

ROBERT HITCHINS LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2019



ROBERT HITCHINS LIMITED
STRATEGIC REPORT
YEAR ENDED 31 MARCH 2019

The directors present the Strategic Report of Robert Hitchins Limited for the year ended 31 March 2019:

REVIEW OF THE BUSINESS IN THE YEAR

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

The year to 31 March 2019 shows an operating profit of £14.2m compared to a profit of £10.9m last year. This profit was underpinned by a large sale of serviced land to a national housebuilder. The company has continued to develop its business and trade profitably following the year end.

POSITION OF THE COMPANY'S BUSINESS AT THE END OF THE YEAR

The company's position continues to improve as demand for housing in the wider economy increases, despite the protracted planning process. In the commercial sector there has been a noticeable increase in enquiries for space which the company is well placed to be able to serve due to its diverse property stock. However the uncertainty caused by the Brexit vote has made it more difficult to get deals to completion.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

The principal risk facing the company at the current time is a delay in the achievement of planning permission for its larger residential sites. The company continues to work closely with local councils to achieve the best outcomes for all concerned parties.

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 company has engaged in interest rate swaps to further minimise risk.

The company is exposed to a potential downturn in the economic fortunes of the country. However, it has a broad range of land holdings suitable for a number of uses and is modernising and diversifying its commercial portfolio; this diversity minimises the impact of the economic cycle.

Approved by the board on 11th December 2019



J C Hitchins
Director

ROBERT HITCHINS LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2019

The directors present their report and financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The financial statements for the year ended 31 March 2019 show a profit after tax of £10,343,279 (2018: £8,169,616). The profit is attributable mainly to serviced land sales in the year. The directors paid a dividend on the preference shares of £2,800 (2018: £2,800) during the year. A final dividend is proposed of £2,000,000 (2018: £Nil).

DIRECTORS

The following have served as directors during the year and are considered to be the key management of the company:

J R Hitchins (Chairman)
S R Hitchins
J C Hitchins
A J Hill
J J S Dunley
G R Jeynes
S J Tothill

None of the directors had any interest in the share capital of the company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable laws 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 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 accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

ROBERT HITCHINS LIMITED
DIRECTORS' REPORT (Continued)
YEAR ENDED 31 MARCH 2019

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

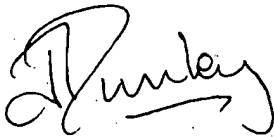
In the case of each of the persons who are directors at the time this report is approved:

- 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

Crowe U.K. 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



J J S Dunley
Director

11th December 2019

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ROBERT HITCHINS LIMITED

Opinion

We have audited the financial statements of Robert Hitchins Limited (the "company") for the year ended 31 March 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ROBERT HITCHINS LIMITED (CONTINUED)

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.

Opinion on other matter 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ROBERT HITCHINS LIMITED

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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Matthew Stallabrass

Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP

Statutory Auditor

10 Salisbury Square, London

18 December 2019

ROBERT HITCHINS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2019

| | Notes | 2019 £ | 2018 £ |
|--|-------|---------------------|---------------------|
| TURNOVER | 1(c) | 61,218,491 | 39,687,184 |
| Cost of sales | | (43,556,579) | (25,223,591) |
| GROSS PROFIT | | 17,661,912 | 14,463,593 |
| Other operating income | 3 | 2,268,930 | 2,269,028 |
| Administrative expenses | | (5,715,262) | (5,843,244) |
| OPERATING PROFIT | | 14,215,580 | 10,889,377 |
| Interest receivable | | 535,100 | 460,363 |
| Finance charges | 7 | (1,882,104) | (1,149,272) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 4 | 12,868,576 | 10,200,468 |
| Tax charge on profit on ordinary activities | 6 | (2,525,297) | (2,030,852) |
| PROFIT AFTER TAXATION | | 10,343,279 | 8,169,616 |
| (Loss)/gain on pension fund liability | 20 | (58,000) | 39,000 |
| COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR | | 10,285,279 | 8,208,616 |

All amounts relate to continuing operations.

All of the comprehensive income for the year is attributable to the owners of the company.

The related notes 1 to 20 form an integral part of these financial statements

ROBERT HITCHINS LIMITED
BALANCE SHEET
31 MARCH 2019

| | Notes | 2019 £ | 2018 £ |
|---|-------|---------------------------|--------------------------|
| FIXED ASSETS | | | |
| Tangible | 8 | 1,971,335 | 1,066,912 |
| Investments | 9 | 39,878,254 | 39,894,980 |
| Debtors due in more than one year | 11 | 25,884,353 | 11,065,733 |
| | | <u>67,733,942</u> | <u>52,027,625</u> |
| CURRENT ASSETS | | | |
| Stocks | 10 | 74,671,188 | 65,266,851 |
| Debtors | 11 | 70,147,840 | 51,527,984 |
| Cash | | 6,986,652 | 16,097 |
| | | <u>151,805,680</u> | <u>116,810,932</u> |
| CREDITORS: amounts falling due within one year | 12 | <u>(83,082,643)</u> | <u>(43,000,554)</u> |
| NET CURRENT ASSETS | | <u>68,723,037</u> | <u>73,810,378</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 136,456,979 | 125,838,003 |
| CREDITORS: amounts falling due in more than one year | 13 | (22,956,009) | (22,369,500) |
| DERIVATIVE FINANCIAL INSTRUMENTS | 13 | (2,849,351) | (3,160,163) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 14 | (25,144) | (25,144) |
| NET ASSETS EXCLUDING PENSION LIABILITY | | 110,626,475 | 100,283,196 |
| PENSION LIABILITY | 20 | (1,093,000) | (1,035,000) |
| NET ASSETS | | <u>109,533,475</u> | <u>99,248,196</u> |
| CAPITAL AND RESERVES | | | |
| Called up equity share capital | 15 | 12,000 | 12,000 |
| Profit and loss account | 16 | 109,521,475 | 99,236,196 |
| SHAREHOLDER'S FUNDS | | <u>109,533,475</u> | <u>99,248,196</u> |

Approved and authorised for issue by the Board on 11th December 2019 and signed on their behalf by:



J C Hitchins
Director

The related notes 1 to 20 form an integral part of these financial statements

ROBERT HITCHINS LIMITED
STATEMENT OF CHANGES IN EQUITY
31 MARCH 2019

| | Share Capital £ | Profit & Loss Account £ | Total £ |
|-----------------------------------|-----------------------|-------------------------------|--------------------|
| As at 1 April 2017 | 12,000 | 92,027,580 | 92,039,580 |
| Comprehensive income for the year | - | 8,208,616 | 8,208,616 |
| Dividends paid | - | (1,000,000) | (1,000,000) |
| At 31 March 2018 | 12,000 | 99,236,196 | 99,248,196 |
| Comprehensive income for the year | - | 10,285,279 | 10,285,279 |
| At 31 March 2019 | 12,000 | 109,521,475 | 109,533,475 |

The related notes 1 to 20 form an integral part of these financial statements

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2019

1. ACCOUNTING POLICIES

a) Basis of Accounting

Robert Hitchins Limited is a company registered in England & Wales with number 686734. Its registered office is The Manor, Boddington, Cheltenham, GL51 0TJ. The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain assets, and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102, and the Companies Act 2006. 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.

Under FRS 102 section 7, the company is exempt from the requirement to prepare a cashflow statement on the grounds that its parent undertaking includes the company in its own published 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. The majority of sales are made in the UK. Sales are accounted for on unconditional exchange of contracts or according to the value of work performed on long term contracts. Where the company recognises receipts that are deferred beyond normal business terms, the financial asset is measured as the present value of the future receipts discounted at a market rate of interest. Revenue is recognised on the discounted amount and the discount as interest income as it is unwound.

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:

| | |
|--------------------------------|------------------------|
| Computers, plant and machinery | - 15% to 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) 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 2018 and updated to 31 March 2019. FRS 102 disclosure for the Group Pension Scheme is provided in note 20 and shows a deficit in the scheme of £1,093,000 (2018: £1,035,000).

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2019

1. ACCOUNTING POLICIES (Continued)

g) 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.

h) Provision for liabilities and charges

Provision is made for liabilities judged likely to arise in respect of minor and major repairs associated with 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.

j) Derivative financial instruments

Derivative financial instruments are recognised at fair value with any gains/losses reported in profit or loss. Outstanding derivatives at the balance sheet date are included in note 13.

k) Financial liabilities

Basic financial liabilities include trade and other payables, bank loans and loans from fellow group companies. They are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements the Directors are required to make certain estimates and judgements. In their opinion there are two areas where such estimates and judgements may have a material effect:

- i) Valuation of land holdings – within stock the group holds land at different stages in its development cycle. The valuation of these holdings is subjective in nature but is generally based on the directors' opinion of the open market value of each site where it is below cost. In reaching this opinion the directors are advised by members of the key management team who are members of the Royal Institute of Chartered Surveyors.
- ii) Valuation of investments – the company holds investments in subsidiaries and associated companies. The directors review the accounts of these companies in determining whether the carrying value of the investment is appropriate.

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2019

| 3. OTHER OPERATING INCOME | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Rent receivable (net) | 2,146,861 | 2,213,218 |
| (Loss) on disposal of tangible fixed assets | - | (759) |
| Miscellaneous income | 122,069 | 56,569 |
| | <u>2,268,930</u> | <u>2,269,028</u> |

| 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2019 £ | 2018 £ |
|---|-----------|-------------|
| Is stated after charging: | | |
| Depreciation | 62,741 | 100,177 |
| Auditor's remuneration | 43,387 | 26,018 |
| Total remuneration of: | | |
| Directors | 1,601,567 | 1,505,843 |
| Interest payable | | |
| On bank overdrafts and loans | 2,175,344 | 2,378,715 |
| Movement in mark to market adjustment | (310,812) | (1,232,243) |
| Fees to the company's auditors for non-audit services were: | | |
| Services relating to taxation compliance | 43,565 | 40,000 |
| Other taxation advisory services | 12,219 | 9,200 |

| 5. EMPLOYEE INFORMATION | 2019 £ | 2018 £ |
|---|------------------|------------------|
| (a) Staff Costs (including directors) | | |
| Aggregate gross wages and salaries | 3,029,662 | 2,875,795 |
| Employer's National Insurance Contributions | 409,004 | 388,894 |
| Employer's Pension Costs | 197,961 | 120,265 |
| | <u>3,636,627</u> | <u>3,384,954</u> |

The average number of persons (including directors) employed by the company during the year was 45 (2018: 44), being employed in:

| | 2019 No. | 2018 No. |
|--------------------------------------|-------------|-------------|
| Property development and contracting | 25 | 25 |
| Finance, administration and other | 20 | 19 |
| | <u>45</u> | <u>44</u> |

| b) Directors' Emoluments (excluding pension costs) | £ | £ |
|--|----------------|----------------|
| Highest paid director | <u>518,962</u> | <u>503,197</u> |

The number of directors accruing benefits under group pension schemes are:

| | No. | No. |
|-----------------------------|----------|----------|
| Defined benefit scheme | <u>1</u> | <u>1</u> |
| Defined contribution scheme | <u>2</u> | <u>2</u> |

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2019

5. EMPLOYEE INFORMATION (continued)

- 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 2018 and updated to 31 March 2019. Further details of the scheme are set out in note 20.
- d) Certain directors are members of The Robert Hitchins Group Executive Pension Scheme, a small self-administered defined contribution scheme.

| 6. TAX ON PROFIT ON ORDINARY ACTIVITIES | 2019 | 2018 |
|--|-------------------|-------------------|
| | £ | £ |
| a) The taxation charge comprises: | | |
| UK Corporation tax | 2,064,978 | 1,358,157 |
| Compensation for losses surrendered to/(by) group undertakings | 405,514 | 420,950 |
| Deferred taxation (see c below) | 53,981 | 203,701 |
| Over/ under provision for prior years | 824 | 48,044 |
| Total tax charge in year | <u>2,525,297</u> | <u>2,030,852</u> |
| b) Factors affecting the tax charge for the year | | |
| Profit/(loss) on ordinary activities before taxation | <u>12,868,576</u> | <u>10,200,468</u> |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%) | 2,445,029 | 1,938,089 |
| Effects of : | | |
| Expenses not deductible for tax purposes | 17,904 | 17,492 |
| Income not taxable for tax purposes | (59,054) | (225,362) |
| FRS102 adjustments | 59,054 | 234,126 |
| Prior year adjustments | 824 | 48,044 |
| Transfer pricing | 59,392 | 42,429 |
| Other adjustments | 2,148 | (23,966) |
| Current tax charge | <u>2,525,297</u> | <u>2,030,852</u> |
| c) Deferred taxation movement in the year | | |
| At 1 April 2018 | | 575,176 |
| Charge for the year | | (53,981) |
| At 31 March 2019 | | <u>521,195</u> |
| The deferred taxation asset is included in debtors. | | |
| d) Deferred taxation | 2019 | 2018 |
| | £ | £ |
| Accelerated capital allowances | 34,758 | 36,011 |
| Revaluation of financial derivatives | 484,390 | 537,228 |
| Short term timing differences | 2,047 | 1,937 |
| | <u>521,195</u> | <u>575,176</u> |

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2019

| 7. FINANCE CHARGES | 2019 £ | 2018 £ |
|---|------------------|------------------|
| 5.6% Cumulative Preference shares dividend paid | 2,800 | 2,800 |
| Bank interest payable | 2,175,344 | 2,378,715 |
| Other interest payable | 14,772 | |
| Movement in mark to market adjustment | (310,812) | (1,232,243) |
| | <u>1,882,104</u> | <u>1,149,272</u> |

| 8. TANGIBLE FIXED ASSETS | Total £ | Freehold Land and buildings £ | Fixtures and Fittings £ | Computers Plant and Machinery £ | Motor Vehicles £ |
|--------------------------|-------------------------|--|----------------------------------|--|------------------------|
| <i>Cost</i> | | | | | |
| At 1 April 2018 | 2,680,030 | 937,314 | 374,415 | 786,970 | 581,331 |
| Additions | 967,164 | 854,238 | 2,090 | 14,659 | 96,177 |
| Disposals | - | - | - | - | - |
| At 31 March 2019 | <u>3,647,194</u> | <u>1,791,552</u> | <u>376,505</u> | <u>801,629</u> | <u>677,508</u> |
| <i>Depreciation</i> | | | | | |
| At 1 April 2018 | 1,613,118 | - | 372,740 | 771,649 | 468,729 |
| Charge for the year | 62,741 | - | 620 | 9,018 | 53,103 |
| Disposals | - | - | - | - | - |
| At 31 March 2019 | <u>1,675,859</u> | <u>-</u> | <u>373,360</u> | <u>780,667</u> | <u>521,832</u> |
| <i>Net book values</i> | | | | | |
| 31 March 2019 | <u>1,971,335</u> | <u>1,791,552</u> | <u>3,145</u> | <u>20,962</u> | <u>155,676</u> |
| <i>31 March 2018</i> | <u><i>1,066,912</i></u> | <u><i>937,314</i></u> | <u><i>1,675</i></u> | <u><i>15,321</i></u> | <u><i>112,602</i></u> |

| 9. INVESTMENTS | £ |
|-------------------------|--------------------------|
| At 1 April 2018 | 39,894,980 |
| Write-offs | (16,726) |
| At 31 March 2019 | <u>39,878,254</u> |

The following UK subsidiary undertakings, with a cost of £4,524,549, are 100% owned by the company and each of the trading entities has the same registered office as the company:

| Name | Principal activity |
|---|------------------------------------|
| Urban and Regional Property Services Limited | Property management |
| Eastern Business Park Limited | Property investment and management |
| Cheltenham Office Park Limited | Property investment and management |
| Grovefield Car Parking Limited | Property development |
| St. Mellons 2 Limited | Dormant |
| Castlegate Business Park Limited | Property investment and management |
| Robert Hitchins Investment Properties Limited | Property investment and management |
| RH Kingsway No.1 Limited | Dormant |
| RH Kingsway No.2 Limited | Dormant |

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2019

9. INVESTMENTS (continued)

The Company owns a controlling 80.33% (2018 – 80.33%) interest in the share capital of Bahia del Almanzora SL, a Spanish company which owns land and property in Southern Spain.

The company holds a 14.6% interest in its associate Desert Springs SL, a golf and leisure development in the Almanzora Valley, Spain. This Spanish company has an accounting date of 31 December and its results are included in the consolidated group accounts. The carrying value of this investment is reviewed each year for appropriateness.

| 10. STOCKS | 2019 | 2018 |
|---------------------|--------------------------|--------------------------|
| | £ | £ |
| Land | 39,941,323 | 27,657,006 |
| Work in progress | 13,863,601 | 15,521,615 |
| Completed buildings | 20,866,264 | 22,088,230 |
| | <u>74,671,188</u> | <u>65,266,851</u> |

| 11. DEBTORS | 2019 | 2018 |
|--------------------------------------|--------------------------|--------------------------|
| | £ | £ |
| Trade debtors | 24,670,827 | 12,997,780 |
| Amounts owed by group undertakings | 26,122,716 | 19,761,970 |
| Amounts owed by related undertakings | 18,501,081 | 16,071,285 |
| Other debtors | - | 802,955 |
| Taxation and social security | - | 966,488 |
| Deferred tax | 521,195 | 575,176 |
| Prepayments and accrued income | 332,021 | 352,330 |
| | <u>70,147,840</u> | <u>51,527,984</u> |

Trade debtors above includes £24,648,030 (2018: £8,930,128) of future instalments on land sales not yet due. These amounts are secured either on the land sold or by promissory notes. A further £25,884,353 (2018: £11,065,733) of such payments due in more than year are shown within fixed assets having been discounted to current values.

| 12. CREDITORS: | 2019 | 2018 |
|---|--------------------------|--------------------------|
| amounts falling due within one year | £ | £ |
| Bank loans and overdrafts (secured on stocks) | 12,665,250 | 808,333 |
| Trade creditors | 1,475,782 | 2,968,577 |
| Deferred income | 31,858,236 | 21,239,295 |
| Amounts owed to group undertakings | 14,267,215 | 13,116,154 |
| Other creditors | 107,775 | 90,000 |
| Corporation tax | 1,643,962 | 1,026,736 |
| Taxation and social security | 9,381,768 | - |
| Accruals | 11,682,655 | 3,751,459 |
| | <u>83,082,643</u> | <u>43,000,554</u> |

The bank overdraft carried an interest rate of 3.0% over base rate during the year. The bank loans due in less than one year in 2019 were refinanced with Santander plc on 8 October 2019 for a further 5 year term.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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| 13. CREDITORS: amounts falling due after more than one year | 2019 £ | 2018 £ |
|--|-------------------|-------------------|
| 50,000 5.6% Cumulative Preference shares of £1 each | 50,000 | 50,000 |
| Bank loans (secured on stocks) | 5,963,000 | 22,319,500 |
| Other creditors | 16,943,009 | - |
| | <u>22,956,009</u> | <u>22,369,500</u> |
| Derivative financial instruments | 2,849,351 | 3,160,163 |
| | <u>25,805,360</u> | <u>25,529,663</u> |

The bank loans bore interest at between 2.75% and 3.5% over LIBOR during the year.

'Derivative financial instruments' represents the mark to market valuation for the company's interest rate swaps which expire in 2019, 2020 and 2023.

14. PROVISIONS FOR LIABILITIES AND CHARGES

| | |
|---|---------------|
| Provision for maintenance and repairs on completed properties | £ |
| At 1 April 2018 | 25,144 |
| Movement in the year | - |
| At 31 March 2019 | <u>25,144</u> |

15. SHARE CAPITAL

| | 2019 £ | 2018 £ |
|---|---------------|---------------|
| Equity: | | |
| Authorised, allotted and fully paid: | | |
| 1,000 Ordinary shares of £1 each | 1,000 | 1,000 |
| 11,000 Deferred shares of £1 each | 11,000 | 11,000 |
| | <u>12,000</u> | <u>12,000</u> |
| Non-equity: | | |
| 50,000 5.6% Cumulative Preference shares of £1 each | 50,000 | 50,000 |

In accordance with FRS 102 non-equity share capital has been classified as long term liabilities (note 13)

16. MOVEMENT ON COMPANY RESERVES

| | Profit & Loss Account £ |
|---|-------------------------------|
| At 1 April 2018 | 99,236,196 |
| Comprehensive income for the financial year | 10,285,279 |
| Dividends paid to ordinary members | - |
| At 31 March 2019 | <u>109,521,475</u> |

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17. FINANCIAL RISK MANAGEMENT

The company is exposed to 3 principal types of risk – interest rate, foreign exchange and liquidity. Each is managed differently as follows:

- i) Interest rate risk is managed by taking out fixed rate swaps against the floating rate bank debt. At year end the company had £18.8m of debt subject to such swaps. Under FRS 102 these swaps are valued annually at their fair market value and any movement is reflected in the interest charge for the year.

The market value adjustment recorded in the current year's accounts was a benefit of £310,812 (2018: £1,232,243). The fair value adjustment in the balance sheet in creditors currently stands at £2,849,351.

- ii) The company is exposed to foreign exchange risk through its ownership of certain assets in Spain. This exposure cannot be effectively managed as there is no certainty when the investments will be realised. Investments and loans to the Spanish businesses are denominated in sterling and therefore there is no valuation risk to the balance sheet.
- iii) The company is subject to liquidity risk as a significant proportion of its revenues are by their nature large and irregular. While the company generally expects to meet its financial obligations through operational cashflows, it maintains revolving credit facilities with its banks and manages its cashflow projections throughout the year on a weekly basis.

FINANCIAL ASSETS AND LIABILITIES

| | 2019 | 2018 |
|---|-------------------|-------------|
| | £ | £ |
| Financial assets at cost less impairment | 39,878,254 | 39,894,980 |
| Other financial assets at cost | 95,178,977 | 60,699,723 |
| Included in Other financial assets at cost is an amount of £24,490,978 due in more than one year. This represents the present value of future receipts discounted at a market rate of interest of 3.75% | | |
| Financial liabilities at fair value | 2,849,351 | 3,160,163 |
| Debt instruments at amortised cost | 18,804,250 | 23,003,500 |
| Other financial liabilities at cost | 25,232,540 | 16,174,731 |

18. ULTIMATE PARENT UNDERTAKING

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

19. 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 company had outstanding loans of £18,087,565 (2018: £15,371,800) due from Desert Springs SL, an associated company. Interest of £535,100 was charged in the year (2018: £459,659).

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

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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20. DEFINED BENEFIT PENSION SCHEME

a) Latest actuarial valuation

The company is the principal employer in the group operated defined benefit scheme in the UK. A full actuarial valuation was carried out as at 1 June 2018.

b) FRS 102 information

The valuation of the scheme is reassessed as at 31 March each year by a qualified independent actuary for the purposes of the financial reporting standard FRS102. The major assumptions used by the actuary were:

| | At 31 March 2019 | <i>At 31 March 2018</i> |
|--|-----------------------------|-----------------------------|
| Rate of increase in salaries | 3.0% | 2.9% |
| Rate of increase in pensions in payment | 2.5% | 2.4% |
| Discount Rate | 2.5% | 2.7% |
| Inflation | 3.5% | 3.4% |
| Life expectancy for 65 year old male (years) | 22.0 | 22.1 |
| Life expectancy for 65 year old female (years) | 23.9 | 24.0 |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The amounts recognised in the balance sheet are as follows:

| | Value at 31 March 2019 £000 | <i>Value at 31 March 2018 £000</i> |
|-------------------------------------|--|--|
| Present value of funded obligations | (10,944) | (10,225) |
| Fair value of plan assets | 9,851 | 9,190 |
| Net (liability) | (1,093) | (1,035) |

Represented in the balance sheet as:

| | | |
|-------------------------------|----------------|---------|
| Liabilities | (1,093) | (1,035) |
| Assets | - | - |
| Net (liability)/assets | (1,093) | (1,035) |

The amounts recognised in the profit and loss are as follows:

| | Value at 31 March 2019 £000 | <i>Value at 31 March 2018 £000</i> |
|--------------------------------|--|--|
| Current service cost | 59 | 58 |
| Interest on obligation | 277 | 264 |
| Expected return on plan assets | (247) | (234) |
| Total | 89 | 88 |
| Actual return on plan assets | 737 | 209 |

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2019

20. DEFINED BENEFIT PENSION SCHEME (continued)

Changes in the present value of the defined benefit obligation are as follows:

| | Value at 31 March 2019 £000 | <i>Value at 31 March 2018 £000</i> |
|--|--|--|
| Opening defined benefit obligation | 10,225 | 10,116 |
| Service cost | 59 | 58 |
| Interest cost | 277 | 264 |
| Actuarial losses/(gains) – Change in assumptions | 582 | (325) |
| Actuarial losses/(gains) – Liability experience | (38) | 254 |
| Benefits paid | (161) | (142) |
| Closing defined benefit obligation | 10,944 | 10,225 |

Changes in the fair value of plan assets are as follows:

| | £000 | <i>£000</i> |
|------------------------------|--------------|-------------|
| Opening value of plan assets | 9,190 | 9,042 |
| Expected return | 247 | 234 |
| Actuarial gains and (losses) | 490 | (25) |
| Contributions by employer | 53 | 50 |
| Contributions by members | 32 | 31 |
| Benefits paid | (161) | (142) |
| Total | 9,851 | 9,190 |

The company expects to contribute £58,000 (2018: £61,000) to its defined benefit pension plan in the year to 31 March 2019.

Major categories of plan assets
(as a percentage of total plan assets)

| | Value at 31 March 2019 | <i>Value at 31 March 2018</i> |
|----------------|-----------------------------------|-----------------------------------|
| Equity | 20% | 19% |
| Property | 29% | 30% |
| Fixed interest | 35% | 36% |
| Index linked | 13% | 13% |
| Cash | 3% | 2% |

Amounts for the current and previous 4 periods are as follows:

| | Value at 31 March | | | | |
|--|--------------------------|---------------|---------------|---------------|---------------|
| | 2019 £'000 | 2018 £'000 | 2017 £'000 | 2016 £'000 | 2015 £'000 |
| Defined benefit obligation | (10,944) | (10,225) | (10,116) | (8,445) | (9,139) |
| Plan assets | 9,851 | 9,190 | 9,042 | 7,672 | 7,650 |
| Surplus/ (deficit) | (1,093) | (1,035) | (1,074) | (773) | (1,489) |
| Experience adjustments on plan liabilities | (544) | 71 | (1,416) | 748 | (1,948) |
| Experience adjustments on plan assets | 490 | (25) | 1,117 | (31) | 719 |