671)
At 31st March 2002	6,329	(5,882)	447
At 31st March 2002			£13,787,022
At 31st March 2001			£11,388,468
			£8,694,372
			£6,120,918

The investment properties were revalued professionally on 31st March 2001 by Messrs. Sibley Pares & Partners, Chartered Surveyors, on the basis of open market value for investment purposes. The directors valued the investment properties at 31st March 2002 on the same basis.

	Group	Parent Company
Historical cost: At 31st March 2002	£8,408,759	£5,427,503
At 31st March 2001	£7,864,706	£3,952,875

10. DEBTORS

	Group		Parent Company	
	31.3.2002	31.3.2001	31.3.2002	31.3.2001
Prepayments and accrued income	21,223	15,099	14,209	7,887
Dividends receivable from group companies	-	-	228,000	246,000
Other debtors	436,933	639,719	421,436	233,420
	£458,156	£654,818	£663,645	£487,307

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Notes to the Accounts

31st March 2002 (continued)

11. CREDITORS:

AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Parent Company	
	31.3.2002	31.3.2001	31.3.2002	31.3.2001
Bank overdraft	1,313,875	2,531,710	1,313,875	2,531,710
Accruals and deferred income	212,883	159,731	151,322	92,655
Other taxes and social security	13,236	15,293	9,363	5,795
Other creditors	4,528	9,427	4,528	7,526
Dividends	276,250	265,625	276,250	265,625
Corporation tax	194,134	200,770	105,801	132,808
	<u>£2,014,906</u>	<u>£3,182,556</u>	<u>£1,861,139</u>	<u>£3,036,119</u>

12. CREDITORS:

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group and Parent Company	
	31.3.2002	31.3.2001
Bank loan	<u>£1,500,000</u>	<u>—</u>

The bank loan is repayable by 2011 although no fixed repayment terms have been agreed. A review of repayment options will be undertaken in 2006. Interest on the loan is charged at 1.25% above base rate.

The bank loan and the bank overdraft are secured by a fixed charge over certain of the company's properties.

13. CALLED UP SHARE CAPITAL

	Group		Parent Company	
	31.3.2002	31.3.2001	31.3.2002	31.3.2001
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:-				
5,312,507 ordinary shares				
of 50p each	<u>£2,656,254</u>	<u>£2,656,254</u>	<u>£2,656,254</u>	<u>£2,656,254</u>

In accordance with the special resolution passed on 20th September 2000 during the previous year the company purchased 287,493 ordinary shares of 50p each (5.1% of the total in issue).

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Notes to the Accounts

31st March 2002 (continued)

14. RESERVES

		Capital Redemption Reserve	Revaluation Reserve	Profit and Loss
Group	As at 1st April 2001	143,746	2,822,644	3,389,016
	Profit for the financial year	—	—	529,271
	Dividends	—	—	(409,063)
	Transfer on disposal of properties	—	126,631	(126,631)
	Surplus on revaluation	—	1,728,541	—
	At 31st March 2002	<u>£143,746</u>	<u>£4,677,816</u>	<u>£3,382,593</u>
Parent Company	As at 1st April 2001	143,746	1,466,925	3,090,480
	Profit for the financial year	—	—	528,611
	Dividends	—	—	(409,063)
	Transfer on disposal of properties	—	(162,802)	162,802
	Surplus on revaluation	—	1,262,299	—
	At 31st March 2002	<u>£143,746</u>	<u>£2,566,422</u>	<u>£3,372,830</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Parent Company	
	31.3.2002	31.3.2001	31.3.2002	31.3.2001
Total recognised gains and losses for the year	2,257,812	1,460,226	1,790,910	939,426
Dividends	(409,063)	(398,455)	(409,063)	(398,455)
Purchase of own shares	—	(303,388)	—	(303,388)
Opening shareholders' funds	9,011,660	8,253,277	7,357,405	7,119,822
Closing shareholders' funds	<u>£10,860,409</u>	<u>£9,011,660</u>	<u>£8,739,252</u>	<u>£7,357,405</u>

16. INVESTMENTS

These represent ordinary shares in the wholly owned subsidiary Kentstone Finance Limited a property investment company incorporated in England.

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

	31.3.2002	31.3.2001
Operating Profit	861,608	649,168
Depreciation	671	676
Decrease/(increase) in debtors	213,382	(225,039)
Increase in creditors	31,787	50,805
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>£1,107,448</u>	<u>£475,610</u>

KENTSTONE PROPERTIES PLC AND SUBSIDIARIES

Notes to the Accounts

31st March 2002 (continued)

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

	AT 1.4.2001	CASH FLOWS	AT 31.3.2002
Cash at bank and in hand	150,930	(20,793)	130,137
Bank overdraft	(2,531,710)	1,217,835	(1,313,875)
	(2,380,780)	1,197,042	(1,183,738)
Bank loan			
Due after one year	—	(1,500,000)	(1,500,000)
	<u>£(2,380,780)</u>	<u>£(302,958)</u>	<u>£(2,683,738)</u>

19. RELATED PARTY TRANSACTIONS

- (i) During the course of the year the group has, on a normal commercial basis, paid £4,500 (2001: £6,086) to R. Corben & Son (Holdings) Limited for office rent and services. R. Corben & Son (Holdings) Limited is a company 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 £38,427 was paid for legal and secretarial services to that partnership during the year (2001: £41,123).

20. CAPITAL COMMITMENTS

	Group		Parent Company	
	31.3.2002	31.3.2001	31.3.2002	31.3.2001
Capital expenditure				
Authorised but				
not contracted for	—	£98,000	—	—

21. CONTINGENT LIABILITIES

- (i) There is a contingent liability of the group in respect of all bank overdrafts and the bank loan which are secured by composite guarantees from the companies in the group. At 31st March 2002 the total on bank overdraft and loan amounted to £2,813,875 (2001: £2,531,710).

- (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:-

	31.3.2002	31.3.2001
Group	<u>£740,000</u>	<u>£300,000</u>
Parent Company	<u>£600,000</u>	<u>£300,000</u>

22. SUBSTANTIAL SHAREHOLDINGS

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

	Beneficially
CUIM Nominees Limited	274,380
Mrs G. Glenn	174,800
Mr W.T. Cox	250,000

Independent Auditors' Report to the Shareholders

For the year ended 31st March 2002

We have audited the financial statements on pages 10 to 20 of Kentstone Properties Plc for the year ended 31st March 2002. These financial statements have been prepared under the historical cost convention modified to include the revaluation of investment properties and on the basis of accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company or group have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company or group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF OPINION

We conducted our audit in accordance with United Kingdom 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 and 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 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 and group as at 31st March 2002 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.

13th May 2002

DAY, SMITH & HUNTER
Chartered Accountants
Registered Auditors