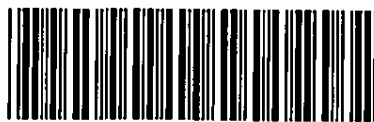


**ROBERT HITCHINS LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**31 MARCH 2009**

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**ROBERT HITCHINS LIMITED**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 MARCH 2009**

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The directors present their report and financial statements for the year ended 31 March 2009.

**PRINCIPAL ACTIVITIES**

The principal activities of the company are property development, management and contracting.

**BUSINESS REVIEW**

The directors consider profit before taxation to be the key measure of performance of the business.

The year to 31 March 2009 shows a decrease of £4,214,804 to £1,247,270 representing a margin to turnover of 4.9% (2008: 19.5%). The company has continued to develop its business and trade profitably following the year end.

The level of borrowings and interest rates are kept under review by the directors with a view to managing finance charges and interest risk. The group has engaged in interest rate swaps to further minimise risk.

**RESULTS AND DIVIDEND**

The financial statements for the year ended 31 March 2009 show a retained profit of £845,690 (2008: £4,052,129). The directors have paid a dividend on the preference shares of £2,800 (2008: £2,800) and do not propose a final dividend.

**DIRECTORS**

The following have served as directors during the year:

J R Hitchins (Chairman)  
S R Hitchins  
J C Hitchins  
A Underhill  
C J Haslam  
A J Hill  
A R McFarlane

All directors served throughout the year unless otherwise indicated. None of the directors had any interest in the share capital of the company.

**ROBERT HITCHINS LIMITED**  
**DIRECTORS' REPORT (Continued)**  
**YEAR ENDED 31 MARCH 2009**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the company's state of affairs at the end of the year and of its profit or loss for the year. 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;
- state whether applicable accounting standards have been followed, 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 assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

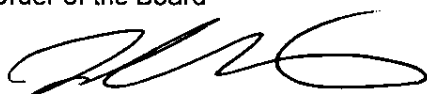
**AUDIT**

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware and the directors have taken all steps, that ought to be taken as directors, in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**AUDITORS**

The auditors, Horwath Clark Whitehill LLP, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members.

By Order of the Board



21/01/10

Director

Company number: 686734

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ROBERT HITCHINS LIMITED

We have audited the financial statements of Robert Hitchins Limited for the year ended 31 March 2009 set out on pages 4 to 14. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

### Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the 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 International Auditing Standards (UK and Ireland).

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 has 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 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 audit opinion

We conducted our audit in accordance with International Auditing Standards (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations 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.

### Unqualified Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



**HORWATH CLARK WHITEHILL LLP**  
Chartered Accountants and  
Registered Auditors  
London

22 January 2010.

**ROBERT HITCHINS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 MARCH 2009**

	Notes	2009 £	2008 £
<b>TURNOVER</b>	1(c)	<b>25,290,314</b>	<b>28,065,059</b>
Cost of sales		<b>13,296,690</b>	<b>19,581,525</b>
Exceptional Cost of Sales	2	<b>9,801,000</b>	<b>-</b>
<b>GROSS PROFIT</b>		<b>2,192,624</b>	<b>8,483,534</b>
Other operating income	3	<b>5,857,562</b>	<b>4,405,356</b>
Administrative expenses		<b>5,140,184</b>	<b>5,459,743</b>
<b>OPERATING PROFIT</b>		<b>2,910,002</b>	<b>7,429,147</b>
Interest receivable		<b>418,616</b>	<b>194,383</b>
Finance charges	7	<b>2,081,348</b>	<b>2,161,456</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	<b>1,247,270</b>	<b>5,462,074</b>
Tax on profit on ordinary activities	6	<b>401,580</b>	<b>1,409,945</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>845,690</b>	<b>4,052,129</b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2009 or 2008 other than those included in the profit and loss account. The profit for the financial year represents the only movement in shareholders' funds during those years.

**The related notes 1 to 16 form an integral part of these financial statements.**

**ROBERT HITCHINS LIMITED**  
**YEAR ENDED 31 MARCH 2009**  
**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

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	2009 £	2008 £
Historical cost profit on ordinary activities before taxation	<u>1,247,269</u>	<u>5,462,074</u>
Historical cost profit for the year retained after taxation	<u>845,690</u>	<u>4,052,129</u>

The related notes 1 to 16 form an integral part of these financial statements.

**ROBERT HITCHINS LIMITED**  
**BALANCE SHEET**  
**31 MARCH 2009**

	Notes	2009 £	2008 £
<b>FIXED ASSETS</b>			
Tangible	8	991,976	1,037,452
Investments	9	<u>12,553,660</u>	<u>12,528,618</u>
		<u>13,545,636</u>	<u>13,566,070</u>
<b>CURRENT ASSETS</b>			
Stocks	10	117,755,985	124,481,298
Debtors	11	22,547,256	16,644,465
Cash		<u>430</u>	<u>67</u>
		<u>140,303,671</u>	<u>141,125,830</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>51,766,375</u>	<u>43,353,241</u>
<b>NET CURRENT ASSETS</b>		<u>88,537,296</u>	<u>97,772,589</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>102,082,932</u>	<u>111,338,659</u>
<b>CREDITORS: amounts falling due in more than one year</b>	13	24,598,637	34,598,888
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	<u>215,795</u>	<u>316,962</u>
<b>NET ASSETS</b>		<u>77,268,500</u>	<u>76,422,809</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	15	12,000	12,000
Profit and loss account		<u>77,256,500</u>	<u>76,410,809</u>
<b>SHAREHOLDER'S FUNDS</b>		<u>77,268,500</u>	<u>76,422,809</u>

Approved and authorised for issue by the Board on  
and signed on their behalf by:

Director



21/01/10

The related notes 1 to 16 form an integral part of these financial statements.

**ROBERT HITCHINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2009**

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**1. ACCOUNTING POLICIES**

**a) Basis of Accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements present information about the company as individual undertaking and not about its group. The company is exempt from preparing consolidated financial statements on the grounds that it is wholly owned by an EU registered company, The Robert Hitchins Group Limited, which itself produces consolidated financial statements.

**b) Going Concern**

The financial statements are presented on a going concern basis. In assessing the Group's ability to continue as a going concern, the directors have taken into consideration all available information relating to the 12 month period from the date of approval of these financial statements.

**c) Turnover**

Turnover consists of sales of land and other property and excludes VAT. Sales are accounted for according to the value of work performed on long term contracts.

**d) Tangible Fixed Assets**

Tangible fixed assets are depreciated over their anticipated useful economic lives, with the exception of freehold land and those freehold buildings on which residual value is anticipated to be greater than cost, at the following rates:

Leasehold buildings	- over period of the lease
Computers, plant and machinery	- 15 - 25% per annum
Motor vehicles	- 25% per annum
Fixtures and fittings	- 15% per annum

**e) Stock**

Land is valued at the lower of cost and net realisable value. Work-in-progress and completed buildings are valued at the lower of cost and net realisable value, less cash received on account. Cost includes materials, sub contract labour and applicable overheads.

**f) Deferred Taxation**

Full provision is made for deferred tax, at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted at the balance sheet date, in respect of timing differences which have arisen but not reversed at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements. Deferred tax is measured on a non-discounted basis.

No provision is made for deferred tax assets unless their recoverability is regarded as more likely than not.

**g) Pension Costs**

Pension costs are charged to the profit and loss account to spread the costs over the average remaining service lives of employees. The pension scheme is a multi-employer defined benefit scheme and the company is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the scheme was carried out as at 1 June 2006, and updated to 31 March 2009. FRS 17 disclosure for the Group Pension Scheme is provided in the accounts of the immediate parent undertaking and shows a surplus in the scheme as at 31 March 2009 of £185,000 (2008 deficit: £769,000).



**ROBERT HITCHINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2009**

**1. ACCOUNTING POLICIES (CONTINUED)**

**h) Provision for liabilities and charges**

Provision is made for liabilities judged likely to arise in respect of minor and major repairs associated with homes and properties constructed by the company. The amount of the provision is estimated by reference to previous experience of repair work required on similar buildings.

**i) Long term contracts**

The value of long term contracts is based on recoverable costs plus corresponding profit. As projects reach stages where it is considered that their outcome can be reasonably foreseen, appropriate proportions of the expected total profit are brought into the financial statements. Amounts recoverable on long term contracts are included in debtors and payments on account in excess of amounts recoverable on long term contracts are included in creditors. Provision is made for all known and anticipated losses.

**2. EXCEPTIONAL COST OF SALES**

Exceptional cost of sales totalling £9.8m arise due to the write down of property stocks to their net realisable value.

**3. OTHER OPERATING INCOME**

	2009 £	2008 £
Rent receivable (net)	5,644,293	4,373,082
Profit on disposal of tangible fixed assets	12,786	13,714
Discount received	296	257
Miscellaneous income	200,187	18,303
	<u>5,857,562</u>	<u>4,405,356</u>

**4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Is stated after charging:

Depreciation	124,569	141,824
Auditor's remuneration	75,000	71,315
Directors' remuneration		
Emoluments	880,899	1,048,314
Pension Costs	40,739	200,447
Interest payable		
On bank overdrafts and loans	1,993,769	2,121,511
Other interest	84,780	37,085

Fees to the company's auditors for non-audit services during the year were:

Other services relating to taxation	211,537	206,332
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**ROBERT HITCHINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 MARCH 2009**

**5. EMPLOYEE INFORMATION**

	2009 £	2008 £
<b>(a) Staff Costs (including directors)</b>		
Aggregate gross wages and salaries	2,350,313	2,235,595
Employer's National Insurance Contributions	266,876	265,293
Employer's Pension Costs	499,531	200,447
	<u>3,116,720</u>	<u>2,701,335</u>

The average number of persons (including directors) employed by the company during the year was 49 (2008: 46), being employed in:

	2009 No.	2008 No.
Property development and contracting	36	34
Sales and other	13	12
	<u>49</u>	<u>46</u>

<b>b) Directors' Emoluments (excluding pension costs)</b>	£	£
Highest paid Director	<u>400,991</u>	<u>320,314</u>

The number of directors accruing benefits under group pension schemes were as follows:

	No.	No.
Defined benefit scheme	<u>3</u>	<u>3</u>
Defined contribution scheme (no contributions were made in the year)	<u>3</u>	<u>3</u>

- c) Certain employees and directors are members of The Robert Hitchins Group Pension Scheme, a multi-employer defined benefit scheme. Contributions to the scheme are determined by qualified actuaries on the basis of triennial valuations. The last actuarial valuation was carried out as at 1 June 2006. Further details of the scheme are set out in the financial statements of The Robert Hitchins Group Limited.
- d) Certain directors are members of The Robert Hitchins Group Executive Pension Scheme, a defined contribution scheme.

**ROBERT HITCHINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 MARCH 2009**

6. TAX ON PROFIT ON ORDINARY ACTIVITIES	2009 £	2008 £
<b>a) The taxation charge comprises:</b>		
UK Corporation tax (see b below)	331,158	1,071,916
Compensation for losses surrendered by group undertakings	-	538,478
Deferred taxation (see c below)	35,732	2,751
Over/ under provision for prior years	<u>34,690</u>	<u>(203,200)</u>
	<u>401,580</u>	<u>1,409,945</u>
 <b>b) Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	<u>1,247,269</u>	<u>5,462,076</u>
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 28% (2008: 30%)	<u>349,235</u>	<u>1,638,623</u>
Effects of:		
Expenses not deductible for tax purposes	17,506	(24,660)
Group relief surrendered	-	(538,478)
Deferred tax not provided on IBAs	(9,853)	(14,075)
Capital allowances in excess of depreciation	2,668	(611)
Other short term timing differences	(32,192)	(2,141)
Transfer pricing	<u>3,794</u>	<u>13,258</u>
Current tax charge	<u>331,158</u>	<u>1,071,916</u>
 <b>c) Deferred taxation movement in the year</b>		
At 1 April 2008		230,348
Charge for the year		<u>(35,732)</u>
At 31 March 2009		<u>194,616</u>
Deferred taxation is included in other debtors.		
 <b>d) Deferred taxation</b>	2009 £	2008 £
Accelerated capital allowances	(84,780)	(81,417)
Short term timing differences	<u>(109,836)</u>	<u>(148,931)</u>
	<u>(194,616)</u>	<u>(230,348)</u>

**ROBERT HITCHINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 MARCH 2009**

7. FINANCE CHARGES	2009 £	2008 £
5.6% Cumulative Preference shares dividend paid	2,800	2,800
Bank interest payable	2,064,106	2,143,759
Other	14,442	14,897
	<u>2,081,348</u>	<u>2,161,456</u>

8. TANGIBLE FIXED ASSETS	Total £	Freehold Land and buildings £	Fixtures and Fittings £	Computers Plant and Machinery £	Motor Vehicles £
Cost					
At 1 April 2008	2,619,201	804,737	366,086	669,243	779,135
Additions	79,887	-	817	25,378	53,692
Disposals	(59,563)	-	(1,132)	-	(58,431)
<b>At 31 March 2009</b>	<u><b>2,639,525</b></u>	<u><b>804,737</b></u>	<u><b>365,771</b></u>	<u><b>694,621</b></u>	<u><b>774,396</b></u>
Depreciation					
At 1 April 2008	1,581,749	-	326,540	648,800	606,409
Charge for the year	124,569	-	12,174	19,953	92,442
Disposals	(58,769)	-	(340)	-	(58,429)
<b>At 31 March 2009</b>	<u><b>1,647,549</b></u>	<u><b>-</b></u>	<u><b>338,374</b></u>	<u><b>668,753</b></u>	<u><b>640,422</b></u>
<b>Net book values</b>					
<b>31 March 2009</b>	<u><b>991,976</b></u>	<u><b>804,737</b></u>	<u><b>27,397</b></u>	<u><b>25,868</b></u>	<u><b>133,974</b></u>
<i>31 March 2008</i>	<u><i>1,037,452</i></u>	<u><i>804,737</i></u>	<u><i>39,546</i></u>	<u><i>20,445</i></u>	<u><i>172,726</i></u>

9. INVESTMENTS	£
1 April 2008	12,528,618
Additions	<u>25,042</u>
<b>31 March 2009</b>	<u><b>12,553,660</b></u>

The following subsidiary undertakings, with a cost of £54,600, are 100% owned by the company:

Name	Principal activity
Urban and Regional Property Services Limited	Property management
Eastern Business Park Limited	Property investment and management
St. Mellons 2 Limited	Dormant

The company also owns an interest in Desert Springs SL, a 22.18% associate. Desert Springs is a golf and leisure development in the Almanzora Valley, Spain, with an accounting date of 31 December 2008. Its results are included in the consolidated group accounts.

**ROBERT HITCHINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 MARCH 2009**

10. STOCKS	2009 £	2008 £
Land	39,258,364	39,975,099
Work in progress	14,283,391	15,487,498
Completed buildings	64,214,230	69,018,701
	<u>117,755,985</u>	<u>124,481,298</u>

11. DEBTORS	2009 £	2008 £
Trade debtors	1,796,463	1,648,407
Amounts owed by group undertakings	10,054,330	8,293,341
Amounts owed by related undertakings	8,162,926	487,542
Other debtors	596,489	1,331,709
Corporation tax	1,231,537	2,541,968
Prepayments and accrued income	705,511	2,341,498
	<u>22,547,256</u>	<u>16,644,465</u>

12. CREDITORS: amounts falling due within one year	2009 £	2008 £
Bank overdraft and loan (secured on stocks)	26,514,571	8,396,484
Trade creditors	1,880,280	3,185,061
Amounts owed to group undertakings	2,926,454	2,859,110
Amounts owed to associated undertakings	34,124	-
Other creditors	16,349,734	22,692,975
Taxation and social security	131,355	112,350
Accruals and deferred income	3,929,857	6,107,261
	<u>51,766,375</u>	<u>43,353,241</u>

The bank loans carry interest at between 0.8% and 1% over bank base rate and the bank overdraft carries an interest rate of 1% over base rate for the year.

13. CREDITORS: amounts falling due after more than one year		
50,000 5.6% Cumulative Preference shares of £1 each	50,000	50,000
Bank loans (secured on stocks)	24,548,637	34,548,888
	<u>24,598,637</u>	<u>34,598,888</u>

The bank loans carry interest at between 0.8% and 1% over bank base. Of the total bank loan facilities of £34,548,637, £10,000,000 is due within 1 year, £17,500,000 due between 1 and 2 years and £7,048,637 due within 2 and 5 years.

**ROBERT HITCHINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 MARCH 2009**

14. PROVISIONS FOR LIABILITIES AND CHARGES	2009 £	2008 £
Deferred taxation	-	2,751
Provision for maintenance and repairs on completed properties	<u>215,795</u>	<u>314,211</u>
Total	<u>215,795</u>	<u>316,962</u>

Analysis of provisions:	Deferred tax £	Maintenance £
At 1 April 2008	2,751	314,209
Movement in the year	<u>32,981</u>	<u>(98,414)</u>
At 31 March 2009	<u>35,732</u>	<u>215,795</u>

Deferred tax has been included in other debtors

15. SHARE CAPITAL	2009 £	2008 £
Equity:		
Authorised, allotted and fully paid:		
1,000 Ordinary shares of £1 each	1,000	1,000
11,000 Deferred shares of £1 each	<u>11,000</u>	<u>11,000</u>
	<u>12,000</u>	<u>12,000</u>
Non-equity:		
50,000 5.6% Cumulative Preference shares of £1 each	<u>50,000</u>	<u>50,000</u>

In accordance with FRS 25 non-equity share capital has been classified as long term liabilities (note 13)

**16. ULTIMATE PARENT UNDERTAKING**

The company's ultimate parent undertaking is Bay Group Limited, a company incorporated in Bermuda.

**ROBERT HITCHINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 MARCH 2009**

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**17. RELATED PARTY TRANSACTIONS**

The company transacts business with its immediate parent undertaking The Robert Hitchins Group Limited and its other subsidiary undertakings. These transactions are not disclosed as they are eliminated in the consolidated financial statements of the immediate parent undertaking available from the Registrar of Companies, Cardiff.

The following transactions occurred with related undertakings during the year, the company loaned £4,372,911 (2008: £Nil) to Desert Springs SL. Interest of £141,716 accrued on this loan was included as part of the share exchange (Interest outstanding at 2009: £141,716). At the same date, £463 (2008: £463) was owed to the company by Playas del Almanzora SL.

The company has entered a set-off agreement with the bank under which it has pledged its assets to secure the banking liabilities of certain other group undertakings.