

COMPANY NUMBER: 686734

ROBERT HITCHINS LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2010

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**ROBERT HITCHINS LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2010**

The directors present their report and financial statements for the year ended 31 March 2010

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 2010 shows an increase to £5,400,368 from £1,247,270 representing a margin to turnover of 20.0% (2009 4.9%). 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 2010 show a retained profit of £3,912,948 (2009 £845,690). The directors have paid a dividend on the preference shares of £2,800 (2009 £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 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDIT


In the case of each of the persons who are directors at the time this report is approved

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITORS

The auditors, Crowe Clark Whitehill LLP, are deemed to be reappointed in accordance with section 485 of the Companies Act 2006 by virtue of an elective resolution passed by the members.

By Order of the Board


Director
Company number 686734

17 December 2010

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 2010, which comprise the Profit and Loss Account, the Balance Sheet and the note of Historical Costs Profits and Losses, and the related notes numbered 1 to 18

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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.

Respective responsibilities of directors and auditors

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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion, the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ROBERT HITCHINS LIMITED

Matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



David Chitty
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
10 Salisbury Square, London

17 December 2010

ROBERT HITCHINS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
TURNOVER	1(c)	26,994,854	25,290,314
Cost of sales		19,190,350	13,296,69)
Exceptional Cost of Sales	2	<u>-</u>	<u>9,801,000</u>
GROSS PROFIT		7,804,504	2,192,624
Other operating income	3	5,472,586	5,857,562
Administrative expenses		<u>5,504,600</u>	<u>5,140,184</u>
OPERATING PROFIT		7,772,490	2,910,002
Interest receivable		473,684	418,616
Finance charges	7	<u>2,845,806</u>	<u>2,081,348</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	5,400,368	1,247,270
Tax on profit on ordinary activities	6	<u>1,487,420</u>	<u>401,580</u>
PROFIT FOR THE FINANCIAL YEAR		<u>3,912,948</u>	<u>845,690</u>
RETAINED PROFIT BROUGHT FORWARD		77,256,500	76,410,810
RETAINED PROFIT CARRIED FORWARD		<u>81,169,448</u>	<u>77,256,500</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 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 18 form an integral part of these financial statements

ROBERT HITCHINS LIMITED
YEAR ENDED 31 MARCH 2010
NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2010 £	2009 £
Historical cost profit on ordinary activities before taxation	<u>5,400,368</u>	<u>1,247,270</u>
Historical cost profit for the year retained after taxation	<u>3,912,948</u>	<u>845,690</u>

The related notes 1 to 18 form an integral part of these financial statements.

ROBERT HITCHINS LIMITED
BALANCE SHEET
31 MARCH 2010

	Notes	2010 £	2009 £
FIXED ASSETS			
Tangible	8	932,689	991,976
Investments	9	12,553,660	12,553,660
		<u>13,486,349</u>	<u>13,545,636</u>
CURRENT ASSETS			
Stocks	10	109,157,871	117,755,985
Debtors	11	24,990,589	22,547,256
Cash		679	430
		<u>134,149,139</u>	<u>140,303,671</u>
CREDITORS: amounts falling due within one year	12	<u>35,017,660</u>	<u>51,766,375</u>
NET CURRENT ASSETS		<u>99,131,479</u>	<u>88,537,296</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		112,617,828	102,082,932
CREDITORS: amounts falling due in more than one year	13	31,300,000	24,598,637
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>136,380</u>	<u>215,795</u>
NET ASSETS		<u>81,181,448</u>	<u>77,268,500</u>
CAPITAL AND RESERVES			
Called up equity share capital	15	12,000	12,000
Profit and loss account		81,169,448	77,256,500
SHAREHOLDER'S FUNDS		<u>81,181,448</u>	<u>77,268,500</u>

Approved and authorised for issue by the Board on 17 December 2010
and signed on their behalf by



Director
J C Hitchins

The related notes 1 to 18 form an integral part of these financial statements.

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2010

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 Company'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, including current and future trading and cash flow forecasts.

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.

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2010

1. ACCOUNTING POLICIES (CONTINUED)

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 2010. FRS 17 disclosure for the Group Pension Scheme is provided in the accounts of the immediate parent undertaking and shows a deficit in the scheme as at 31 March 2010 of £178,000 (2009 surplus £185,000).

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

In 2009 exceptional cost of sales totalling £9,801,000 arose due to the write down of property stocks to their net realisable value.

3. OTHER OPERATING INCOME

	2010	2009
	£	£
Rent receivable (net)	5,424,711	5,644,293
Profit on disposal of tangible fixed assets	9,172	12,786
Discount received	264	296
Miscellaneous income	38,439	200,187
	<u>5,472,586</u>	<u>5,857,562</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Is stated after charging		
Depreciation	92,106	124,569
Auditor's remuneration	69,500	75,000
Directors' remuneration		
Emoluments	1,198,232	880,899
Pension Costs	46,144	40,739
Interest payable		
On bank overdrafts and loans	2,826,171	1,993,769
Other interest	16,836	84,780

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

Other services relating to taxation	247,000	211,537
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ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2010

5. EMPLOYEE INFORMATION

	2010 £	2009 £
(a) Staff Costs (including directors)		
Aggregate gross wages and salaries	2,309,943	2,350,313
Employer's National Insurance Contributions	261,514	266,876
Employer's Pension Costs	157,969	499,531
	<u>2,729,426</u>	<u>3,116,720</u>

The average number of persons (including directors) employed by the company during the year was 46 (2009 49), being employed in

	2010 No.	2009 No
Property development and contracting	34	36
Sales and other	12	13
	<u>46</u>	<u>49</u>

b) Directors' Emoluments (excluding pension costs)	£	£
Highest paid Director	<u>332,703</u>	<u>400,991</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 2010

6. TAX ON PROFIT ON ORDINARY ACTIVITIES	2010 £	2009 £
a) The taxation charge comprises:		
UK Corporation tax (see b below)	554,320	331,158
Compensation for losses surrendered by group undertakings	936,999	-
Deferred taxation (see c below)	41,799	35,732
Over/ under provision for prior years	(45,698)	34,690
	<u>1,487,420</u>	<u>401,580</u>
b) Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	5,400,368	1,247,269
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 28% (2009 28%)	1,512,103	349,235
Effects of		
Expenses not deductible for tax purposes	(573)	17,506
Group relief claimed	(936,999)	-
Deferred tax not provided on IBAs	(6,569)	(9,853)
Capital allowances in excess of depreciation	(19,690)	2,668
Other short term timing differences	10,690	(32,192)
Transfer pricing	(4,642)	3,794
Current tax charge	<u>554,320</u>	<u>331,158</u>
c) Deferred taxation movement in the year		
At 1 April 2009		194,616
Charge for the year		(41,799)
At 31 March 2010		<u>152,817</u>
Deferred taxation is included in other debtors		
d) Deferred taxation	2010 £	2009 £
Accelerated capital allowances	(62,734)	(84,780)
Short term timing differences	(90,083)	(109,836)
	<u>(152,817)</u>	<u>(194,616)</u>

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2010

7. FINANCE CHARGES	2010 £	2009 £
5 6% Cumulative Preference shares dividend paid	2,800	2,800
Bank interest payable	2,826,170	2,064,106
Other	16,836	14,442
	<u>2,845,806</u>	<u>2,081,348</u>

8. TANGIBLE FIXED ASSETS	Total £	Freehold Land and buildings £	Fixtures and Fittings £	Computers Plant and Machinery £	Motor Vehicles £
Cost					
At 1 April 2009	2,639,525	804,737	365,771	694,621	774,396
Additions	35,983	1,558	2,029	7,794	24,602
Disposals	(146,803)	-	-	-	(146,803)
At 31 March 2010	<u>2,526,075</u>	<u>806,295</u>	<u>367,800</u>	<u>702,415</u>	<u>652,195</u>
Depreciation					
At 1 April 2009	1,647,549	-	338,374	668,753	640,422
Charge for the year	89,513	-	11,921	9,162	68,430
Disposals	(141,046)	-	-	-	(141,046)
At 31 March 2010	<u>1,596,015</u>	<u>-</u>	<u>350,295</u>	<u>677,917</u>	<u>567,804</u>
Net book values					
31 March 2010	<u>932,689</u>	<u>806,295</u>	<u>17,506</u>	<u>24,498</u>	<u>84,390</u>
<i>31 March 2009</i>	<u><i>991,976</i></u>	<u><i>804,737</i></u>	<u><i>27,397</i></u>	<u><i>25,868</i></u>	<u><i>133,974</i></u>

9. INVESTMENTS	£
1 April 2009	12,553,660
Additions	-
31 March 2010	<u>12,553,660</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 2009. Its results are included in the consolidated group accounts.

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2010

10. STOCKS	2010	2009
	£	£
Land	33,854,463	39,258,364
Work in progress	14,303,930	14,283,391
Completed buildings	60,999,477	64,214,230
	<u>109,157,871</u>	<u>117,755,985</u>

11. DEBTORS	2010	2009
	£	£
Trade debtors	1,093,761	1,796,463
Amounts owed by group undertakings	5,345,241	10,054,330
Amounts owed by related undertakings	15,068,278	8,162,926
Other debtors	1,737,455	596,489
Corporation tax	1,279,806	1,231,537
Prepayments and accrued income	466,048	705,511
	<u>24,990,589</u>	<u>22,547,256</u>

12. CREDITORS:	2010	2009
amounts falling due within one year	£	£
Bank overdraft and loan (secured on stocks)	7,420,811	26,514,571
Trade creditors	888,331	1,880,280
Amounts owed to group undertakings	3,168,560	2,926,454
Amounts owed to associated undertakings	31,726	34,124
Other creditors	19,250,502	16,349,734
Taxation and social security	158,980	131,355
Accruals and deferred income	4,098,750	3,929,857
	<u>35,017,660</u>	<u>51,766,375</u>

The bank loans carry interest at between 0.8% and 2.5% over bank base rate and the bank overdraft carries an interest rate of 2.5% 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)	31,250,000	34,548,637
	<u>31,300,000</u>	<u>34,598,637</u>

The bank loans carry interest at between 0.8% and 2.5% over bank base. Of the total bank loans of £31,750,000, £500,000 is due within one year, £8,500,000 due between 1 and 2 years and £22,750,000 due within 2 and 5 years

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2010

14. PROVISIONS FOR LIABILITIES AND CHARGES	2010	2009
	£	£
Provision for maintenance and repairs on completed properties	<u>136,380</u>	<u>215,795</u>
Total	<u>136,380</u>	<u>215,795</u>
Analysis of provisions		Maintenance £
At 1 April 2009		215,795
Movement in the year		<u>(79,415)</u>
At 31 March 2010		<u>136,380</u>
15 SHARE CAPITAL	2010	2009
	£	£
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 2010

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 £6,110,646 (2009 £4,372,911) to Desert Springs SL. Interest of £218,778 was outstanding at the year end (Interest outstanding at 2009 £141,716). At the same date, £463 (2009 £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.

18. COMMITMENTS

At the year end the company had served notice to exercise various land options with a value of £1.75m and which are expected to complete in the following financial year.