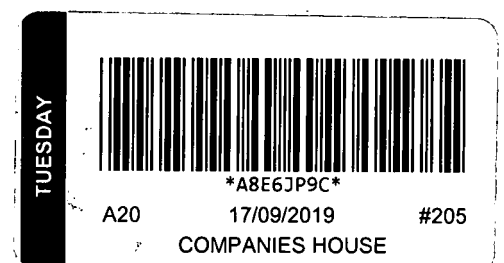


**KENTSTONE PROPERTIES LIMITED
AND SUBSIDIARY COMPANIES
REPORTS AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2019**

Company Registration Number: 00000086



KENTSTONE PROPERTIES LIMITED

AND SUBSIDIARY COMPANIES

COMPANY INFORMATION

Registered in England on 27 November 1862
Company No. 00000086

Directors: T.C. Monckton (Chairman)
J.L. Hunter (Financial Director)
J. Wilkins, M.R.I.C.S. (Managing Director)
J. Hawkins F.R.I.C.S.
R.N.J. Coombe

Auditors: Wilkins Kennedy Audit Services
Globe House
Eclipse Park
Sittingbourne Road
Maidstone
Kent ME14 3EN

Solicitors: Whitehead Monckton Limited
Towergate House
Maidstone
Kent ME14 3EN

Secretary and
Registered Office: J.L. Hunter
Suite 21, Evegate Park Barn
Smeeth, Ashford
Kent TN25 6SX

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

KENTSTONE PROPERTIES LIMITED

AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS

For the year ended 31 March 2019

The directors submit their report and accounts for the year ended 31 March 2019.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the group is property investment with a mixed portfolio which has been created over a number of years. The majority of the portfolio comprises commercial property including industrial units, shops and restaurants and offices. On the residential side the group owns houses and flats which are let on protected tenancies under the Rents Act and some on Assured Shorthold at market rents.

The Consolidated Profit and Loss account is shown on page 7. The directors consider the profit on ordinary activities before taxation to be satisfactory.

Further information on the group's operations and property portfolio is provided in the Chairman's Statement.

DIVIDENDS

Total dividends of 10.3p per ordinary share were paid in the year to 31 March 2019 and 10.3p per ordinary share in the previous year.

FINANCIAL INSTRUMENTS

The group manages its cash and borrowing requirements to minimise the interest expense whilst ensuring that the group has sufficient reserves to meet the operating needs and investment strategy of its business.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Liquidity risk in respect of creditors is managed by ensuring sufficient funds are available to meet amounts due.

PRINCIPAL RISKS AND UNCERTAINTIES

The main financial risks that the group faces are the property devaluation, rent arrears, interest rates and liquidity. Addressing these risks forms one of the main activities of the Board of Directors, but they are not considered significant at the balance sheet date. The group's policy in respect of interest rates and funding is to review levels of debt and associated interest rates and maintain close dialogue with the group bankers.

DIRECTORS AND THEIR INTERESTS

The directors during the year ended 31 March 2019 and their interests in the ordinary shares of the company at the beginning and end of the financial year were as follows:-

| | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|
| T.C. Monckton | 60,000 | 60,000 |
| R.J. Clarke (resigned 19 September 2018) | 26,063 | 26,063 |
| J. Wilkins | 6,581 | 6,581 |
| J. Hawkins | - | - |
| J.L. Hunter (appointed 19 September 2018) | - | - |
| R.N.J. Coombe (appointed 19 September 2018) | - | - |

In addition Spinnaker Properties Limited, a company in which J. Hawkins is the sole shareholder, holds 13,200 ordinary shares (2018: 13,200 ordinary shares held). J.L. Hunter and R.N.J. Coombe each acquired an interest in 3000 ordinary shares on 24 May 2019 and 30 May 2019 respectively.

KENTSTONE PROPERTIES LIMITED

AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS

For the year ended 31 March 2019

(continued)

DIRECTORS' RESPONSIBILITIES

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company and of the profit and loss of the group for that period. In preparing these 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Groups auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

BY ORDER OF THE BOARD



J.L. Hunter
Secretary

Suite 21
Evegate Park Barn
Smeeth
Ashford
Kent TN25 6SX

13 June 2019

KENTSTONE PROPERTIES LIMITED
AND SUBSIDIARY COMPANIES
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

For the year ended 31 March 2019

Opinion

We have audited the financial statements of Kentstone Properties Limited (the 'parent company') and its subsidiaries for the year ended 31 March 2019 which comprise the group Profit and Loss Account, the group Balance Sheet, the company Balance Sheet, the group Statement of Changes in Equity, the company Statement of Change in Equity the group and company Statement of Cashflows and notes to the financial statements, 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 FRS 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 group's and parent company's affairs as at 31 March 2019 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 of 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 Auditor's 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 UK, including the FRC'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

KENTSTONE PROPERTIES LIMITED
AND SUBSIDIARY COMPANIES
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

For the year ended 31 March 2019

(continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 have 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 group and the parent 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, 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, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

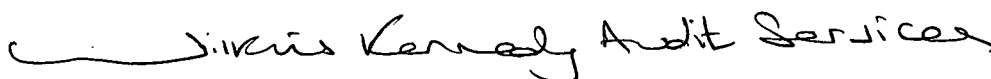
KENTSTONE PROPERTIES LIMITED
AND SUBSIDIARY COMPANIES
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

For the year ended 31 March 2019

(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 auditor's 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.

A handwritten signature in black ink, appearing to read 'Daniel Graves', is written over the printed name 'Daniel Graves FCA (Senior Statutory Auditor)'. The signature is fluid and cursive.

Daniel Graves FCA (Senior Statutory Auditor)
For and on behalf of Wilkins Kennedy Audit Services
Statutory Auditor

13 June 2019

Globe House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN

KENTSTONE PROPERTIES LIMITED
AND SUBSIDIARY COMPANIES
GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2019

| | <u>Notes</u> | <u>2019</u> | <u>2018</u> |
|---|--------------|-------------------|-------------------|
| Rental income | | 2,539,247 | 2,443,109 |
| Property expenses and collection costs | | <u>333,754</u> | <u>268,944</u> |
| | | 2,205,493 | 2,174,165 |
| Administrative expenses | | <u>428,604</u> | <u>431,188</u> |
| OPERATING PROFIT | 4,5 | 1,776,889 | 1,742,977 |
| Profit on disposal of fixed assets | 7 | 75,445 | 23,772 |
| Interest receivable | | 621 | 84 |
| Interest payable | 6 | <u>(412,733)</u> | <u>(373,679)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE GAINS ARISING ON FAIR VALUE OF PROPERTY AND TAXATION | | 1,440,222 | 1,393,154 |
| Gains arising on fair value of investment property | 10 | <u>203,534</u> | <u>2,864,550</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,643,756 | 4,257,704 |
| Taxation | 8 | <u>334,071</u> | <u>505,391</u> |
| PROFIT FOR THE FINANCIAL YEAR | | <u>£1,309,685</u> | <u>£3,752,313</u> |

The consolidated profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 12 to 22 form part of these accounts.

KENTSTONE PROPERTIES LIMITED

AND SUBSIDIARY COMPANIES

GROUP BALANCE SHEET

As at 31 March 2019

| | <u>Notes</u> | <u>2019</u> | <u>2018</u> |
|---|--------------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Tangible fixed assets | 10 | 38,820,694 | 38,490,044 |
| CURRENT ASSETS | | | |
| Debtors | 12 | 720,952 | 758,233 |
| Cash at bank and in hand | | <u>1,138,902</u> | <u>1,208,758</u> |
| | | 1,859,854 | 1,966,991 |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 13 | <u>1,359,904</u> | <u>1,778,001</u> |
| NET CURRENT ASSETS | | <u>499,950</u> | <u>188,990</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 39,320,644 | 38,679,034 |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 14 | 12,249,119 | 12,461,278 |
| PROVISIONS FOR LIABILITIES | 16 | <u>1,081,018</u> | <u>989,746</u> |
| NET ASSETS | | <u>£25,990,507</u> | <u>£25,228,010</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 17 | 2,656,254 | 2,656,254 |
| Capital redemption reserve | | 143,746 | 143,746 |
| Profit and loss account | | <u>23,190,507</u> | <u>22,428,010</u> |
| SHAREHOLDERS' FUNDS | | <u>£25,990,507</u> | <u>£25,228,010</u> |

The financial statements were approved by the board of directors and authorised for issue on 13 June 2019 and are signed on its behalf by:


T.C. Monckton
DIRECTOR


J.L. Hunter
DIRECTOR

Company Registration Number: 00000086

The notes on pages 12 to 22 form part of these accounts.

KENTSTONE PROPERTIES LIMITED


AND SUBSIDIARY COMPANIES

COMPANY BALANCE SHEET

As at 31 March 2019

| | <u>Notes</u> | <u>2019</u> | <u>2018</u> |
|---|--------------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Tangible fixed assets | 10 | 38,820,694 | 38,490,044 |
| Investments | 11 | 845 | 845 |
| | | <u>38,821,539</u> | <u>38,490,889</u> |
| CURRENT ASSETS | | | |
| Debtors | 12 | 720,951 | 758,232 |
| Cash at bank and in hand | | <u>1,138,902</u> | <u>1,208,758</u> |
| | | 1,859,853 | 1,966,990 |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 13 | <u>1,360,748</u> | <u>1,778,845</u> |
| NET CURRENT ASSETS | | <u>499,105</u> | <u>188,145</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 39,320,644 | 38,679,034 |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 14 | 12,249,119 | 12,461,278 |
| PROVISIONS FOR LIABILITIES | 16 | <u>1,081,018</u> | <u>989,746</u> |
| NET ASSETS | | <u>£25,990,507</u> | <u>£25,228,010</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 17 | 2,656,254 | 2,656,254 |
| Capital redemption reserve | | 143,746 | 143,746 |
| Profit and loss account | | <u>23,190,507</u> | <u>22,428,010</u> |
| SHAREHOLDERS' FUNDS | | <u>£25,990,507</u> | <u>£25,228,010</u> |

The financial statements were approved by the board of directors and authorised for issue on 13 June 2019. and are signed on its behalf by:


T.C. Monckton
DIRECTOR


J.L. Hunter
DIRECTOR

Company Registration Number: 00000086

The notes on pages 12 to 22 form part of these accounts.

KENTSTONE PROPERTIES LIMITED
AND SUBSIDIARY COMPANIES
GROUP STATEMENT OF CHANGES IN EQUITY

As at 31 March 2019

| | <u>Share capital</u> | <u>Capital redemption reserve</u> | <u>Profit and loss account</u> | <u>Total</u> |
|-------------------------------|--------------------------|---|------------------------------------|--------------------|
| At 1 April 2017 | 2,656,254 | 143,746 | 19,222,885 | 22,022,885 |
| Profit for the financial year | - | | 3,752,313 | 3,752,313 |
| Dividends | - | | (547,188) | (547,188) |
| At 31 March 2018 | 2,656,254 | 143,746 | 22,428,010 | 25,228,010 |
| Profit for the financial year | - | - | 1,309,685 | 1,309,685 |
| Dividends | - | - | (547,188) | (547,188) |
| At 31 March 2019 | <u>£2,656,254</u> | <u>£143,746</u> | <u>£23,190,507</u> | <u>£25,990,507</u> |

The profit and loss account of £23,190,507 includes non-distributable reserves of £9,609,508 (2018 : £9,478,220) arising on the revaluation of investment properties.

COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 March 2019

| | <u>Share capital</u> | <u>Capital redemption reserve</u> | <u>Profit and loss account</u> | <u>Total</u> |
|-------------------------------|--------------------------|---|------------------------------------|--------------------|
| At 1 April 2017 | 2,656,254 | 143,746 | 19,222,885 | 22,022,885 |
| Profit for the financial year | - | | 3,752,313 | 3,752,313 |
| Dividends | - | | (547,188) | (547,188) |
| At 31 March 2018 | 2,656,254 | 143,746 | 22,428,010 | 25,228,010 |
| Profit for the financial year | - | - | 1,309,685 | 1,309,685 |
| Dividends | - | - | (547,188) | 547,188 |
| At 31 March 2019 | <u>£2,656,254</u> | <u>£143,746</u> | <u>£23,190,507</u> | <u>£25,990,507</u> |

The profit and loss account of £23,190,507 includes non-distributable reserves of £9,609,508 (2018 : £9,478,220) arising on the revaluation of investment properties.

The notes on pages 12 to 22 form part of these accounts.

KENTSTONE PROPERTIES LIMITED
AND SUBSIDIARY COMPANIES
GROUP AND COMPANY STATEMENT OF CASHFLOWS

For the year ended 31 March 2019

| | <u>Notes</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------|--------------------------|--------------------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 18 | 1,571,418 | 1,751,282 |
| INVESTING ACTIVITIES | | | |
| Payments to acquire tangible fixed assets | (456,965) | (821,480) | |
| Receipts from sales of tangible fixed assets | <u>460,445</u> | <u>397,799</u> | |
| NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES | | 3,480 | (423,681) |
| FINANCING ACTIVITIES | | | |
| Dividends paid | (547,188) | (547,188) | |
| Interest received | 621 | 84 | |
| Interest paid | (415,760) | (372,886) | |
| Loan repayments | (3,982,427) | (124,381) | |
| New loans | <u>3,300,000</u> | <u>500,000</u> | |
| NET OUTFLOW FROM FINANCING ACTIVITIES | | <u>(1,644,754)</u> | <u>(544,371)</u> |
| (DECREASE)/INCREASE IN CASH | | (69,856) | 783,230 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | <u>1,208,758</u> | <u>425,528</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | <u><u>£1,138,902</u></u> | <u><u>£1,208,758</u></u> |

The notes on pages 12 to 22 form part of these accounts.

KENTSTONE PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 March 2019

1. ACCOUNTING POLICIES

1.1 General information

Kentstone Properties Limited and its subsidiary undertakings Charles Lake Limited and Kentstone Residential Limited ('the group') are private companies, limited by shares and incorporated in England and Wales. The address of their registered office and principal place of business is Suite 21, Evegate Park Barn, Smeeth, Ashford, Kent, TN25 6SX.

The principal activity of the group is property investment with a mixed portfolio which has been created over a number of years.

The financial statements are prepared in British pound sterling which is the functional currency of the group.

1.2 Basis of preparation

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the requirements of the Companies Act 2006.

These financial statements have been prepared under the historical cost convention modified to include the revaluation of investment properties.

1.3 Basis of consolidation

The group financial statements consolidate the accounts of Kentstone Properties Limited and its subsidiary undertakings. Turnover and profit arising on trading between group companies are eliminated on consolidation.

1.4 Going concern

After reviewing the group's forecasts and projections the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that lead to significant doubt upon the group's ability to continue as a going concern. Thus the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

1.5 Revenue recognition

Rental income under operating leases is recognised on an accrual basis in the period in which it falls due.

Income from the sale of properties is recognised on the date of contract and when all material conditions of the contract have been met.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is charged on office furniture and equipment at annual rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, of four years.

KENTSTONE PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 March 2019

(continued)

1. ACCOUNTING POLICIES (continued)

1.7 Impairment of assets

At each reporting end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised immediately in profit or loss.

1.8 Investment property

The group classifies land and buildings as investment property when it is held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost which comprises the purchase price and any directly attributable expenditure.

Investment properties are subsequently re-measured to fair value at each reporting date with changes in fair value recognised in profit or loss. Fair value is 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.

1.9 Investments

Investments in group undertakings, associated undertakings and other participating interests are stated at cost less provision for impairment.

1.10 Financial assets

The company applies the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments to the extent that they are classified as loans.

Financial assets are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include shares in group companies, trade and other receivables and cash and bank balances, are initially measured at transaction price including costs and are subsequently carried at amortised cost using the effective interest method, 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.

KENTSTONE PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 March 2019

(continued)

1. ACCOUNTING POLICIES (continued)

1.10 Financial assets (continued)

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

Tax expense for the period comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws which have been enacted or substantively enacted as at the reporting date.

KENTSTONE PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 March 2019

(continued)

1. ACCOUNTING POLICIES (continued)

1.13 Taxation (continued)

Deferred tax liabilities are generally recognised for all timing differences including the revaluation of investment properties and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority. Deferred tax balances are not discounted.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.15 Employee benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The pension scheme cost charged in the year represents contributions payable by the group into individual stakeholder pension schemes.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

KENTSTONE PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

31 March 2019

(continued)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Critical judgements

The critical judgements that the directors have made in the process of applying the group's policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

Valuation of investment properties

Judgement is applied by the directors when determining the fair values for investment properties. External valuations are performed on a periodic basis with directors' valuations performed in the intervening years. Professional judgement is applied in determining such things as an appropriate yield for a given property and estimated rental values.

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating value in use

Where an indication of impairment exists the directors will carry out an impairment review to determine the recoverable amount, which is the value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

3. PROFIT FOR THE FINANCIAL YEAR

No profit or loss account is presented for Kentstone Properties Limited as permitted by S408 of the Companies Act 2006. The results after taxation of the parent undertaking for the year ended 31 March 2019 showed a profit of £1,309,685 (2018 : £3,752,313).

KENTSTONE PROPERTIES LIMITED

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4. OPERATING PROFIT

This is stated after charging the following:-

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| | £ | £ |
| Depreciation | 1,292 | 1,626 |
| Auditors' remuneration for audit services | 9,500 | 9,250 |
| Auditor's remuneration for non-audit services | 2,022 | 3,995 |
| Staff costs:- | | |
| Wages and salaries | 256,551 | 242,772 |
| Social security costs | 23,232 | 20,750 |
| Other pension costs | 8,576 | 8,188 |
| | <u> </u> | <u> </u> |

5. DIRECTORS AND KEY MANAGEMENT PERSONNEL

The average number of persons (including directors) employed by the group during the year was 6 (2018 : 5), all of whom were involved in general administration.

The remuneration of directors who are also the key management personnel was £201,621 (2018 : £196,236) and the group also made pension contributions of £5,700 (2018 : £5,397) in respect of one of the directors, who is accruing benefits under a pension scheme to which the company makes contributions.

6. INTEREST PAYABLE

| | <u>2019</u> | <u>2018</u> |
|-----------------------------|-----------------|-----------------|
| On bank loans: | | |
| Repayable within five years | <u>£412,733</u> | <u>£373,679</u> |

7. PROFIT ON DISPOSAL OF FIXED ASSETS

| | <u>2019</u> | <u>2018</u> |
|---|----------------|----------------|
| Net proceeds from sales of properties | 460,445 | 397,799 |
| Less: Historic cost | (404,026) | (53,732) |
| Prior years' revaluation deficit/(surplus) realised | 19,026 | (320,295) |
| | <u>£75,445</u> | <u>£23,772</u> |

KENTSTONE PROPERTIES LIMITED

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NOTES TO THE ACCOUNTS

31 March 2019

(continued)

8. TAXATION

| | <u>2019</u> | <u>2018</u> |
|---|-----------------|-----------------|
| UK corporation tax on profit for the year | 242,799 | 273,370 |
| Over provision in previous years | | (10,526) |
| Deferred tax (note 16) | 91,272 | 242,547 |
| | <u>£334,071</u> | <u>£505,391</u> |

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Profit on ordinary activities before taxation | <u>£1,643,756</u> | <u>£4,257,704</u> |

Factors affecting the tax charge for the period

| | | |
|---|-----------------|-----------------|
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%) | 312,314 | 808,964 |
| Adjustment in respect of capital gains on disposal of properties | (14,335) | 31,720 |
| Expenses not deductible for tax purposes | 2,470 | 2,618 |
| Capital allowances in excess of depreciation | (16,574) | (28,615) |
| Adjustment in respect of revaluation of properties | 52,600 | (301,674) |
| Other timing differences | (2,404) | (7,622) |
| | <u>£334,071</u> | <u>£505,391</u> |

9. DIVIDENDS

| | <u>2019</u> | <u>2018</u> |
|---|-----------------|-----------------|
| Interim: payable July 2018 7.5p (2017 : 7.5p) | 398,438 | 398,438 |
| Interim: payable January 2019 2.8p (2018 : 2.8p) | 148,750 | 148,750 |
| | <u>£547,188</u> | <u>£547,188</u> |

KENTSTONE PROPERTIES LIMITED

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31 March 2019

(continued)

10. TANGIBLE FIXED ASSETS

GROUP AND COMPANY

Investment properties
At valuation

| | |
|--|-------------------|
| At 1 April 2018 | 38,485,001 |
| Additions at cost | 513,408 |
| Disposals | (385,000) |
| Revaluation gain recognised in the profit and loss account | 203,534 |
| At 31 March 2019 | <u>38,816,943</u> |

Office furniture
& equipment

| | <u>Cost</u> | <u>Depreciation</u> | |
|---------------------|--------------|---------------------|--------------------|
| At 1 April 2018 | 8,484 | (3,441) | 5,043 |
| Depreciation charge | - | (1,292) | (1,292) |
| At 31 March 2019 | <u>8,484</u> | <u>(4,733)</u> | <u>3,751</u> |
| At 31 March 2019 | | | <u>£38,820,694</u> |
| At 31 March 2018 | | | <u>£38,490,044</u> |

The investment properties were re-valued at market value by the director J. Wilkins who holds a professional qualification with the Royal Institution of Chartered Surveyors and has experience in the locations and classes of the investment properties valued.

The investment method involves the capitalisation of existing and future projected rental income, at an appropriate capitalisation rate calculated with reference to investment transactions within the market place. Allowance has been made for suitable marketing and incentive void periods and capital expenditure, purchaser's costs have been taken at the prevailing rate.

Where a property has a development angle they have been valued on a residual basis.

The last professional valuation was undertaken by BNP Partners Real Estate on 29 March 2018.

| | | |
|---|------------------|--------------------|
| Historical cost of investment properties: | At 31 March 2019 | <u>£27,426,417</u> |
| | At 31 March 2018 | <u>£27,317,035</u> |

KENTSTONE PROPERTIES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

31 March 2019

(continued)

11. INVESTMENTS

Group
undertakings

Cost at 1 April 2018 and 31 March 2019

£845

The investment in group undertakings comprise the following wholly owned subsidiaries:-

Kentstone Residential Limited a company incorporated in England and Wales, which did not trade during the year.

Charles Lake Limited a company incorporated in England and Wales, which did not trade during the year or the previous year.

12. DEBTORS

| | <u>2019</u> | | <u>2018</u> | |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| | <u>Group</u> | <u>Company</u> | <u>Group</u> | <u>Company</u> |
| Trade debtors | 164,592 | 164,592 | 127,527 | 127,527 |
| Prepayments and accrued income | 556,360 | 556,359 | 630,706 | 630,705 |
| | <u>£720,952</u> | <u>£720,951</u> | <u>£758,233</u> | <u>£758,232</u> |

Prepayments and accrued income includes £299,665 (2018: £374,294) due after more than one year.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | <u>2019</u> | | <u>2018</u> | |
|---|-------------------|-------------------|-------------------|-------------------|
| | <u>Group</u> | <u>Company</u> | <u>Group</u> | <u>Company</u> |
| Bank loans (note 14) | 213,563 | 213,563 | 683,831 | 683,831 |
| Trade creditors | 50,605 | 50,605 | - | - |
| Accruals and deferred income | 745,598 | 745,598 | 720,567 | 720,567 |
| Other taxes and social security | 105,787 | 105,787 | 108,020 | 108,020 |
| Other creditors | 2,761 | 2,761 | 2,761 | 2,761 |
| Corporation tax | 241,590 | 241,590 | 262,822 | 262,822 |
| Amounts owed to subsidiary undertakings | - | 844 | - | 844 |
| | <u>£1,359,904</u> | <u>£1,360,748</u> | <u>£1,778,001</u> | <u>£1,778,845</u> |

KENTSTONE PROPERTIES LIMITED

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NOTES TO THE ACCOUNTS

31 March 2019

(continued)

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | <u>2019</u> | | <u>2018</u> | |
|------------|--------------------|--------------------|--------------------|--------------------|
| | <u>Group</u> | <u>Company</u> | <u>Group</u> | <u>Company</u> |
| Bank loans | <u>£12,249,119</u> | <u>£12,249,119</u> | <u>£12,461,278</u> | <u>£12,461,278</u> |

As at 31 March 2019 the group had five separate bank loans which are all secured by fixed charges over certain of the group's investment properties.

Two of the bank loans for £6,600,000 and £500,000 have no fixed repayment terms and are repayable by March 2021. The remaining loans of £3,300,000, £1,051,677 and £1,011,005 are repayable in instalments of which £213,563 is repayable within one year and the remaining instalments are repayable over the life of the loans to March 2024, June 2020 and March 2021 respectively. Interest is charged on the loans at rates between 2.0% to 2.5% above LIBOR or base rate.

15. FINANCIAL INSTRUMENTS

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|--------------------|
| GROUP | | |
| Financial assets that are debt instruments measured at amortised cost | | |
| Cash and cash equivalents | 1,138,902 | 1,208,758 |
| Trade receivables | 164,592 | 127,527 |
| | <u>£1,303,494</u> | <u>£1,336,285</u> |
| Financial liabilities that are debt instruments measured at amortised cost | | |
| Other payables | 904,751 | 831,348 |
| Loans and borrowings | 12,462,682 | 13,145,109 |
| | <u>£13,367,433</u> | <u>£13,976,457</u> |

16. PROVISIONS FOR LIABILITIES

| | <u>2019</u> | <u>2018</u> |
|------------------------------------|-------------------|-----------------|
| GROUP AND COMPANY | | |
| Deferred taxation | | |
| At 1 April 2018 | 989,746 | 747,199 |
| Charged to profit and loss account | 91,272 | 242,547 |
| At 31 March 2019 | <u>£1,081,018</u> | <u>£989,746</u> |

The deferred tax provision arises on the gains arising on the valuation of investment properties to fair value, and has been calculated at a rate of 17% (2018: 17%).

17. CALLED UP SHARE CAPITAL

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|-------------------|-------------------|
| Allotted, issued and fully paid:- | | |
| 5,312,507 ordinary shares of 50p each | <u>£2,656,254</u> | <u>£2,656,254</u> |

KENTSTONE PROPERTIES LIMITED

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**18. RECONCILIATION OF OPERATING PROFIT
TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

| | <u>2019</u> | <u>2018</u> |
|--|--------------------------|--------------------------|
| Operating profit | 1,776,889 | 1,742,977 |
| Depreciation | 1,292 | 1,626 |
| Operating cash flow before movement in working capital | 1,778,181 | 1,744,603 |
| Decrease in work in progress | - | 67,417 |
| Decrease in debtors | 37,281 | 607 |
| Increase in creditors | 19,987 | 184,017 |
| Tax paid | (264,031) | (245,362) |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | <u>£1,571,418</u> | <u>£1,751,282</u> |

19. RELATED PARTY

Administration expenses include reimbursed expenses and directors remuneration fees of £24,000 (2018: £38,028) and consultancy fees of £12,375 (2018: £10,500) paid to Spinnaker Properties Limited and Falcon Realty Limited. Both are companies in which J Hawkins, a director, has an interest and serves as an officer.

20. OPERATING LEASES

At 31 March 2019 the group had future minimum receivables under non-cancellable operating leases as follows:

| | <u>2019</u> | <u>2018</u> |
|--|--------------------------|--------------------------|
| Not later than 1 year | 2,189,807 | 2,043,140 |
| Later than 1 year and not later than 5 years | 5,921,615 | 5,667,833 |
| Later than 5 years | 1,449,959 | 1,961,266 |
| | <u>£9,561,381</u> | <u>£9,672,239</u> |

21. EVENTS AFTER THE REPORTING DATE

On the 18 April 2019 and 1 May 2019 the company completed the purchase of two investment properties for the sum of £3,237,827.

22. ULTIMATE CONTROLLING PARTY

There is no one ultimate controlling party.