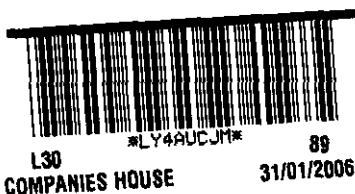


ROBERT HITCHINS LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2005



Horwath Clark Whitehill



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ROBERT HITCHINS LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2005

The directors present their report and audited financial statements for the year ended 31 March 2005.

REVIEW OF 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 2005 show a retained profit of £4,062,890 (2004: deficit of £35,253,320). The directors have paid a dividend on the preference shares of £2,800 (2004: £40,002,800 on ordinary and preference shares) 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
R Taylor
A Underhill
C J Haslam
A J Hill
A R MacFarlane

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

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.

ROBERT HITCHINS LIMITED
DIRECTORS' REPORT (Continued)
YEAR ENDED 31 MARCH 2005

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


Secretary

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 2005 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 United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

31 January 2006

Horwath Clark Whitehill LLP
HORWATH CLARK WHITEHILL LLP
Chartered Accountants and
Registered Auditors

ROBERT HITCHINS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2005

	Notes	2005 £	2004 £
TURNOVER	1(b)	23,427,608	26,271,449
Cost of sales		<u>15,083,806</u>	<u>17,254,604</u>
GROSS PROFIT		8,343,802	9,016,845
Other operating income	2	2,880,823	2,382,349
Administrative expenses		<u>4,393,104</u>	<u>4,168,804</u>
OPERATING PROFIT		6,831,521	7,230,390
Interest receivable		417,467	547,417
Interest payable		<u>1,444,889</u>	<u>1,004,242</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	5,804,099	6,773,565
Tax charge on profit on ordinary activities	5	<u>2,043,637</u>	<u>2,024,085</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,760,462	4,749,480
Dividends	6	<u>2,800</u>	<u>40,002,800</u>
RETAINED/(DEFICIT) PROFIT FOR THE FINANCIAL YEAR		<u>3,757,662</u>	<u>(35,253,320)</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2005 or 2004 other than those included in the profit and loss account.

The notes on pages 7 to 14 form an integral part of these financial statements.

ROBERT HITCHINS LIMITED
YEAR ENDED 31 MARCH 2005
NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2005 £	2004 £
Historical cost profit on ordinary activities before taxation	<u>5,804,099</u>	<u>6,773,565</u>
Historical cost profit/(deficit) for the year retained after taxation and Dividends	<u>3,757,662</u>	<u>(35,253,320)</u>

The notes on pages 7 to 14 form an integral part of these financial statements.

ROBERT HITCHINS LIMITED
BALANCE SHEET
31 MARCH 2005

	Notes	£	2005 £	2004 £
FIXED ASSETS				
Tangible fixed assets	7		1,083,555	1,154,316
Investments	8		<u>6</u>	<u>6</u>
			1,083,561	1,154,322
CURRENT ASSETS				
Stocks	9	61,580,064		56,996,491
Debtors	10	36,888,799		30,989,017
Cash		<u>100</u>		<u>138</u>
		98,468,963		87,985,646
CREDITORS: amounts falling due within one year	11	<u>36,503,293</u>		<u>28,564,216</u>
NET CURRENT ASSETS			61,965,670	59,421,430
TOTAL ASSETS LESS CURRENT LIABILITIES			63,049,231	60,575,752
CREDITORS: amounts falling due in more than one year	12		9,200,000	10,300,000
PROVISIONS FOR LIABILITIES AND CHARGES	13		<u>591,400</u>	<u>775,583</u>
NET ASSETS			53,257,831	49,500,169
CAPITAL AND RESERVES				
Called up share capital	14		62,000	62,000
Profit and loss account	15		<u>53,195,831</u>	<u>49,438,169</u>
SHAREHOLDER'S FUNDS	15		53,257,831	49,500,169

Approved by the Board on 30 January 06
and signed on their behalf by:

- Director



The notes on pages 7 to 14 form an integral part of these financial statements.

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2005

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 on an individual undertaking and not about its group. The company is exempt from preparing consolidated accounts on the grounds that it is wholly owned by an EU registered company which itself produces consolidated accounts.

b) Turnover

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

c) 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

d) 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.

e) 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.

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 2003, and this showed a deficit in the scheme of £379,000. FRS 17 disclosure for the Group Pension Scheme is provided in the accounts of the immediate holding company.

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2005

1. ACCOUNTING POLICIES (CONTINUED)

g) 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.

h) 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. OTHER OPERATING INCOME

	2005	2004
	£	£
Rent receivable (net)	2,828,741	2,301,612
Profit on disposal of tangible fixed assets	17,540	37,286
Discount received	372	560
Miscellaneous income	34,170	42,891
	<u>2,880,823</u>	<u>2,382,349</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

Depreciation	201,953	205,207
Auditors' remuneration	42,500	38,500
Directors' remuneration		
Emoluments	809,351	715,919
Pension Costs	67,449	151,343
Interest payable		
On bank overdrafts and loans	1,309,046	580,506
Other interest	135,843	423,736

Fees to the company's auditors for non-audit services during the year amounted to £158,270 (£122,395).

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2005

4. EMPLOYEE INFORMATION

	2005	2004
(a) Staff Costs	£	£
Staff Costs including directors:		
Aggregate gross wages and salaries	1,917,486	1,678,672
Employer's National Insurance Contributions	206,324	201,288
Employer's Pension Costs	200,355	484,556
	<u>2,320,266</u>	<u>2,364,516</u>

The average number of persons (including directors) employed by the Company during the year was 50 (2004 - 54), being employed in:

	2005	2004
	£	£
Property development and contracting	36	38
Sales and other	14	16
	<u>50</u>	<u>54</u>

b) Directors' Emoluments Excluding Pension Costs

Highest paid Director	<u>194,073</u>	<u>193,484</u>
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The number of directors accruing benefits under group pension schemes were as follows:

	No.	No.
Defined benefit scheme	<u>4</u>	<u>4</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 2003. Further details of the scheme are set out in the financial statements of The Robert Hitchins Group Limited.

d) Some 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 2005

5. TAXATION	2005 £	2004 £
a) The taxation charge comprises:		
Corporation tax at 30% (2004 - 30%)	1,403,830	1,762,798
Compensation for losses surrendered by group companies	307,806	98,694
Deferred taxation for the year at 30% (2004 - 30%)	42,256	153,428
Under provision for prior years	<u>(15,483)</u>	<u>9,165</u>
	<u>1,738,409</u>	<u>2,024,085</u>
b) Factors affecting the tax charge for the year		
Profit on ordinary activities before tax	<u>5,804,099</u>	<u>6,773,565</u>
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% (2004: 30%)	<u>1,741,230</u>	<u>2,032,070</u>
Effects of:		
Expenses not deductible for tax purposes	33,242	5,941
Permanent difference	487	487
Group relief claimed	(307,806)	(98,694)
Deferred tax not provided on IBAs	(21,067)	(21,980)
Capital allowances in excess of depreciation	1,299	4,796
Other short term timing differences	(43,555)	(158,876)
Tax credit	<u>-</u>	<u>(946)</u>
Current tax charge	<u>1,403,830</u>	<u>1,762,798</u>
c) Deferred taxation movement in the year		2005 £
At 1 April 2004		(381,562)
Charge for the year		42,256
Adjustment in respect of prior periods		<u>-</u>
At 31 March 2005		<u>(339,306)</u>
* included in other debtors		
d) Deferred taxation	2005	2004
The amount provided at 30% (2004 - 30%) comprises:	£	£
Accelerated capital allowances	(107,164)	(84,798)
Short term timing differences	<u>(232,142)</u>	<u>(296,764)</u>
	<u>(339,306)</u>	<u>(381,562)</u>

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2005

6. DIVIDENDS	2005 £	2004 £
5.6% Cumulative Preference shares dividend paid	2,800	2,800
Ordinary dividend paid	-	40,000,000
	<u>2,800</u>	<u>40,002,800</u>

7. TANGIBLE FIXED ASSETS	Total £	Freehold land and buildings £	Fixtures and Fittings £	Computers Plant and Machinery £	Motor Vehicles £
Cost					
At 1 April 2004	2,546,100	869,625	320,926	629,123	726,426
Additions	132,676	-	4,995	24,334	103,347
Disposals	(126,573)	-	-	(44,063)	(82,510)
At 31 March 2005	<u>2,552,203</u>	<u>869,625</u>	<u>325,921</u>	<u>609,394</u>	<u>747,263</u>
Depreciation					
At 1 April 2004	1,391,784	16,220	272,405	535,265	567,894
Charge for the year	201,953	1,622	15,169	56,529	128,633
Disposals	(125,089)	-	-	(42,585)	(82,504)
At 31 March 2005	<u>1,468,648</u>	<u>17,842</u>	<u>287,574</u>	<u>549,209</u>	<u>614,023</u>
Net book values					
31 March 2005	<u>1,083,555</u>	<u>851,783</u>	<u>38,347</u>	<u>60,185</u>	<u>133,240</u>
<i>31 March 2004</i>	<u><i>1,154,316</i></u>	<u><i>85,305</i></u>	<u><i>48,521</i></u>	<u><i>93,858</i></u>	<u><i>158,532</i></u>

Included within freehold land and buildings is a leasehold building at a cost of £64,887 on which depreciation of £17,842 has been provided.

8. INVESTMENTS IN SUBSIDIARIES	2005 £	2004 £
At 1 April 2004	6	2
Addition in the year	-	4
At 31 March 2005	<u>6</u>	<u>6</u>

The following subsidiary undertakings 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

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2005

9. STOCKS	2005	2004
	£	£
Land	18,663,017	17,797,395
Work in progress	5,071,882	6,516,676
Completed buildings	37,845,165	32,682,420
	<u>61,580,064</u>	<u>56,996,491</u>
10. DEBTORS	2005	2004
	£	£
Trade debtors	662,720	206,244
Amounts owed by group undertakings	19,120,249	19,033,111
Amounts owed by associated undertakings	8,219,757	6,033,140
Other debtors	6,867,984	3,057,457
Prepayments and accrued income	195,201	128,191
Corporation tax	1,822,888	2,530,874
	<u>36,888,799</u>	<u>30,989,017</u>
11. CREDITORS:	2005	2004
amounts falling due within one year	£	£
Bank overdraft (secured on stocks)	2,774,279	4,133,414
Trade creditors	1,062,402	1,953,395
Amounts owed to group undertakings	2,794,902	2,751,173
Other creditors	26,424,299	15,291,007
Taxation and social security	83,551	89,340
Accruals and deferred income	3,363,860	4,345,887
	<u>36,503,293</u>	<u>28,564,216</u>

The overdraft facility is £5,000,000 and carries interest at 1% over Lloyds TSB Bank plc base rate.

12. CREDITORS:
amounts falling due after more than one year

Bank loans (secured on stocks)	<u>9,200,000</u>	<u>10,300,000</u>
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The bank loans carry interest at 1% over Lloyds TSB Bank Plc base rate. Of the total bank loan facilities of £32,500,000, £7,500,000 expires in under one year, £7,500,000 expires in two to five years and £17,500,000 in over five years.

ROBERT HITCHINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
31 MARCH 2005

13. PROVISIONS FOR LIABILITIES AND CHARGES	2005	2004
	£	£
Provision for maintenance and repairs on completed properties	<u>591,400</u>	<u>775,583</u>
Analysis of maintenance provisions:	£	£
At 1 April 2004	775,583	1,091,061
Movement in the year	<u>(184,183)</u>	<u>(315,478)</u>
At 31 March 2005	<u>591,400</u>	<u>775,583</u>

14. CALLED UP SHARE CAPITAL	2005	2004
	£	£
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
50,000 5.6% Cumulative Preference shares of £1 each	<u>50,000</u>	<u>50,000</u>
	<u>62,000</u>	<u>62,000</u>

15. RECONCILIATION OF MOVEMENTS IN RESERVES AND SHAREHOLDERS' FUNDS

a) Movement in Reserves	Profit and Loss Account
	£
At 1 April 2004	49,438,169
Surplus for the year	<u>3,757,662</u>
At 31 March 2005	<u>53,195,831</u>
b) Movement in Shareholders' Funds	
Profit after taxation	3,760,462
Dividends	<u>(2,800)</u>
	3,757,662
At 1 April 2004	<u>49,500,169</u>
At 31 March 2005	<u>53,257,831</u>

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 2005

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.

During the year, the company loaned £1,898,100 (2004: £4,451,694) to Desert Springs SL, the balance amounting to £7,743,923 at 31 March 2005 (2004: £5,845,823). Interest of £414,248 accrued on this loan, of which £64,401 was outstanding at 31 March 2005 (2004: £166,747). At the same date, the company was also owed £10,188 (2004: £221) and £10,188 (2004: £10,188) by Villaricos SL and Playas de Almanzora SL respectively.

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 companies.