SUTTON HARBOUR

SUTTON HARBOUR GROUP PLC

2019

ANNUAL REPORT & FINANCIAL STATEMENTS

CONTENTS

THE GROUP AT A GLANCE

Sutton Harbour Group plc (formerly Sutton Harbour Holdings plc), listed on the AIM Market of the London Stock Exchange since 1996, is the parent of a number of wholly owned subsidiary companies which include:

- Sutton Harbour Company, the statutory harbour authority company, which operates the Plymouth fishmarket (known as Plymouth Fisheries), The Marina at Sutton Harbour, together with a number of operations related properties.
- A number of other 'Sutton Harbour' group companies engaged in waterfront property regeneration and investment including King Point Marina and car park operating activities; and
- Plymouth City Airport Limited, the company holding legal interests in the former airport site.

GROUP VISION

The Group aims to be the leading marine, waterfront regeneration and destination specialist in Southern England.

OUR OBJECTIVES

- To develop a mix of activities for long-term sustainable growth and to provide a balanced risk profile.
- To provide a secure investment proposition in a profitable company which has a strong asset base.
- To build on the Group's strength as a specialist in waterfront destination and regeneration in the South West region.
- To increase and improve the income earning asset portfolio of the Group.
- To provide a progressive dividend return to shareholders in the medium term.

CURRENT BUSINESS PLANS

- Retention of assets and development of new assets for investment and revenue earning potential.
- Realisation of inventory assets through sale and development.
- Investment in infrastructure to increase capacity, improve service and enhance quality.
- Growth of earnings from core divisions.
- Maintain strong reputation for quality and customer service.

Details of the Group's operating segments, together with a description of current activities and latest developments are summarised below:

MARINE

Sutton Harbour currently provides berthing for 523 vessels and receives an increasing, core annual revenue stream in the form of dues, fees and rents from the established fisheries, marinas and property operations.

Plymouth Fisheries, the trading name of the fishmarket in Plymouth, is recognised as a top three fishing port in England.

The location of Sutton Harbour, in central Plymouth and adjoining the historic Barbican quarter, has undergone two main phases of regeneration over the past 3 decades. The first phase to unlock the potential of the area was realised when Sutton Lock was installed in 1992 creating a usable depth of water, followed by the relocation of the fishmarket to the eastern side in 1995. In the second phase the development of high quality residential and commercial buildings overlooking the harbour, and improvements to berthing facilities, added to the attractiveness of the area to create a long term sustainable location for business, leisure and living. The Group is now focused on bringing forward the third phase with further regeneration (three major new planning permissions were secured in 2018 to deliver new residential, retail/office space and car parking) to join together existing key attractions and to position Sutton Harbour as a destination of regional importance within the South West region.

KING POINT MARINA

In June 2011, the Group was selected by the English Cities Fund (ECf) to build and operate the new marina in the major urban regeneration area of Millbay in Plymouth. The new King Point Marina received its first berth-holders in September 2013 and has now operated for five complete seasons ending 31 March 2019. This season 50% of berthings are used for the high quality yachts of Princess Yachts Limited and 50% for leisure yachts.

REAL ESTATE

This division comprises the rentals from investment properties and is particularly focused on growing its annual income through asset enhancement and integration with an increasing variety of activities in Sutton Harbour.

The Group has continued to invest in and drive value from its investment portfolio, securing lettings in vacant premises in the Sutton Harbour estate.

The Group has a diverse mix of national and regional businesses as tenants as well as various independent operators. The National Marine Aquarium, a major visitor attraction in the region, is also a tenant.

The Group has been active in establishing a business community around the northern side of Sutton Harbour and has been successful in attracting a number of chartered accountants' practices, legal firms and other professional services companies. The new development will add additional value with high quality retail space on the waterfront as well as the additional housing.

CAR PARKING

The Group has two major car parks at Sutton Harbour, a 340 space multi storey close to the National Marine Aquarium and a 51 space surface car park in the Barbican area. Additionally, the Group controls parking on the fishmarket complex, at the marina and adjoining various tenanted properties, with an approximate total of 50 spaces.

REGENERATION

This division focuses on development for revenue and capital growth and for value realisation through specific land asset sale.

SUTTON HARBOUR

The Group has established a track record for the delivery of six major regeneration schemes around Sutton Harbour and a further two schemes in other locations elsewhere in the South West. A key feature of all these schemes was working in partnership with other public and private sector bodies. Following the change of majority control of the Company in January 2018, consent for three planning applications for fully redesigned development schemes around Sutton Harbour was granted during 2018. These schemes include the 14 unit apartment building and a 170 unit apartment building, both with retail/office space incorporated, and an extension to an existing multi storey car park owned by the Company.
The company appreciates the renewed relationship with Plymouth City Council exemplified by the unanimous approval of the Sugar Quay building with the 170 units and retail space.

FORMER AIRPORT SITE

In 2000, the Group purchased Plymouth City Airport Limited and a long lease of the regional airport site. In 2003 the Group set up and operated the regional airline, Air Southwest which was subsequently sold in November 2010 to Eastern Airways International Limited (Eastern Airways). On 28 July 2011 Air Southwest (under the ownership of Eastern Airways) ceased flights in and out of Plymouth City Airport.

Facing unsustainable losses, in August 2011 Plymouth City Council agreed to the closure of the airport as of 23 December 2011. The Group is working towards options to maximise value from the 113 acre former airport site through development of a masterplan for the area to show alternative uses to benefit the city and local people. In March 2019, the Government Inspectors charged with reporting on the Local Authority Joint Local Plan, a planning framework for development until 2034, upheld that the former airport site may be safeguarded for potential general aviation use with the recommendation that it would be inappropriate to continue to safeguard the site for more than 5 years. In accordance with the Government Inspectors' Report and in the context of the necessary valuation progress, the company is advancing the development plan for alternative use of the site.

EXECUTIVE CHAIRMAN'S STATEMENT

SHAREHOLDERS' OVERVIEW

HIGHLIGHTS

- *In November 2018, the Company received planning approval for two new residential schemes at Sutton Harbour: 'Harbour Arch Quay' and 'Sugar Quay' together with approval for a two-storey extension to the existing multi-storey Harbour Car Park.*
- *In December 2018 the Company held a general meeting at which shareholders approved the issue of 10,344,951 new ordinary shares via an Open Offer to existing shareholders. This issue was fully subscribed and resulted in a fresh equity injection of £3 million (before costs) to be used in the ongoing development of the Company including pre-construction costs in respect of planning consented schemes 'Harbour Arch Quay' and 'Sugar Quay' and to meet capital maintenance costs and other funding requirements across its ordinary and development activities.*
- *In March 2019, the Government Inspectors' report concerning the Local Authority's new planning framework was issued which affirmed safeguarding for a period not to exceed five years of the former airport site for possible general aviation use.*
- *In April 2019, the Company changed its name to Sutton Harbour Group plc and is currently rolling out its new corporate identity.*

RESULTS AND FINANCIAL POSITION

The adjusted profit before taxation for the year was £0.072m (2018: £0.135m loss) which excludes non-cash fair value adjustments and the costs in connection with the change of ownership. The profit before taxation for the year under review as per the Income Statement, inclusive of the aforementioned adjustments, was £1.516m (2018: £2.502m Loss before taxation).

As at 31 March 2019, net assets were £45.732m (2018: £39.328m), representing 39.4p per share (2018: 37.2p per share). The increase follows the issue of 10,344,951 new ordinary shares at 29 pence each, providing new capital of £3m, before costs of £73,000, and also the valuation of the Company's property assets which gave rise to an overall valuation surplus of £3.084m. Gearing as at 31 March 2019 stood at 46.7% (2018: 55.6%). Net finance costs increased to £0.901m in the year (2018: £0.897m) as the bank borrowing rate had increased by 0.25% and average borrowing compared year to year was higher.

Net debt (including finance leases) decreased to £21.373m at 31 March 2019 from £21.858m at 31 March 2018. Development Inventories increased by £2.281m reflecting the investment required to progress three schemes to planning consented status and a further £0.303m was invested in the Company's infrastructure asset base. The board does not recommend payment of a dividend on the year's results.

DIRECTORS AND STAFF

Early in the financial year Philip Beinhaker was appointed Executive Chairman and Jason Schofield, Chief Executive, left the Company in July 2018. The board has advertised a Chief Operating Officer position and intends to announce a new board appointment in the near future. There have been no other changes at board level during the year.

Headcount as at 31 March 2019 decreased to 30 (31 March 2018: 33) as the Company has continued to outsource certain specialist roles following some voluntary resignations.

OPERATIONS REPORT

MARINE

Overall, the marine segment has performed steadily during the year. The Marinas both achieved modest growth in revenue and occupancy and this encouraging trend has continued into the start of the new 2019/20 berthing season. Results from fishing activities were undermined by a poorer level of fish stocks in local waters with landings of fish by value down 23.5% on the previous financial year. Despite lower revenue from fish landing dues, other revenues including fuel sales, ice sales and rentals of property at the Plymouth Fisheries facility held up well during the year under review.

REAL ESTATE AND CAR PARKING

Focused marketing of vacant property has resulted in the occupancy rate increasing to 94% as at 31 March 2019 from 87% as at 31 March 2018. During the year seven new tenancies have been completed, and the Company has been pleased to see more businesses, in both professional businesses services and restaurant sectors, choose Sutton Harbour as a trading base.

Car Parking revenue increased slightly during the year, compared to the previous year. Parking at the Harbour Car Park continued to be affected by the out of action footbridge which links this car park more directly to the eastern side of the harbour where popular attractions including the Barbican and the Hoe are situated. The bridge was returned to full service on 19 April 2019 after a new bearing was fabricated and the structure recommissioned in time for the busier summer season. Early in 2019 the car parks contract with a third party specialist management company was renewed on improved terms.

REGENERATION

Sutton Harbour

The Company gained planning approval for two new landmark residential led schemes for Sutton Harbour in November 2018. The Harbour Arch Quay development of 14 flats and the iconic Sugar Quay building with 170 apartments are both due to start construction by the end of the year. The two storey Harbour Car Park extension, which will accommodate a further 114 parking spaces, is also due to start late 2019, with the additional parking to be available for use in summer 2020. The Company is engaging with local stakeholders, including Plymouth City Council, on events to be held in 2020 to commemorate the 400th anniversary of the departure of the Pilgrim Fathers on the Mayflower vessel to America. The historic port of Sutton Harbour is the focal point for commemorative events and the Company is making ready for the expected high number of visitors to the area.

Former Airport Site

The Company continues to manage and maintain the Former Airport Site which closed in December 2011. The 113 acre site, which is already surrounded by urban development, is ideally located for mixed urban use, and can deliver a sustainable built environment for the economic and social wellbeing of the people of Plymouth. The safeguard of the site for possible general aviation use is provided for the next five years, after which the Government Inspectors consider a prolonged safeguard to be inappropriate due to the value of the land for urban uses. The Company had prepared an initial masterplan for mixed-use development for the site and continues to refine this to ensure its formulation as a development programme is deliverable in phases to meet planning framework policy and an aspiration for a new sustainable urban neighbourhood.

SUMMARY AND OUTLOOK

The Company has continued to deliver on its vision to be the leading marine, waterfront regeneration and destination specialist in Southern England in accordance with its stated strategy. We have delivered major new planning consents, completed in-depth reviews of other trading activities and put strategic plans for growth in place.

PHILIP BEINHAKER
EXECUTIVE CHAIRMAN
10 July 2019

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS

The material Key Performance Indicators relevant to the Group's business are:

FINANCIAL HIGHLIGHTS	2019	2018	NOTE
Net Assets	**£45.732m**	£39.328m	
Net Asset value per share	**39.4p**	37.3p	
Profit/(Loss) before tax from continuing operations	**£1.516m**	£(2.502)m	1
Adjusted profit/(loss) before tax excluding fair value adjustments and costs in connection with change in ownership.	**£0.072m**	£(0.135)m	
Profit/(Loss) after tax	**£1.831m**	£(2.198)m	
Basic profit/(loss) per share	**1.68p**	(2.24)p	
Dividend per share	**0.0p**	0.0p	
Net Debt	**£21.373m**	£21.858m	
Gearing (Net Debt/Net Assets)	**46.7%**	55.6%	

PROPERTY METRICS	AS AT 31 MARCH 2019	AS AT 31 MARCH 2018
Total estate portfolio valuation	**£45.804m**	£42.665m
Owner occupied portfolio valuation	**£26.379m**	£23.600m
Investment portfolio valuation	**£19.425m**	£19.055m
Number of investment properties	**71**	71
Contracted rent (per annum)	**£1.546m**	£1.262m
Net initial yield	**7.15%**	5.84%
Reversionary yield	**7.72%**	6.31%
Occupancy rate	**94.0%**	87.0%
Estimated rental value (ERV) of vacant units	**£0.159m**	£0.198m
Average unexpired lease	**9.0 years**	9.8 years
Gross car parks revenue	**£0.522m**	£0.511m
Development Inventory		
Sites around Sutton Harbour	£10.873m	£8.665m
Portland	£0.200m	£0.200m
Former airport site	£12.448m	£12.368m
Total	**£23.521m**	£21.233m

NOTE

1 Includes a credit for fair value adjustments on investment property and property, plant equipment of £1.444m (2018: charge of £0.626m) and a charge for costs of change in ownership of £nil (2018: £1.741m).

STRATEGIC REPORT

FINANCIAL REVIEW

ACCOUNTING

The Group's year end results are presented under International Financial Reporting Standards (IFRS) as adopted by the European Union.

ASSET VALUATION

During the year, independent valuation of the Group's investment and owner-occupied portfolio was undertaken at 31 January 2019. This valuation gave rise to a surplus of £3.083m, reconciled as £0.310m surplus on the investment portfolio and £2.773m surplus on the owner-occupied portfolio.

CARRYING VALUE OF FORMER AIRPORT SITE

The former airport site, a 113 acre site in which the Group holds an unexpired 136 year leasehold interest, with a right to renew for a further 150 years, is held as development inventory at a carrying value of £12.448m. At each balance sheet date, this carrying value is tested for impairment with the board needing to satisfy itself that the asset is included in inventory at the lower of cost and net realisable value, with net realisable value including developer's return where applicable. The carrying value of £12.448m is derived as follows:

- The land and building asset was independently valued twice yearly until 31 March 2013, when the asset was transferred to development inventory.
- As at 31 March 2013 the land and building asset was transferred to development inventory and combined with the pre-existing inventory total, which included the cost of building the Link Road and planning intellectual property costs.
- It was agreed at 31 March 2013 that the transfer was made at valuation, inclusive of historic revaluations. As at 31 March 2013 the carrying value of the former airport asset was £11.479m, inclusive of past revaluations totalling £3.969m. The net increase in former airport asset valuation from 31 March 2013 (£11.479m) to 31 March 2017 (£12.009m) of £969,000 represents the capitalised costs of developing the planning intellectual property less the cost attributed to sales of small plots.
- Net Realisable Value is estimated with reference to expected net proceeds for the 25% share of the leasehold interest. The mechanism for sharing of net proceeds with the freeholder, Plymouth City Council, is set out in the lease.
- The auditors, Nexia Smith and Williamson, included an Emphasis of Matter paragraph within the 2015, 2016, 2017, 2018 and 2019 Audit Reports due to uncertainty about the impact on Net Realisable Value of the planning process (Plymouth and South West Devon Joint Local Plan 2017-2034, which was subsequently issued in March 2019) and the outcome of a Government Report about the future of Plymouth City Airport.
- In December 2016 the Department for Transport published the 'Plymouth Airport Study Report', which concluded that a lack of demand and a short runway mean commercially viable passenger services could not be run out of the former Plymouth Airport site as it would remain "financially vulnerable" in a "high risk environment".
- In April 2017, the Company submitted its representations and detailed evidence base in support of allocation of the former Airport Site for alternative use in advance of the Government Inspectors' public hearing of proposed new local planning framework.
- The public hearing took place in early 2018, with the Government Inspectors' report subsequently issued in March 2019. The Government Inspectors supported a 'safeguard' of the former airport site for five years to allow time for a potential airport operator to bring forward a plan for a licensed general aviation airport. The Inspectors also advised that a longer safeguarding period could risk the site being left vacant and unused and that that would not be appropriate. The Government Inspectors' view of the importance of the site for alternative use, in absence of an airport operation, affirms the Company's view of the value of the land.

CASH FLOW AND FINANCING

The Company had total borrowing net of cash and cash equivalents of £21.373m at 31 March 2019 (2018: £21.858m) with a gearing level of 46.7% (2018: 55.6%). The Company has operated within its authorised facilities and has met all bank covenants during the year. The bank facilities were renewed in January 2018, when the Company entered into an agreement which provides a maximum £25.0m committed facility with a confirmed expiry date of March 2021.

Debt servicing costs continue to be a major expense to the Group and the board regularly considers the merits of entering into LIBOR swap arrangements to fix interest on part of the total debt. None have been taken out at the present time

TAXATION

The standard rate of tax applicable to the Group is 19% (2018: 19%). The overall tax credit for the year is £0.315m (2018: credit of £0.304m). No current tax is due on the year's results with the tax charge resulting from movements in timing differences.

NATASHA GADSDON
FINANCE DIRECTOR
10 July 2019

MANAGING BUSINESS RISKS

The Group maintains a register of risks which is updated as business risks change. The risk register is reviewed regularly by the Board to ensure that appropriate management processes are in place to manage business risks. Certain business risks are general to all Group activities whereas others are pertinent to particular business activities. Key business risks identified at present are:

GENERAL RISKS	RISK IDENTIFIED	RESPONSE TO RISK
Financing	The availability of adequate borrowing and other funding facilities.	The Group's current banking facilities to a maximum of £25m expire in March 2021 and will fund development through specific loans. The company has raised £5.750m equity finance since January 2018 to fund projects and capital maintenance expenditure.
Financing	Compliance with bank terms and covenants.	The Group maintains a regular dialogue with bankers over progress of the Group and operates to a business plan to remain within bank facility terms.
Financing	Interest rate rises.	The Group regularly reviews interest rates and its exposure. LIBOR swap agreements are entered into to manage interest risk exposure, if and as agreed by the board.
Negative publicity	Increased use of social media can heighten the impact of negative publicity.	Media publicity about the Group is actively followed and reported where it is misleading or untrue.
External	Risks associated with exit from the European Union (BREXIT)	The Group does not trade directly with European markets although could be exposed to any generalised impacts to the economy, housing markets and trade negotiations affecting fishing.

REAL ESTATE, REGENERATION AND CAR PARKING DIVISIONS	RISK IDENTIFIED	RESPONSE TO RISK
Economic Cycles	Property markets in provincial areas such as Plymouth will lag the improvements achieved in other major centres.	The Group is developing its plans for various sites to prepare for new development as market conditions allow.
Planning	Obtaining viable planning permissions has become increasingly demanding resulting in increased cost and delay to submission of applications.	The Group prepares comprehensive representations and applications with supporting reports where required. Public consultation is frequently undertaken to solicit views about proposed schemes.
Tenant failure	The Group is exposed to the risk of loss of revenue and vacant properties should tenants' businesses fail.	The Group has a diverse tenant base encompassing national and independent occupiers to avoid high exposure to any single party.

REAL ESTATE, REGENERATION AND CAR PARKING DIVISIONS	RISK IDENTIFIED	RESPONSE TO RISK
Key Personnel	The Group is dependent on a limited number of skilled personnel in key positions.	The Group ensures that it has adequate staff with the necessary skills and experience. Competitive and realistic remuneration packages are paid. External consultants are used to support the team as necessary.
Valuation Risk	The Group's assets may suffer value impairment, thereby reducing the Group net asset value, if carrying value not judged recoverable through use or realisation.	Regular external valuations of assets and value appraisals on inventory are undertaken The Group takes action to maintain and add value by developing property/land use proposals and seeking viable planning consents. Property assets are maintained to a good state of repair and vacant sites are managed for safety and security.
Public opinion	The closure of Plymouth City Airport has been opposed by some local interest groups. Schemes for other sites proposed by the Group have met with some opposition.	The Group takes independent professional advice to ensure decision and actions are justifiable on relevant facts. The Group meets with stakeholder groups and undertakes public consultation when appropriate.
External	The regulatory and legislative environment has continued to result in additional management and financial pressures.	The Group takes external advice as necessary to remain compliant and to assist with planning for future change.

MARINE ACTIVITIES	RISK IDENTIFIED	RESPONSE TO RISK
Lock Operations	Continuation of marine activities is dependent on reliability of lock operations and the integrity of the lock structure itself.	Maintenance of the Sutton Harbour lock, a key flood defence, is the responsibility of the Environment Agency and it is subject to daily checks. Lock controls have failsafe systems to prevent human errors.
Pollution Incident	A major pollution incident could result from leakage from a fishing vessel or fuel supply tanks, or unlawful discharge into the harbour.	Emergency procedures are in place to contain and clear a spillage which includes closure of the lock gates.
Continuity of Operations	Failure of plant and equipment at the fishmarket has the potential to disrupt operations with the resultant loss of reputation.	The Group regularly reviews the condition of infrastructure to plan maintenance and replacement.

APPROVAL

The Strategic Report from pages 2 to 9 was approved by the Board of Directors on 10 July 2019 and signed on its behalf by

PHILIP BEINHAKER
EXECUTIVE CHAIRMAN

DIRECTORS AND ADVISORS

Company Number	2425189
Directors	Philip H. Beinhaker (Executive Chairman) Natasha C. Gadsdon (Finance Director) Graham S. Miller (Non-Executive Director) Sean J. Swales (Non-Executive Director)
Secretary	Natasha C. Gadsdon
Registered Office	Sutton Harbour Office Guy's Quay Office Sutton Harbour Plymouth PL4 0ES Tel: 01752 204186 www.suttonharbourgroup.co.uk
Independent Auditors	Nexia Smith & Williamson Portwall Place Portwall Lane Bristol BS1 6NA
Nominated Broker and Nominated Adviser	Arden Partners plc 125 Old Broad Street London EC2N 1AR
Registrar	Computershare Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
Bankers	The Royal Bank of Scotland plc London EC2N 3UR

DIRECTORS' REPORT

The Directors present their Directors' Report and audited Consolidated Financial Statements for the year ended 31 March 2019. The review of activities during the year and future developments is contained in the Strategic Report.

MAJOR SHAREHOLDINGS

As at 10 July 2019 the Company's register of shareholdings showed the following interests in 3% or more of the Company's share capital

	%	ORDINARY SHARES
FB Investors LLP	72.65	84,231,428
Crystal Amber Fund Limited	10.68	12,385,779
Mr. D.McCauley/Rotolok (Holdings) Limited	5.71	6,615,690

The Directors are not aware of any other interest in its share capital in excess of 3%.

DIRECTORS' INTERESTS

The interests of the Directors in the ordinary shares of the Company as at 31 March 2019 are set out below.

	2019	2018
Philip H. Beinhaker	-	-
Graham S. Miller	273,976	31,968
Natasha C. Gadsdon	24,839	22,623
Sean J. Swales	3,199	2,914

PHILIP BEINHAKER

Age 78. Appointed Non-Executive Director and Chairman on 22 January 2018 following the 'Partial Offer and Acceptance' which precipitated a change in control of the Company whereby FB Investors LLP acquired a controlling interest in the Company's shares and appointed Executive Chairman in April 2018. Philip is a Director and the Chairman of Beinhaker Design Services Limited, which is a member of FB Investors LLP. He is also a member of the Audit Committee. Philip served as co-founding partner and Chief Executive Officer of IBI Group, a world-leading firm in architecture, engineering and project management from its formation in 1974 until 2013, continuing as a Senior Director of the IBI Group Management Partnership.

SEAN J. SWALES

Aged 51. Appointed Non-Executive Director in December 2009, he is a Chartered Accountant and Group Managing Director of Rotolok (Holdings) Limited, the Group's third largest shareholder. He is also a member of the Audit and Remuneration Committees.

GRAHAM S. MILLER

Aged 56. Appointed Non-Executive Director and Chairman on 23 September 2013, stepping down from the Chairman role on 22 January 2018. He was appointed Chairman of the Audit Committee in November 2013 because the Board of Directors considered him best placed to chair the Audit Committee. He is also a member of the Remuneration Committee. He has a strong background in private equity, having held senior and director positions at Murray Johnstone Private Equity and 3i plc. Graham currently holds a number of other directorships.

NATASHA C. GADSDON

Aged 49. Appointed Executive Director in July 2004 and Finance Director in October 2004. She is a Chartered Accountant and has been with the Group since 1996. She has also been the Company Secretary since 2001.

In accordance with the Company's Articles of Association Sean J. Swales and Natasha C. Gadsdon retire by rotation at this year's Annual General Meeting, and being eligible offers themselves for re-election.

DIRECTORS AND OFFICERS INSURANCE

The Group maintained a Directors' and Officers' liability insurance policy throughout the financial year.

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies are given in note 3, with additional information provided in the financial review on page 7.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board
NATASHA GADSDON
FINANCE DIRECTOR
10 July 2019

STATEMENT OF COMPLIANCE WITH QCA CORPORATE GOVERNANCE CODE

SENIOR INDEPENDENT DIRECTOR'S INTRODUCTION

Our vision is to conserve and improve the historic Sutton Harbour and its immediate environs for harbour users, local residents, businesses, visitors to the area and for the wider stakeholder community in the City of Plymouth.

To achieve this the Board is concerned with setting the strategy to facilitate maintenance of existing land, property and specialised assets and also the regeneration of underutilised assets to improve the attractiveness of the area and to ensure it has a sustainable and vibrant future.

The Company's corporate governance framework manages the decision making processes of the Board having regard to opportunities and risks of specific strategies and the objective to deliver value growth to shareholders in the medium-long term.

GRAHAM MILLER
SENIOR INDEPENDENT DIRECTOR
(NON-EXECUTIVE)

PRINCIPLE	APPLICATION AS SET OUT BY THE QCA	WHAT THE COMPANY DOES TO UPHOLD THE PRINCIPLE
1 Establish a strategy and business model which promote long-term value for shareholders	The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing	The Company is the owner and operator of specialist marine assets (which include two marinas and a commercial fishmarket), car parks, real estate investment properties and is the holder of land assets identified for regeneration. The Company's assets and operations are all located in Plymouth, Devon, primarily at Sutton Harbour. The Company's Strategic Vision is to deliver shareholder value growth through the delivery of high quality urban development to further establish Sutton Harbour as a visitor destination and harbourside lifestyle quarter whilst promoting the established commercial and leisure marine activities. The Company is actively working towards the regeneration of vacant sites to release value, reduce debt and allow future new investment in the area.
2 Seek to understand and meet shareholder needs and expectations	Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base. The board must manage shareholder's expectations and should seek to understand the motivations behind shareholder voting decisions.	The Company maintains an active dialogue with major institutional investors and annually invites shareholders to an open day which includes a tour of the assets. The board welcomes the participation of shareholders at the Annual General Meeting with the opportunity to answers questions of any board member offered. The Company Secretary is normally the first point of contact for any general enquiries or arrangement regarding shareholder meetings. Email: n.gadsdon@sutton-harbour.co.uk

PRINCIPLE	APPLICATION AS SET OUT BY THE QCA	WHAT THE COMPANY DOES TO UPHOLD THE PRINCIPLE
3 Take into account wider stakeholder responsibilities and their implications for long-term success	Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations. Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.	**Statutory Harbour Authority** Sutton Harbour Company, a wholly owned subsidiary of the Company, is a Statutory Harbour Authority which confers responsibilities concerning operations of and obligations to conserve the harbour. The Company employs a Harbour Master who liaises with the relevant regulators, public bodies and user groups in respect of this statutory function. **Public Bodies** The Group maintains an active relationship with Plymouth City Council, the Local Planning Authority, the Environment Agency and other public agencies in connection with a wide range of issues relating to the land and property assets held by the Group. Open public consultation is undertaken in relation to proposed applications to the Local Planning authority. **Customers** The Group maintains a number of websites and social media platforms, to communicate with different customer groups in addition to direct email and postal communications. Surveys of marina customer satisfaction are undertaken annually. **Employees** The Group is committed to paying, as a minimum, the living wage as recommended by the Living Wage Foundation, to its employees. The Group undertakes annual appraisals for all employees annually, sponsors their essential qualifications and continuing professional development (as appropriate to role) and has a schedule of monthly operational meetings with Director presence at each.
4 Embed effective risk management, considering both opportunities and threats throughout the organisation	The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and appetite).	**Risk Register** The Group maintains a register of risks, split by category, and identifies potential impact and likelihood, together with the response deployed to manage/mitigate the risk. The risk register is regularly updated with input from across the Group and external advice is taken if required. **Reporting** Included in the monthly reports to the Board, new risks are identified together with proposals to manage/mitigate the risk. Company Bankers and Insurers are kept appraised of risks and vulnerabilities on an ongoing basis. Advice from the appointed external Health and Safety Advisor is taken where appropriate. **Controls** A list of 'Matters reserved for the Board' is maintained which governs levels of authorisation for financial commitment and decision making.

PRINCIPLE	APPLICATION AS SET OUT BY THE QCA	WHAT THE COMPANY DOES TO UPHOLD THE PRINCIPLE

5 Maintain the board as a well-functioning, balanced team led by the chair

6 Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement.

The board should be supported by committees (eg audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfil their roles.

The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.

The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.

As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.

The current composition of the board is as follows:

OFFICE	APPOINTEE	COMMITTEE ROLES
Executive Chairman	Philip Beinhaker	Audit Committee Member Remuneration Committee Chair Nomination Committee Chair
Senior independent Director (Non-Executive)	Graham Miller	Audit Committee Chair Remuneration Committee Member Nomination Committee Member
Non - Executive Director	Sean Swales	Audit Committee Member Remuneration Committee Member Nomination Committee Member
Finance Director (Executive)	Natasha Gadsdon	
Company Secretary	Natasha Gadsdon	

Following the resignation of Chief Executive Officer (who subsequently left the Company on 23 July 2018) the Board has been undertaking its search for a new Executive Director. Subject to final selection and satisfaction with regulatory criteria, an announcement about a new appointment will be made in 2019.

To provide continuity and support during this transitionary period, Philip Beinhaker was appointed Executive Chairman (previously Non-Executive Chairman) on 23 April 2018.

Board Meetings

The Board has ten scheduled meetings per year where 4 board members attend, with additional meetings as required, and separate governance committee meetings. 100% attendance by all members at all meetings has been recorded for the year under review. Agenda and detailed board papers are sent to directors in advance of the meeting which provide updates on governance matters, projects, trading and finance and corporate matters. The Board has a formal schedule of matters reserved to it for decision.

Directors' Independence

Philip Beinhaker has no personal shareholding in the Company. FB Investors LLP, which owns 72.65% of the issued share capital, is jointly owned by Beinhaker Design Services Limited and 1895 Management Holdings UIC Philip is a Director and Chairman of Beinhaker Design Services Limited.

Graham Miller holds 273,976 shares in the Company and is the Senior Independent Director on the Board. Graham was appointed a Director in 2013.

Sean Swales holds 3,199 shares in the Company. He is also the corporate representative of Rotolok (Holdings) Limited which has an interest in 6,615,690 (5.71%) of the Company's shares. Sean was appointed a Director in 2009. Until 10 January 2018, Rotolok (Holdings) Limited was interested in 28.79% of the Company's shares and was reported as having significant influence. Sean Swales is now regarded as an independent Director as Rotolok (Holdings) Limited no longer has significant control and the board composition has changed. It is noted, however, that Sean has served close to ten years on the board, which is a further indicator generally used to appraise independence of Non-Executive Directors.

Natasha Gadsdon holds 24,839 shares in the Company and has been an Executive Director since 2004.

In summary, the board currently comprises two Executive and two independent Non-Executive Directors.

Shareholder Relationship Agreement with FB Investors LLP

The Relationship Agreement dated 23 November 2017, addresses amongst other things, the composition of the SHH Board providing FB Investors with the ability to appoint up to two directors to the SHH Board (one of whom may be the Chairman for so long as it holds, directly or indirectly, 50 per cent or more of the issued voting share capital of the Company). It contains certain restrictions in relation to directors appointed by FB Investors voting at meetings of the SHH Board on matters in which FB Investors is interested. Under the Relationship Agreement, FB Investors has agreed not to vote in relation to any resolution put to SHH Shareholders to cancel its admission to trading on AIM, pursuant to Rule 41 of the AIM Rules, for a minimum period of two years following the Partial Offer unless such resolution is recommended by those Board members of the Board not appointed by FB Investors

PRINCIPLE	APPLICATION AS SET OUT BY THE QCA	WHAT THE COMPANY DOES TO UPHOLD THE PRINCIPLE
7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.	The change in majority ownership of the Company in January 2018 has precipitated board changes with the appointment of Philip Beinhaker who has taken on the role of Chair from Graham Miller, who continues as Audit Committee Chair and now also the role of Senior Independent Director. Sean Swales, continues as a Non-Executive Director, with the board continuing to benefit from his finance and property experience. The Board expects to announce a new Executive Director appointment in due course and a full review of the effectiveness of the refreshed administration will be undertaken within the next 12 months.
8 Promote a corporate culture that is based on ethical values and behaviours	The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.	Senior Managers are regularly invited to present at Board Meetings and to respond to questions and this forum sets the cultural tone. At annual appraisals performance of employees is reviewed against specific targets and conduct in line with the Company's standards of conduct as set out in the foreword of the Employee Handbook. The Company holds regular Health and Safety meetings (normally two per year) with representation from all areas of the business together with Director, the Health and Safety Officer and external Health and Safety Advisor. Annually the Health and Safety Advisor reports observations formally to the board. Sutton Harbour Company, a Statutory Harbour Company and wholly owned subsidiary of the Company is committed to undertaking statutory duties in accordance with the Port Marine Safety Code. The environment plays a key role in the continuing success of the Group. The Company has a daily programme to clean the Harbour with a specialised vessel for the purpose of debris removal. Operational staff are trained to handle oil spill incidents in the harbour. The area of Sutton Harbour is located in the heart of Plymouth. The Company supports various community and tourist initiatives. The Company is a member of the Mayflower 400 Founders club which is working together with Plymouth City Council to co-ordinate a comprehensive programme of events to commemorate the 400th Anniversary of the departure of the Pilgrim Fathers to America. The Company has a long established commitment to the community and its neighbourhood. Throughout its regeneration work, the Company has undertaken extensive public consultation which has led to the reshaping and design of many successful quality regeneration projects surrounding the historic harbour. The Company sees itself as the custodian of the harbour for future generations and as such believes that working with the local community is essential to achieve this aspiration.

PRINCIPLE	APPLICATION AS SET OUT BY THE QCA	WHAT THE COMPANY DOES TO UPHOLD THE PRINCIPLE
9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	The company should maintain governance structures and processes in line with its corporate culture and appropriate to its: • Size and complexity • Capacity, appetite and tolerance for risk The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development	**The Board** The board composition in undergoing a transition, which started in January 2018 after a change in majority ownership of the Company. A search and recruitment for a new Executive Director is currently in progress and the Board expects to announce a new appointment by Autumn 2019. As the re-formed board settles it is expected that other appointments may be made to provide balance and succession. At the present time, Philip Beinhaker is appointed Executive Chairman and presides over the business of the board as well as directing and overseeing the operations of the Company through the senior management team. Graham Miller, the previous independent and Non-Executive Chairman, is now the Senior Independent Non-Executive Director on the board. He is the main contact to handle matters where other Directors have a conflict of interest. Sean Swales, a Non-Executive Director since December 2009 and he is the corporate representative of Rotolok (Holdings) Limited, the third largest shareholder in the Company which no longer has significant control. Sean Swales is now considered to be an independent director following the reduction in shareholding of Rotolok (Holdings) plc and the changed composition of the Board. A Chartered Accountant, he continues to contribute actively to the Board due to his financial specialism, property investment and development expertise and regional knowledge. September 2019 will be the ninth anniversary of Sean's election to the board by shareholders, and the board will reconsider the composition of the board with regard to the balance between independent and non-independent directors in the Autumn of 2019. Natasha Gadsdon, a Chartered Accountant, is appointed Finance Director and Company Secretary. She is responsible for financial reporting and compliance and oversees risk management, human resources, corporate responsibility. She is responsible for preparing detailed monthly reports to the board The Board is responsible for setting the strategy to deliver shareholder value growth over the medium to long term. Decisions about financing, acquisitions and disposals, project and capital expenditure, senior staffing, key third party appointments, budget approval, approval of annual and interim financial reports, dividend policy, insurances and strategic direction of the trading businesses are all matters reserved for the Board's decision. The key procedures which the Directors have established with a view to providing effective internal controls are as follows: • Corporate Accounting and Procedures: There are defined authority limits and controls over acquisitions and disposals. There are also clear reporting lines within the business and risk assessments are undertaken and regularly reviewed in all divisions and at all levels within the Group. Appropriate internal controls are set for all divisions of the business. • Quality of Personnel: The competence of personnel is ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment. • Financial Reporting: The Group has a comprehensive system for reporting financial results to the Board and monitoring of budgets. • Investment Appraisal Capital expenditure is regulated by authorisation levels. For expenditure beyond specified levels, detailed written proposals are submitted to the Board. **Governance Committees** The composition and role of the board's governance committees are set out below. The Remuneration Committee, chaired by Philip Beinhaker, within its terms of reference determines and agrees with the board the employment terms and remuneration packages of the Executive Directors. The Executive Directors make recommendations to the board on the remuneration of Non-Executive Directors. Independent advice on remuneration is taken where considered appropriate. The Audit Committee is chaired by Graham Miller and its other members are Sean Swales, a Chartered Accountant, and Philip Beinhaker. The Committee has written terms of reference and provides a forum for reporting by the Company's auditors. The Committee may request Executive personnel to attend all or part of any meeting as the Committee considers appropriate. The Nomination Committee is chaired by Philip Beinhaker and its other members are Graham Miller and Sean Swales. The Nomination Committee is responsible for proposing candidates to the Board having regard to its balance, expertise and structure. The current search for a new Executive Director is being led by Graham Miller and Sean Swales.

PRINCIPLE	APPLICATION AS SET OUT BY THE QCA	WHAT THE COMPANY DOES TO UPHOLD THE PRINCIPLE
10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist: • The communication of shareholders' views to the board: and • The shareholders' understanding of the unique circumstances	See responses to Principles 1 and 2 above where engagement with shareholder and stakeholder engagement is described. The Annual Report and Accounts, Interim Reports and other announcements and presentations are the main formalised communications to shareholders. The Annual General Meeting and Open Day are opportunities for two-way communication between the board and shareholders

By Order of the Board

NATASHA GADSDON

FINANCE DIRECTOR

10 July 2019

CORPORATE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

HEALTH AND SAFETY

The Board of Directors understands its responsibility to the health and safety of employees, customers and others who are directly or indirectly affected by the Group's operations.

The Group's Health and Safety Committee is chaired by Natasha Gadsdon and has representation from all Group activities. The Health and Safety Committee is an open forum and minutes of the meetings are made available to all staff upon request.

Committee meetings are also attended by the Group's Health and Safety Officer and an Independent Health and Safety Consultant. The Committee has a comprehensive agenda and is briefed on new legislation or regulation by the Independent Health and Safety Consultant.

The Group does not undertake direct construction on site. An excellent Health and Safety management record is a key criterion in the selection of contractors.

The Group has a good health and safety record with no enforcement notices and no prosecutions for breaches of Health and Safety legislation to report.

PORT MARINE SAFETY CODE

Sutton Harbour Company, a Statutory Harbour Authority, and a wholly owned subsidiary of the Group, is committed to undertaking statutory duties in accordance with the standards defined within the Port Marine Safety Code. To ensure full compliance with the code an independent audit of the Sutton Harbour Safety Management System is carried out annually. The last audit carried out by the Maritime and Coastguard Agency took place in March 2015.

ENVIRONMENTAL ISSUES

The Board has agreed the following Environmental Statement:

The environment plays a key role in the continuing success of the Group and the Group recognises that it needs to set itself high environmental standards.

The Group monitors energy consumption at its trading facilities. This information is used to manage consumption through practical energy saving measures and targeted capital investment. The Group has installed LED energy efficient lighting at the car parks and fisheries and will introduce metered power and water at the fisheries complex during 2019.

Sutton Harbour is equipped to manage accidental fuel spills to minimise pollution of land and sea. The Marina at Sutton Harbour is equipped with black water tanks to facilitate the discharge of foul water and recycling sorting waste bins.

COMMUNITY ENGAGEMENT AND CHARITABLE INVOLVEMENT

The area of Sutton Harbour is located in the heart of Plymouth, adjacent to the historic Barbican quarter and the City Centre. The Group supports city based arts, sports, community and tourist initiatives and liaises with Destination Plymouth, Plymouth City Centre Company, Plymouth City Council and other relevant public agencies and associations.

Sutton Harbour has hosted a number of yacht races in the recent past including the Fastnet finish, the start of the Transat race on two occasions, La Solitaire Du Figaro single handed yachting event as well as other local events. The Group has the twin objectives of stimulating tourism for the city's benefit, and also showcasing the developments around Sutton Harbour which have created a vibrant centre for leisure, commercial and residential use.

The Group supports local charities and other community initiatives.

The Group has a long established commitment to the community and its neighbourhood. Throughout its regeneration work, the Group has undertaken extensive public consultation exercises which have led to the reshaping and design of many successful quality regeneration projects surrounding the historic waterfront. The Group sees itself as the custodian of the harbour for future generations and as such believes that working with the local community is essential to achieve this aspiration.

NATASHA GADSDON
FINANCE DIRECTOR
10 July 2019

REPORT ON REMUNERATION

REMUNERATION COMMITTEE AND REMUNERATION POLICY

The members of the Committee during the year were as follows:
Philip Beinhaker – Chairman
Graham S. Miller
Sean J. Swales

The Committee met several times during the year, within its terms of reference, to consider the remuneration packages of the Executive Directors and to make recommendations to the Board. The overriding objective is to ensure that salary, benefits and other remuneration is sufficient to attract, retain and motivate executives of high quality, capable of achieving the Group's objectives and creating value for our Shareholders. The Committee also takes into account the scale and complexity of the Group's operations and seeks independent advice, from specialist advisers, where appropriate.

COMPOSITION OF REMUNERATION

Executive Directors' pay comprises basic salary reviewed annually, pension scheme contributions to the Group's defined contribution pension scheme, annual bonus based on audited results of the Group, and other benefits in kind including provision of a company car/car allowance and private medical healthcare. Salary is paid monthly and the annual bonus is accrued in the financial year to which it relates. Non-Executive Directors receive fees; they do not have service contracts, are not eligible to join the pension scheme and have no entitlement to annual bonuses. It is a requirement that Directors purchase shares in the Company, although there is no specified minimum holding.

BONUS PAYMENTS TO EXECUTIVE DIRECTORS

Profit share bonuses earned on the achievement of targets agreed by the Remuneration Committee for the year ended 31 March 2019 were £3,850 in respect of Natasha C. Gadsdon (2018: £5,000) and £nil in respect of Jason W.H. Schofield (2018: £nil).

CONTRACTUAL PAYMENTS TO EXECUTIVE DIRECTORS

In accordance with the Executive Directors' service contracts, which were signed by both Jason W. H. Schofield and Natasha C. Gadsdon in August 2011, in the event of the acquisition of 50 per cent. or more of the issued share capital of the Company by any individual, corporation, partnership or any concert party of such person(s) (a 'Specified Event'), the director is entitled to payment of a sum equivalent to one year's salary (plus bonus and the value of all other benefits under the service contract) as liquidated damages within 28 days of the Specified Event. In addition, the director may resign on three months' written notice provided that such notice expires before the period of nine months from the date of the Specified Event in which case he/she shall be entitled to payment of a further sum equivalent to one year's salary (plus bonus and the value of all other benefits under the service contract).

Jason W. H. Schofield and Natasha C. Gadsdon, both being eligible, were paid the contractual sum due within 28 days of the Specified Event which occurred on 3 January 2018, being £186,921 in respect of Jason W. H. Schofield and £144,416 in respect of Natasha C. Gadsdon. Jason W. H. Schofield then served notice of resignation on 23 April 2018, and a contractual payment of £178,925 was paid on 23 July 2018, the date on which he left the Company. Being linked to the 'Specified Event' and change of ownership which occurred in January 2018, these payments were expensed through the Income Statement as 'Exceptional costs of change in ownership'.

NON-EXECUTIVE DIRECTORS FEES

The fees for Non-Executive Directors are determined by the Board after taking independent advice.

TABLES OF DIRECTORS REMUNERATION

The total remuneration of the Directors of the Company is as follows:

	2019 £000	2018 £000
Fees	**139**	86
Other Emoluments	**159**	268
Contractual Payments	**6**	510
Pension Contributions	**39**	82
	343	946

The remuneration, excluding pension contributions, of the individual Directors is as follows:

FOR THE YEAR TO 31 MARCH 2019	Directors' salaries £000	Taxable benefits £000	Bonus Payments £000	Contractual Payments £000	Directors' fees £000	Total £000
Philip H. Beinhaker	-	-	-	-	90	**90**
Graham S. Miller	-	-	-	-	29	**29**
Jason W.H. Schofield (resigned 23 July 2018)	44	4	-	6	-	**54**
Natasha C. Gadsdon	96	11	4	-	-	**111**
Sean J. Swales	-	-	-	-	20	**20**
	140	**15**	**4**	**6**	**139**	**304**

FOR THE YEAR TO 31 MARCH 2018	Directors' salaries £000	Taxable benefits £000	Bonus Payments £000	Contractual Payments £000	Directors' fees £000	Total £000
Philip H. Beinhaker (appointed 22 January 2018)	-	-	-		8	**8**
Graham S. Miller	-	1	-	-	40	**41**
Jason W.H. Schofield	133	23	-	366	-	**522**
Natasha C. Gadsdon	96	10	5	144	-	**255**
Sean J. Swales	-	-	-	-	20	**20**
Robert H. De Barr (resigned 22 January 2018)	-	-	-	-	18	**18**
	229	**34**	**5**	**510**	**86**	**864**

The pension contributions made in respect of the Executive Directors to the Group's defined contribution scheme were:

	2019 £000	2018 £000
Jason W.H. Schofield	**8**	51
Natasha C. Gadsdon	**31**	31
	39	82

CONTRACTS

On 27 June 2018, the Group entered into a revised service contract with Natasha C. Gadsdon. Under this agreement she is employed as a full time Executive Director with a one year rolling contract. She was appointed Finance Director in October 2004.

The Non-Executive Directors are appointed with three month's notice and the Chairman has a six month notice period.

On Behalf of the Board
PHILIP H BEINHAKER
EXECUTIVE CHAIRMAN AND CHAIR
OF THE REMUNERATION COMMITTEE
10 July 2019

Statement of Directors' Responsibilities

For the year ended 31 March 2019

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. 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 they have been prepared in accordance with IFRSs, as adopted by the European Union and applicable UK Accounting Standards, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website, in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By Order of the Board
NATASHA GADSDON
COMPANY SECRETARY

10 July 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUTTON HARBOUR GROUP PLC

Opinion

We have audited the financial statements of Sutton Harbour Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 group and parent 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 as applied to SME listed entities, 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 group's or the parent 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.

Emphasis of matter – valuation of inventory

We draw attention to note 4 of the consolidated financial statements which describes the potential impact of government future planning permission applications upon the valuation of the Plymouth airport site, which is held as inventory on the Balance Sheet at £12.4m.

The ultimate outcome of these future applications cannot be presently determined, and the financial statements do not reflect any impairment that may be required if the result is unfavourable. Our opinion is not modified in respect of this matter.

Key audit matters

We have identified the following key audit matters described below. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

GOING CONCERN

Key audit matter description

Management and the Board have prepared a budget and cash flow forecast indicating that the group and parent company can operate as a going concern for at least 12 months from the date the financial statements are approved. Cash flow projections are inherently judgemental and subject to fluctuation with expenditure requirements. Also, further investment is required to continue development of the Harbour Arch and Sugar Quay schemes, which indicates a risk in being able to obtain the required additional funding. As a result, the ability of the group and parent company to operate as a going concern for 12 months from the date of approval of the financial statements was a key area of audit focus.

Response to key audit matter

We discussed the detailed forecasts and budgets prepared by management. The main procedures performed on the model and areas where we challenged management were as follows:

- Testing the quality of management forecasting by comparing forecasts for prior periods to actual outcomes.
- Testing the appropriateness of the assumptions that had the most material impact. In challenging these assumptions actual results, external data and market conditions were taken into account.
- Performing sensitivity calculations to test the adequacy of available headroom.
- Performing sensitivity analysis on compliance with funding covenants
- Considering the appropriateness of the disclosures made in the financial statements in respect of going concern.

VALUATION OF PLYMOUTH CITY AIRPORT (FORMER AIRPORT SITE)

Key audit matter description

Within development inventory the group holds the Former Airport Site, a 113 acre site with unexpired 138 year leasehold, which at the year end has a carrying value of £12.4m. Under IAS 2, the carrying value has to be assessed for impairment with the group needing to satisfy itself that the asset is included in inventory at the lower of cost and net realisable value, with net realisable value including developer's return where applicable. Amendments to IAS 40 require mandatory reassessment on adoption around the transfers between inventory and investment property. A Department for Transport report, "Plymouth Airport Study Report", published in December 2016, concluded that a lack of demand and short runway mean that passenger services could not be run out of the airport, but the report did not rule out general aviation purposes. An Examination in Public resulted in a Government Inspectors' report issued in March 2019 which recommended the safeguarding of the former airport site for five years to allow time for a potential operator to bring forward a proposal for a licensed general aviation airport. This period of safeguarding impacts the value and timing of any potential development of the site, which is the basis of the emphasis of matter paragraph above. The current carrying value of the asset is based on this development strategy.

Response to key audit matter

The main procedures performed on the valuation assessment and areas where we challenged management were as follows:

- Discussing with management the Board's strategy with regard to the airport site and ensuring it is in line with our understanding. Considering the amendments to IAS 40 "Transfers to Investment Property" and basis of conclusion to support treating it as inventory.
- Agreeing a sample of costs incurred on the site during the year to supporting documentation and comparing the nature of the expenditure to the requirements to classify as inventory according to IAS 2.
- Agreeing the ownership of the airport site to land registry documentation.
- Inspection of government reports and assessment of their impact on the ability of the group to apply for planning permission.
- Consideration of the potential net realisable value of the site with reference to comparable land value and potential value post development discounted at an appropriate rate; sensitivity analysis was then performed against the value of land per acre to determine headroom over carrying value.

VALUATION OF INVESTMENT PROPERTIES AND OWNER OCCUPIED LAND AND BUILDINGS

Key audit matter description

The group adopts a policy of revaluation for its owner occupied land and buildings as well as its investment properties with valuation stated at fair value. Under IFRS 13, fair value measurement is required to be based on the 'highest and best use' and in most cases an entity's current model is presumed to be its highest and best use, although consideration needs to be made on a property by property basis to ensure that market opportunities and conditions do not suggest otherwise. Investment properties (£19.4m) and fixed assets (£23.6m) held at valuation stand at £45.7m as at the year end. Due to the impact that the valuations can have on the financial statements and the inherently judgemental nature of these valuations, we have considered this area as a key audit focus.

Response to key audit matter

The main procedures performed on the valuation assessment and areas where The main procedures performed on the valuation assessment and areas where we challenged management were as follows:

- Agreeing the valuations recognised in the accounts to the reports prepared by a professional third party.
- Assessing the professional valuation firm as independent and sufficiently competent, with respect to qualifications, experience and reputation.
- Considering the appropriateness of the assumptions that had the most material impact and key variables included in the valuations, such as Fair Maintainable Operating Profit, yields and market rates.
- Considering the appropriateness of the disclosures made in the financial statements in respect of the properties.

VALUATION OF DEVELOPMENT SITES – SUGAR QUAY

Key audit matter description

Costs incurred on the Sugar Quay development site stand at £9.7m as at year end and are held within inventory. Planning permission has been granted during the year with construction due to commence by the end of the year. The costs include capitalised interest plus design and consultancy costs.

Response to key audit matter

The main procedures performed on the valuation assessment and areas where we challenged management were as follows:

- Reviewing a sample of additional costs capitalised within the valuation of the development site and critically assessing these costs against the capitalisation criteria of IAS 2.
- Reviewing of documentation prepared by management supporting the expectation for the site and potential sale value.
- Considering the assumptions used within the calculation of expected cost and sale value by including sensitivity analysis and determining the impact of different outcomes.

Materiality

The materiality for the group financial statements as a whole was set at £1.4m. This has been determined with reference to the benchmark of the group's total assets, which we consider to be an appropriate measure for a group of companies with significant value in investments and development activities which are fundamental to the current and future trading of the group. Materiality represents 2% of group's total assets as presented on the face of the Consolidated Balance Sheet.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £73k (0.1% of group's total assets), in addition to other identified misstatements that warrant reporting on qualitative grounds.

The materiality for the parent company financial statements as a whole was set at £0.6m. This has been determined with reference to the net assets of the parent company, which we consider to be one of the principal considerations for members of the company in assessing the performance of the Group. Materiality represents 2% of parent company's net assets as presented on the face of the Balance Sheet.

An overview of the scope of the audit

Of the Group's 7 reporting components, we audited individually 3 and subjected another 3 to audit procedures for Group reporting purposes where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality of that component. The remaining component is immaterial.

The components within the scope of our work covered 97% of Group revenue, 100% of Group profit before tax and 98% of Group net assets.

Other information
The other information comprises the information included in the Annual Report and Financial Statements, other than the group and parent company financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 24, 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 group's and parent 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 group and parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report
This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

CARL DEANE
Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson

Statutory Auditor
Chartered Accountants
Portwall Place
Portwall Lane
Bristol
BS1 6NA

10 July 2019

Consolidated Income Statement

For the year ended 31 March 2019

	Note	2019 £000	2018 £000
Revenue	5	**6,893**	6,503
Cost of sales		**(4,686)**	(4,367)
Gross profit		**2,207**	2,136
Fair value adjustments on investment properties and fixed assets	13,14	**1,444**	(626)
Administrative expenses		**(1,234)**	(1,374)
Exceptional costs of change in ownership		**-**	(1,741)
Operating profit/(loss)	5,6	**2,417**	(1,605)
Finance income	9	**1**	-
Finance costs	9	**(902)**	(897)
Net finance costs		**(901)**	(897)
Profit/(loss) before tax from continuing operations		**1,516**	(2,502)
Taxation credit on profit/(loss) from continuing operations	10	**315**	304
Profit/(loss) for the year from continuing operations		**1,831**	(2,198)
Profit/(loss) for the year attributable to owners of the parent		**1,831**	(2,198)
Basic and diluted earnings/(loss) per share from continuing operations	12	**1.68p**	(2.24)p

Consolidated Statement of Other Comprehensive Income

For the year ended 31 March 2019

	Note	2019 £000	2018 £000
Profit/(loss) for the year		**1,831**	(2,198)
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment	13	**1,640**	(1,624)
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		**6**	70
Other comprehensive income for the year, net of tax		**1,646**	(1,554)
Total comprehensive income for the year attributable to owners of the parent		**3,477**	(3,752)

The notes on pages 32 to 59 are an integral part of these consolidated financial statements

Consolidated Balance Sheet

As at 31 March 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	13	**26,632**	23,973
Investment property	14	**19,425**	19,055
Investment property	17	**12,448**	-
		58,505	43,028
Current assets			
Inventories	17	**11,119**	21,276
Trade and other receivables	18	**2,283**	2,170
Cash and cash equivalents	19	**1,296**	2,767
Tax recoverable		**(5)**	8
		14,693	26,221
Total assets		**73,198**	69,249
Current liabilities			
Trade and other payables	22	**1,496**	1,633
Finance lease liabilities	23	**122**	117
Deferred income	21	**1,398**	1,434
Provisions	25	**70**	70
Derivative financial instruments		-	6
		3,086	3,260
Non-current liabilities			
Bank loans	20	**22,500**	24,350
Finance lease liabilities	23	**47**	158
Deferred government grants	21	**646**	646
Deferred tax liabilities	16	**1,023**	1,338
Provisions	25	**164**	169
		24,380	26,661
Total liabilities		**27,466**	29,921
Net assets		**45,732**	39,328
Issued capital and reserves attributable to owners of the parent			
Share capital	26	**16,266**	16,162
Share premium		**10,695**	7,872
Other reserves		**11,696**	10,050
Retained earnings		**7,075**	5,244
Total equity		**45,732**	39,328

The notes on pages 32 to 59 are an integral part of these consolidated financial statements.

The Financial Statements on pages 32 to 59 were approved and authorised by the Board of Directors on 10 July 2019 and were signed on its behalf by:

Natasha Gadsdon
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Notes	Share capital	Share premium	Revaluation reserve	Merger reserve	Hedging reserve	Retained earnings	Total equity
				---------------- Other reserves	------------------			
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017		16,069	5,368	7,809	3,871	(76)	7,442	40,483
Comprehensive income/(expense)								
Loss for the year		-	-	-	-	-	(2,198)	(2,198)
Other comprehensive expense								
Revaluation of property, plant and equipment	13	-	-	(1,624)	-	-	-	(1,624)
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	70	-	70
Total other comprehensive expense		-	-	(1,624)	-	70	-	(1,554)
Total comprehensive income/(expense)		-	-	(1,624)	-	70	(2,198)	(3,752)
Transactions with owners of the parent)								
Issue of shares		-	-	(1,624)	-	70	(2,198)	(3,752)
Total balance at 31 March 2018		16,162	7,872	6,185	3,871	(6)	5,244	39,328
Balance at 1 April 2018		16,162	7,872	6,185	3,871	(6)	5,244	39,328
Comprehensive income/(expense)								
Profit for the year		-	-	-	-	-	**1,831**	**1,831**
Other comprehensive income/(expense)								
Revaluation of property, plant and equipment	13	-	-	**1,640**	-	-	-	**1,640**
Effective portion of changes in fair value of cash flow hedges3		-	-	-	-	**6**	-	**6**
Total other comprehensive expense				**1,640**		**6**		**1,646**
Total other comprehensive income/(expense)								
Purchase of shares	26	**104**	**2,823**	-	-	-	-	**2,927**
Total balance at 31 March 2019		**16,266**	**10,695**	**7,825**	**3,871**	**-**	**7,075**	**45,732**

The cumulative deferred tax relating to items that are charged to equity is £nil (2018: £nil).

The notes on pages 32 to 59 are an integral part of these consolidated financial statements.

Further information in relation to the other reserves set out within the statement of changes in equity can be found in note 26.

Consolidated Cash Flow Statement

For the year ended 31 March 2019

	Note	2019 £000	2018 £000
Cash generated from total operating activities	28	**(1,181)**	(886)
Cash flows from investing activities			
Net expenditure on investment property	14	**(60)**	-
Expenditure on property, plant and equipment	13	**(243)**	(227)
Proceeds from sale of plant and equipment		-	12
Net cash used in investing activities		**(303)**	(215)
Cash flows from financing activities			
Proceeds from issue of shares		**3,000**	2,750
Expenses of share issuance		**(73)**	(152)
Interest paid	9	**(958)**	(897)
Loan (repayment)		**(1,850)**	-
Loan drawdown		-	1,550
Cash payments of finance leases		**(106)**	(86)
Net cash generated (used in)/generated from financing activities		**13**	3,165
Net decrease in cash and cash equivalents		**(1,471)**	2,064
Cash and cash equivalents at beginning of the year	19	**2,767**	703
Cash and cash equivalents at end of the year	19	**1,296**	2,767

	2019 £000	Cash flow £000	2018 £000	Cash flow £000	2017 £000
Reconciliation of financing activities for the year ended 31 March 2019					
Bank loans	**22,500**	**(1,850)**	24,350	1,550	22,800
Finance leases	**169**	**(106)**	275	(86)	361
Long term debt	**22,669**	**(1,956)**	24,625	1,464	23,161

The notes on pages 32 to 59 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

1. General information

Sutton Harbour Group plc, formerly Sutton Harbour Holdings plc, ('the Company') and its subsidiaries are together referred to as 'the Group'. The Group is headquartered at Sutton Harbour, Plymouth and owns and operates the harbour and its ancillary facilities. The other principal activities of the Group are marine operations, waterfront real estate regeneration, investment and development and also provision of public car parking.

The Company is a public limited company which is listed on the Alternative Investment Market of the London Stock Exchange, is incorporated and domiciled in the UK and registered in England and Wales with number 02425189. The address of its registered office is Sutton Harbour Office, Guy's Quay, Plymouth, Devon, PL4 0ES.

2. Group accounting policies

Basis of preparation

The Group financial statements consolidate those of the Company and its subsidiaries.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as adopted by the European Union, and the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4 to these financial statements.

Going concern

The review of the Group's business activities is set out in the combined Chairman's Statement and Chief Executive's Report on pages 4 and 5. The financial position of the Group, its cash flows and financing position are described in the Financial Review on page 7. In addition, note 3 to the financial statements gives details of the Group's financial risk management.

The Group's forecasts and projections, taking account of reasonably foreseeable possible changes in trading performance, show that the Group should be able to operate within the level of the facilities and covenants over a period of at least twelve months. The covenants measure interest cover, debt to fair value and capital expenditure.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group, therefore, continues to adopt the going concern basis in preparing its financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis as modified by the fair value of property and some financial assets and financial liabilities.

The functional currency of the Group and its subsidiaries is pounds sterling and therefore balances are shown in the financial statements in thousands of pounds sterling, unless otherwise stated.

Basis of consolidation

The consolidated financial statements include the financial statements of Sutton Harbour Group plc and its subsidiaries at each reporting date. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised profits and losses are also eliminated.

Property, plant and equipment

Property, plant and equipment can be divided into the following classes:

Land and buildings
Assets in the course of construction
Plant, machinery and equipment
Fixtures and fittings

Land and buildings

Land and buildings include:

- Freehold and leasehold land. Where a lease has an unexpired term of more than 50 years it is considered to share the same characteristics as freehold land and is shown as such.

- Properties that are mainly owner-occupied, or that are an integral part of the Group's trading operations (marina including the lock, quays, marina buildings, the fishmarket building and car parks).

Owner occupied assets are initially recorded at cost and are subsequently revalued and stated at their fair values. Fair value is based on regular valuations by an external independent valuer and is determined from market-based evidence by appraisal. Valuations are performed with sufficient regularity (at least annually) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Where owner occupied assets (such as marinas, the fishmarket and car parks) comprise land, buildings, plant and machinery the valuation is of the asset as a whole. Any valuation movement is allocated to land and buildings; plant and machinery continue to be carried at cost less accumulated depreciation (see below).

Any revaluation surplus is credited to the revaluation reserve except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. Any revaluation deficits are recognised in the income statement, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

Assets in the course of construction
Assets in the course of construction are held at cost. Depreciation commences when the asset is fully operational as intended.

Plant, machinery and equipment, fixtures and fittings
Plant, machinery and equipment includes items used in the operation of marina, fishmarket and car park trading operations (such as pontoons, piles, ice making equipment and chillers, car parking meters). Fixtures and fittings includes building fit outs. Plant, machinery and equipment, fixtures and fittings are all stated at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Leased assets
Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where buildings are held under finance leases the accounting treatment of leases of any associated land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Leased assets are depreciated over the shorter of the lease term and useful economic life. The lease liability is included in the balance sheet as a finance lease liability. Lease payments are apportioned between finance charges and the reduction of lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement. Leased properties are subsequently revalued to their fair value.

The treatment of assets held under operating leases where the lessor maintains the risks and rewards of ownership is described in the operating lease payments accounting policy below.

Depreciation
Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant, machinery and equipment, fixtures and fittings. Estimated useful lives and residual values are reassessed annually. Where parts of an item of property, plant, machinery and equipment, fixtures and fittings have different useful lives, they are accounted for as separate items. Freehold land is not depreciated. The estimated useful lives and depreciation basis of assets are as follows:

Freehold buildings	(straight line)	10 to 50 years
Leasehold buildings	(straight line)	50 years or remaining period of lease
Plant, machinery and equipment	(straight line)	4 to 30 years
Fixtures and fittings	(straight line)	4 to 10 years

Investment property
Investment properties are properties which are held to earn rental income and/or for capital appreciation. Investment properties are initially measured at cost and subsequently revalued to fair value which reflects market conditions at the balance sheet date. Any gains or losses arising from changes in fair value are recognised in the income statement in the period in which they arise. Fair value is the estimated amount for which a property could be exchanged, on the date of valuation, between a willing buyer and a willing seller, in an arm's length transaction, after proper marketing, in which both parties had acted knowledgeably, prudently and without compulsion.

Some properties are held both to earn rental income and for the supply of goods and services and administration purposes. Where the different portions of the property cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for the production and supply of goods and services and administration purposes.

The portfolio is valued on an annual basis by an external independent valuer, who is RICS qualified. The valuer will also have recent experience in the location and category of property being valued.

The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Rental income from investment property is accounted for as described in the revenue accounting policy.

Investment property that is redeveloped for continued future use as an investment property remains classified as an investment property while the redevelopment is being carried out. While redevelopment is taking place, the property will continue to be valued on the same basis as an investment property.

All tenant leases have been examined to determine if there has been any transfer of the risks and rewards of ownership from the Group to the tenant in accordance with IAS 17 'Leases'. All tenant leases were determined to be operating leases. Accordingly, all the Group's leased properties are classified as investment properties and included in the balance sheet at fair value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Where inventory has been transferred from fixed assets, deemed cost includes revaluation. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Inventories – development property

Land identified for development and sale, and properties under construction or development and held for resale, are included in non-current or current assets, depending on the estimated time of ultimate realisation, at the lower of cost and net realisable value. Cost includes all expenditure related directly to specific projects, including capitalised interest, and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Net realisable value is estimated selling value less estimated costs of completion and estimated costs necessary to make the sale and includes developer's return where applicable.

Cash and cash equivalents

Cash in the balance sheet comprises cash at bank and in hand. Bank overdrafts and similar borrowings that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Offset arrangements across Group businesses are applied to arrive at the net cash figure.

Impairment

The carrying amounts of the Group's assets other than investment property and inventories are considered at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount it is impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the Group's financial assets is calculated as the present value of estimated future cash flows, discounted at an appropriate effective interest rate taking into account the time value of money and the risks associated with future cash flows. The recoverable amount of non-financial assets is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Derivative financial instruments and hedging activities

Derivative financial instruments, comprising interest rate swaps, were initially recognised at fair value on the date a derivative contract was entered into and was subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative was designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that were used in hedging transactions are highly effective in offsetting changes in cash flows or fair values of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 14. Movements on the hedging reserve in shareholders' equity are shown in the Statement of Changes in Equity and the Statement of Comprehensive Income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The fair values are calculated by reference to active market prices, forward exchange rates and LIBOR rates.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within cost of sales for any foreign exchange derivatives and fuel hedging derivatives and within financing costs for any interest rate swaps. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Derivatives at fair value through profit and loss
Where derivative instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in the income statement.

The Group has applied hedge accounting for all hedge contracts entered into in both the current and prior year. The effective part of any gain or loss on the cash flow hedges is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Own shares
Ordinary and Deferred shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary and Deferred shares and share options are recognised as a deduction from equity.

Revenue
Revenue comprises the fair value of the consideration received or receivable, net of value-added-tax, rebates and discounts. Revenue is recognised in accordance with the transfer of promised goods or services to customers (i.e. when the customer gain control of ownership that has been transferred). The following criteria must also be met before revenue is recognised:

Rent and marina and berthing fees
Rent from investment property and marina and berthing fees are typically invoiced in advance and are accounted for as deferred income and recorded to revenue during the period to which the tenant had control of the service.

Lease incentives and costs associated with entering into tenant leases are amortised over the lease term. These are held in the balance sheet within accrued income.

Other marine related revenue
Fuel sales, landing dues and other ancillary incomes, are recorded to revenue on the transfer of goods to the customer.

Car park revenue
Car park revenue is recognised at the point that a car parking ticket is paid for, normally a maximum of one day's parking Where seasonal parking permits are sold for longer periods the income is spread over the period the permit relates to.

Property sales
Revenue from property sales is recognised when effective control of the asset have passed to the buyer. This will be at the point of legal completion.

Interest Income
Interest income is recognised as it becomes receivable.

Government grants
Government grants are recognised when there is reasonable assurance that the grant will be received and that the Group will comply with all conditions associated with the grant. Government grants in respect of capital expenditure are credited to reduce the initial carrying value of the related asset. Grants of a revenue nature are credited to a deferred income account and released to the income statement so as to match them with the expenditure to which they relate.

Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense over the term of the lease.

Net financing costs
Net financing costs comprise interest payable, commitment fees on unused portion of bank facilities, amortisation of prepaid bank facility arrangement fees, unwinding of discount on provisions, finance charge component of minimum lease payments made under finance leases and interest receivable on funds invested. Interest payable and interest receivable are recognised in profit or loss as they accrue, unless capitalised as described under "borrowing costs" below, using the effective interest method. The fair value movement of derivative financial instruments and any ineffective portion of cash flow hedges are also included within net financing costs.

Borrowing costs
Borrowing costs are capitalised on qualifying assets. A qualifying asset is one that takes more than twelve months to complete. The borrowing rate applied is that specifically applied to fund the development. In the case of bank borrowings this is the weighted average cost of debt capital. Capitalisation ceases when substantially all the activities that are necessary to get the property ready for use are complete and is paused when a project pauses.

Employee benefits: defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Employee benefits: share-based payment transactions
The share option programme allows Group employees to acquire shares of the Company; these awards are granted by the Company. The share-based payments are all equity-settled and are measured at fair value. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Taxation
Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax is recognised on all temporary differences except on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Dividends
Interim dividends are recognised when paid, final dividends are recognised when approved by the shareholders. Dividends unpaid at the balance sheet date are only recognised as a liability at that date if they have been approved. Unpaid dividends that have not yet been approved are disclosed in the notes to the financial statements.

Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and whose results are regularly reviewed by the Board .

The following operating segments have been identified:

Marine
Real Estate
Car Parking
Regeneration

Revenue included within each segment is as follows:

Marine:
Marina and commercial berthing fees
Fishmarket landing dues
Other marine related revenue including fuel sales and other ancillary income

Car Parking:
Car park revenue

Real Estate:
Rent

Regeneration:
Property sales

Costs, assets and liabilities are allocated to each business segment based on the revenue that they are used to generate.

Trade Receivables
Trade receivables are amounts due from customers for items sold or services performed in the ordinary course of business. If settlement is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. They are initially recognised at transaction price determined under IFRS 15.

Trade Payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are initially recognised at fair value and subsequently carried at amortised cost.

Changes in accounting policies and disclosures

(a) New and amended Standards and Interpretations adopted by the Company

New Standards which have been adopted in these accounts, and which have given rise to changes in the Group's accounting policies are:

- IFRS 9 "Financial Instruments"; and
- IFRS 15 "Revenue from Contracts with Customers"

The adoption of the above standards did not have a significant effect on the accounts. There were a number of Amendments to Standards adopted in the current year, but neither of these had a material impact on the Group in the current period.

(b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 April 2018.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 16 "Leases" will be effective for the year ending 31 March 2020 onwards and the impact on the financial statements will be immaterial.

3. Financial risk management

Fair values

IFRS 13 requires disclosure of fair value measurements for balance sheet financial instruments by level according to the following measurement hierarchy:

Level 1: Quoted prices unadjusted in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly as prices or indirectly derived from prices; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

The Group does not hold any Level 1 balance sheet financial instruments.

The fair values together with the carrying amounts of the Group's financial instruments shown in the balance sheet are as follows:

	Fair value 1 April 2018 £000	Income Statement £000	Other Comprehensive Income £000	Cash-flow Movements £000	**Total (Level 2) 31 March 2019 £000**
Financial liabilities					
Derivative financial instruments	**6**	-	-	(6)	-

Capital risk management

The capital structure of the Group consists of net debt which includes the borrowings disclosed in notes 19 and 20 and shareholders' equity comprising issued share capital, reserves and retained earnings.

The capital structure of the Group is reviewed annually with reference to the costs applicable to each element of capital, future requirements of the Group, flexibility of capital drawdown and availability of further capital should it be required.

The Group has a target gearing ratio of approximately 50% but gearing may exceed these levels where a project is in final stages before ultimate disposal or becoming fully operational. The Group structures borrowings into general facilities and secures specific financing for individual property projects as deemed appropriate.

The Board is not recommending the payment of a dividend for the year ended 31 March 2019.

The gearing ratio at the year end was as follows:

	2019 £000	2018 £000
Borrowings and loans	**(22,500)**	(24,350)
Finance lease liabilities	**(169)**	(275)
Cash and cash equivalents	**1,296**	2,767
Net debt	**(21,373)**	(21,858)
Equity	**45,732**	39,328
Net debt to equity ratio	**46.7%**	55.6%

Bank borrowing facilities and financial covenants

In January 2018 the Group extended its banking facilities until 31 March 2021, with two term loans totalling £22.5m and a £2.5m revolving credit facility. No amounts of any loan are due before 31 March 2021.

The banking facilities include financial covenants, including (i) a measure of EBITDA to interest covenant (ii) a debt to fair value of property valuation covenant and (iii) a capital expenditure covenant. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of the facilities and covenants over a period of at least twelve months.

Liquidity risk

The Group uses financial instruments, comprising bank borrowing and various items including trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The main risk arising from the Group financial instruments is liquidity risk. The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by overdraft facilities. The Group has the ability to manage its liquidity through the timing of development projects and also the timing of the sale of assets.

Contractual maturity

The following tables analyse the Group's financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows including principal.

As at 31 March 2019:

	Total £000	0 to <1 year £000	1 to <2 years £000	2 to <5 years £000
Bank loans*	(22,500)	-	(22,500)	-
Trade and other payables*	(1,510)	(1,510)	-	-
Finance lease liabilities*	(169)	(122)	(47)	-
	(24,179)	(1,632)	(22,547)	-

As at 31 March 2018:

	Total £000	0 to <1 years £000	1 to < 2 years £000	2 to <5 years £000
Bank loans*	(24,875)	(819)	(819)	(23,237)
Trade and other payables*	(1,633)	(1,633)	-	-
Finance lease liabilities*	(294)	(127)	(55)	(112)
Derivative financial instruments**	(6)	(6)	-	-
	(26,808)	(2,585)	(874)	(23,349)

* financial liabilities at amortised cost
** financial liabilities at fair value

Interest rate risk

Since June 2016, LIBOR were hedged on £10m of borrowings until March 2019.

Credit risk

Many of the Group's customers are required to pay for services in advance of supply which reduces the Group's exposure to credit risk. Property rentals and marina berthing are examples of this. The Group pursues debtors vigorously where credit terms have been exceeded. The credit quality of the Group's financial assets can be summarised as follows:

	2019 £000	2018 £000
Trade receivables:		
New customers (less than 12 months)	66	100
Existing customers (more than 12 months) with no defaults in the past	524	389
Existing customers (more than 12 months) with some defaults in the past	40	75
Total trade receivables net of provision for impairment	630	564

Commodity price risk

The Group experiences volatile fuel prices throughout the year. The Group only acts as a reseller of fuel at the fishmarket and marina. The sales prices are derived from the price paid for fuel and therefore fuel price exposure is no longer considered a risk.

Sensitivity analysis
Interest rates
In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates would have an impact on consolidated earnings.

At 31 March 2019, it is estimated that a general increase of half a percentage point in interest rates (being the best estimate of future anticipated changes in interest rates), ignoring hedging, would have decreased the Group's profit before tax from continuing operations by approximately £110,000 (2018: £110,000). Net assets would have decreased by the same amount.

Valuation of investment property and property held for use in the business

Land & buildings valuations are complex, require a degree of judgement and are based on data some of which is publicly available and some that is not. We have classified the valuations of our property portfolio as level 3 as defined by IFRS 13 Fair Value Measurement. Level 3 means that the valuation model cannot rely on inputs that are directly available from an active market. All other factors remaining constant, an increase in trading income would increase valuation, whilst an increase in equivalent nominal yield would result in a fall in value and vice versa.

In establishing fair value the most significant unobservable input is considered to be the appropriate yield to apply to the trading income. This is based on a number of factors including the maturity of the business and trading and economic outlook.

Yields applied across the trading and investment assets are in the range of 4.35% – 10.47% with the average yield being 7.15%. Assuming all else stayed the same; a decrease of 1.0% in the average yield would result in an increase in fair value of £1.17m. An increase of 1.0% in the average yield would result in a corresponding decrease in fair value of £1.17m.

These assets were independently valued by Jones Lang LaSalle ("JLL") at 31 January 2019. The valuation by JLL was in accordance with the Practice Statements in the Valuations Standards (The Red Book) published by the Royal Institution of Chartered Surveyors, on a market-based evidence approach, which is consistent with the required IFRS 13 methodology.

4. Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates
The following are the areas that require the use of estimates that may impact the Group's balance sheet and income statement:

a) The valuation of investment property and property held for use in the business as at 31 January 2019 was £19,425,000 and £26,275,000 respectively; (2018: £19,055,000 and £23,600,000 respectively). In determining the fair value of properties, the Board relies on external valuations carried out by professionally qualified independent valuers in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuation of investment properties uses estimated rental yields for each property based on market evidence at the date the valuation is carried out. Judgement is exercised in determining future rental income or profitability of the relevant properties. Within the valuation of property held for use in the business, judgment is required to allocate the valuation between land and buildings.

Judgements
The following are the areas that require the use of judgements that may impact the Group's balance sheet and income statement:

a) The Board exercises judgement in determining the useful life of fixed assets. The useful lives of fixed assets range from 4 to 50 years and are reviewed regularly to ensure they continue to be appropriate.

b) The Board exercises judgement in determining whether properties should be classified as investment property or development inventory and this is done by reference to criteria including whether the property is being marketed for sale in the ordinary course of business and the nature of the development activity ongoing (including planning applications and development of proposals for submission to the relevant authorities).

c) Determining the net realisable value of development property 2019: £23,514,000 see note 18; (2018: £21,233,000)
• The Board has exercised judgement in determining the net realisable value of development property, taking into account expected costs to complete and future sale proceeds, and hence whether any write-down of development property is required. Incorporated in the appraisal of net realisable value are judgements about: disposal revenue and/or investment value at completion; project formulation (including mix of development uses and development density); full development cost; amounts payable to third parties (for example, contributions to the local authority under section 106 agreements, sharing of proceeds with local authority and repayment of grants in the case of development of the former airport site); financing costs; time value of money; and, allowance for contingency. Included in development inventory is the Former Airport Site. The Local Planning Authority is currently in the process of formulating a new planning policy framework to guide Plymouth's planning strategy to 2034 period and the public hearing took place in early 2018 The public hearing took place in early

2018, with the Government Inspectors' report subsequently issued in March 2019. The Government Inspectors supported a 'safeguard' of the former airport site for five years to allow time for a potential airport operator to bring forward a plan for a licensed general aviation airport. The Inspectors also advised that a longer safeguarding period could risk the site being left vacant and unused and that that would not be appropriate. The Government Inspectors view of the importance of the site for alternative use, in absence of an airport operation, affirms the Company's view of the value of the land.

Should the board change its strategy with a view to an alternative, this may have an effect on the carrying value of the asset. No write down has been included in the current year.

The second largest development inventory item relates to the Sugar Quay (East Quay) site at Sutton Harbour. At the present time, a planning submission is underway and it is expected that proceeds will exceed the carrying value of the inventory.

d) Impairments
The Board exercises judgement in identifying cash-generating units and utilises assumptions, which are often subject to uncertainty, in determining the recoverable amount of assets (or cash-generating units) to assess whether an asset (or cash-generating unit) is impaired. In the year fixed assets totalling £nil (2018: £nil) and development inventory totalling £nil (2018: £nil) have been impaired.

e) The calculation of deferred tax assets and liabilities (2019: Liability of £1,338,000; 2018: Liability of £1,338,000) The Group has not recognised deferred tax assets in respect of certain properties due to a high degree of uncertainty of when the asset may be realised.

5. Segment results

Grants received for construction of assets between 1993 and 1999 were credited to the revaluation and profit and loss reserves. This was not in accordance with accounting standards and this has been rectified in the current year, with amounts being transferred from the revaluation and investment revaluation reserves to the assets funded. The impact of this adjustment to opening balances at 1 April 2017 is as follows:

Year ended 31 March 2019	Marine £000	Real Estate £000	Car Parking £000	Regeneration £000	Total £000
Revenue	4,896	1,474	523	-	**6,893**
Segmental Operating Profit before fair value adjustment and unallocated expenses	1,057	941	350	(141)	**2,207**
Fair value adjustment on investment properties and fixed assets	1,134	310	-	-	**1,444**
					3,651
Unallocated:					
Administrative expenses					**(1,234)**
Operating profit					**2,417**
Financial income					**1**
Financial expense					**(902)**
Profit before tax from continuing activities					**1,516**
Taxation					**315**
Profit for the year from continuing operations					**1,831**
Depreciation charge					
Marine					**314**
Car Parking					**33**
Administration					**11**
					358

Year ended 31 March 2018	Marine £000	Real Estate £000	Car Parking £000	Regeneration £000	Total £000
Revenue	4,578	1,414	511	-	6,503
Gross profit prior to non-recurring items	971	946	318	(99)	2,136
Segmental Operating Profit before fair value adjustment and unallocated expenses	971	946	318	(99)	2,136
Fair value adjustment on investment properties and fixed assets	(221)	(405)	-	-	(626)
					1,510
Unallocated:					
Administrative expenses					(1,374)
Exceptional costs of change in ownership					(1,741)
Operating profit					(1,605)
Financial income					-
Financial expense					(897)
Profit before tax from continuing activities					(2,502)
Taxation					304
Profit for the year from continuing operations					(2,198)
Depreciation charge					
Marine					297
Car Parking					12
Administration					16
					325

	2019 £000	2018 £000
Segment assets:		
Marine	**23,514**	20,882
Real Estate	**19,892**	19,460
Car Parking	**4,456**	4,233
Regeneration	**23,574**	21,414
Total segment assets	**71,436**	65,989
Unallocated assets:		
Property, plant & equipment	**61**	78
Trade & other payables	**405**	415
Cash and cash equivalents	**1,296**	2,767
Total assets	**73,198**	69,249

	2019 £000	2018 £000
Segment liabilities:		
Marine	**1,897**	1,858
Real Estate	**575**	705
Car Parking	**130**	131
Regeneration	**1,085**	938
Total segment liabilities	**3,687**	3,632
Unallocated liabilities:		
Bank overdraft & borrowings	**22,669**	24,625
Trade & other payables	**87**	320
Financial derivatives	**-**	6
Deferred tax liabilities	**1,023**	1,338
Tax payable	**-**	-
Total liabilities	**27,466**	29,921
Additions to property, plant and equipment		
Marine	**183**	227
Car Parking	**22**	-
Unallocated	**38**	-
Total	**243**	227

Unallocated assets included in total assets and unallocated liabilities included in total liabilities are not split between segments as these items are centrally managed.

Unallocated expenses include central administrative costs that cannot be split between the various business segments because they are incurred in assisting the Group generate revenues across all business segments.

Revenue can be divided into the following categories:

	2019 £000	2018 £000
Sale of goods	**2,357**	2,289
Rental income and service recharges	**1,614**	1,547
Provision of services	**2,922**	2,667
	6,893	6,503

No revenues from any one customer represented more than 10% of the Group's revenue for the year.

6. Operating result

The following items are included within operating profit/(loss):

	Note	2019 £000	2018 £000
Staff costs	8	**1,467**	1,687
Increase/(decrease) in provisions	25	**(5)**	(14)
Rental income from investment property	27	**(1,474)**	(1,382)
(Profit)/loss on sale of property, plant and equipment		**-**	(10)
Direct operating expenses of investment properties (including repairs and maintenance)		**71**	117
(Gain)/loss on remeasurement of investment property to fair value	14	**(310)**	405
(Gain)/loss on re-measurement of fixed assets	13	**(1,133)**	221
Depreciation of property, plant and equipment	13	**385**	325
Operating lease payments	27	**214**	228

7. Services provided by the Company's auditors

During the year the Group obtained the following services from the Company's auditors:

	2019 £000	2018 £000
Fees payable to Company's auditors for the audit of Parent Company and consolidated financial statements	**24**	22
Fees payable to the Company's auditors for other services:		
The audit of Company's subsidiaries pursuant to legislation	**22**	22
Tax compliance services	**11**	10

8. Staff numbers and costs and Directors' remuneration

The average number of persons employed by the Group (including Executive Directors, excluding Non-Executive Directors) during the year, analysed by category, was as follows:

	Number of employees 2019	2018
Marine Activities	**23**	23
Property and Regeneration	**1**	2
Administration	**6**	7
	30	32

The aggregate payroll costs of these persons were as follows:	Note	2019 £000	2018 £000
Wages and salaries		**1,215**	1,381
Social security costs		**126**	147
Other pension costs	25	**126**	159
		1,467	1,687

The total remuneration of the Directors of the Company was as follows:

	2019 £000	2018 £000
Fees	**139**	86
Other Emoluments	**159**	268
Contractual Payments	**6**	510
Pension Contributions	**39**	82
	343	946

Further details of Directors' remuneration are given in the Remuneration Report on pages 21 to 23, which forms part of these financial statements.

9. Finance income and finance costs

	2019 £000	2018 £000
Finance income	**1**	-
Interest payable on bank loans and overdrafts	**892**	761
Interest payable on finance leases	**10**	14
Unwinding of provisions	**-**	25
Other finance costs	**-**	97
Finance costs	**902**	897

Finance costs are net of borrowing costs capitalised in the year which amounted to £55,000 (2018: £40,000).

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 4.4% (2018: 4.4%).

10. Taxation

	Note	2019 £000	2018 £000
Deferred tax			
Adjustments in respect of previous years		**(318)**	-
Origination and reversal of temporary differences		**3**	(304)
Change in tax rate		**-**	-
Total tax (credit)/charge in income statement	19	**(315)**	(304)

Finance Act 2016, which received Royal Assent on 15 September 2016, includes legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020. Accordingly, as this was enacted at the balance sheet date, deferred tax has been calculated at the tax rate of 17%.

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%).

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit/(loss) before tax	**1,516**	(2,502)
Tax on profit at standard corporation tax rate of 19% (2018: 19%)	**288**	(475)
Expenses not deductible for tax purposes	**(274)**	333
Tax impact for adjustments made to fixed assets in respect of prior periods	**(315)**	(95)
Movement on potential chargeable gain on revaluation	**-**	(172)
Deferred tax assets not recognised	**-**	105
Capital allowances in excess of depreciation	**(47)**	-
Creation of tax losses	**33**	-
Total tax (credit)/charge on continuing operations	**(315)**	(304)

11. Dividends paid on equity shares

During the year ended 31 March 2019 no dividends have been paid in respect of previous periods (2018: £nil) or proposed (2018: £nil).

The Board of Directors does not propose a final dividend for the year ended 31 March 2019 (2018: £nil).

12. Earnings per share

	2019 Pence	2018 Pence
Continuing operations:		
Basic (loss)/earnings per share	**1.68**	(2.24)
Diluted (loss)/earnings per share	**1.68**	(2.24)

Basic earnings per share

Basic earnings per share have been calculated using the profit for the year of £1,831,000 (2018: loss of £2,198,000) for the continuing operations. On 4 December 2018 the Group issued 10,344,951 shares and the average number of ordinary shares in issue of 108,982,966 (2018: 98,320,272) has been used in the calculation.

Diluted earnings per share

Diluted earnings per share uses an average number of 108,982,966 (2018: 98,320,272) ordinary shares in issue in accordance with IAS 33 'Earnings per Share'. The weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of nil (2018: nil), is calculated as follows:

	2019	2018
Weighted average number of shares at 31 March	**108,982,966**	98,320,272
Weighted average number of ordinary shares (diluted) at 31 March	**108,982,966**	98,320,272

There is no adjustment for the effect of all dilutive potential ordinary shares because the exercise prices of the options are greater than the average market price of the shares during both the current and prior year.

13. Property, plant and equipment

	Land and buildings £000	Assets in the course of Construction £000	Plant, machinery equipment, fixtures and fittings £000	Total £000
Cost or valuation				
Balance at 1 April 2017	22,867	71	5,300	28,238
Additions	1	121	105	227
Revaluations to income statement	(221)	-	-	(221)
Revaluations to revaluation reserve	(1,624)	-	-	(1,624)
Impairment	-	-	-	-
Transfers	-	(105)	(80)	(185)
Disposals	-	-	(333)	(333)
Balance at 31 March 2018	**21,023**	**87**	**4,992**	**26,102**
Balance at 1 April 2018	21,023	87	4,992	26,102
Additions	120	30	94	244
Revaluations to income statement	1,133	-	-	1,133
Revaluations to revaluation reserve	1,640	-	-	1,640
Impairment	-	-	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
Balance at 31 March 2019	**23,916**	**117**	**5,086**	**29,119**
Accumulated depreciation				
Balance at 1 April 2017	160	-	1,970	2,130
Depreciation charge for the year	77	-	248	325
Transfers	-	-	-	-
Disposals	-	-	(326)	(326)
Balance at 31 March 2018	**237**	**-**	**1,892**	**2,129**
Balance at 1 April 2018	237	-	1,892	2,129
Depreciation charge for the year	134	-	224	358
Transfers	-	-	-	-
Disposals	-	-	-	-
Balance at 31 March 2018	**371**	**-**	**2,116**	**2,487**
Net book value				
At 31 March 2018	20,786	87	3,100	23,973
At 31 March 2019	**23,545**	**117**	**2,970**	**26,632**

Included in Land and Buildings is long leasehold land at a value of £2,200,000 (2018: £2,200,000).

Revaluations

Land and buildings are measured using the revaluation model as set out in note 2. These assets were independently valued by Jones Lang LaSalle ("JLL") at 31 January 2019. The valuation by JLL was in accordance with the Practice Statements in the Valuations Standards (The Red Book) published by the Royal Institution of Chartered Surveyors, on a market-based evidence approach.

At 31 March 2019, had the freehold land and buildings been measured using the cost model (historical cost less accumulated depreciation and accumulated impairment losses), their carrying value would be £19,304,000 (2018: £19,104,000).

At 31 March 2019, had the leasehold land and buildings been measured using the cost model (historical cost less accumulated depreciation and accumulated impairment losses), their carrying value would be £956,000 (2018: £956,000).

Assets in the course of construction, plant, machinery and equipment and fixtures and fittings are all measured using the cost model, as set out in note 2.

The Group's obligations under finance leases are secured by the lessor's title to the fixed assets. The carrying value of plant, machinery and equipment which is subject to finance leases is £514,000 (2018: £586,000).

14. Investment property

At fair value:	Notes	2019 £000	2018 £000
Balance at the beginning of the year		**19,055**	19,460
Additions during the year		**60**	-
Fair value adjustments		**310**	(405)
Balance at the end of the year		**19,425**	19,055

Investment property is measured using the fair value model as set out in note 2. The fair value of the Group's investment property at 31 March 2019 has been determined by a valuation carried out on 31 January 2019 by independent, external valuers, JLL in accordance with the Practice Statements in the Valuation Standards (The Red Book) published by the Royal Institution of Chartered Surveyors. JLL is a member of the Royal Institution of Chartered Surveyors and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and, where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

All of the Group's investment property is held under freehold interests with the exception of four (2018: four) properties which are held under long leaseholds.

15. Investments

At 31 March 2019 the Group has the following subsidiaries:

	Class of shares held	Ownership 2019	Ownership 2018	Nature of Business
Subsidiaries				
Sutton Harbour Company	Ordinary	100%	100%	Harbour Authority
Sutton Harbour Services Limited	Ordinary	100%	100%	Marine Leisure & Property
Plymouth City Airport Limited	Ordinary	100%	100%	Property Developer
Sutton Harbour Property and Regeneration Limited	Ordinary	100%	100%	Property
Harbour Arch Quay Limited	Ordinary	100%	100%	Property
Sutton Harbour Projects Limited	Ordinary	100%	100%	Property
Sutton Harbour Car Parks Limited	Ordinary	100%	100%	Car Park Operator
Sugar Quay Holdings Limited	Ordinary	100%	100%	Investment Company
Sugar Quay Limited	Ordinary	100%	100%	Property Developer

All of the above companies were incorporated in the United Kingdom and registered in England and Wales and for each the registered address is Sutton Harbour Office, Guy's Quay, Plymouth PL4 0ES.

All subsidiaries are included in the Group consolidated financial statements.

16. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**-**	-	**(785)**	(1,102)	**(785)**	(1,102)
Investment property	**-**	-	**(276)**	(269)	**(276)**	(269)
Employee benefits	**-**	-	**-**	-	**-**	-
Losses carried forward	**38**	33	**-**	-	**38**	33
Tax assets / (liabilities)	**38**	33	**(1,061)**	(1,371)	**(1,023)**	(1,338)

Movement in deferred tax during the year

	1 April 2018 £000	Change in deferred tax rate £000	Recognised in income £000	Recognised in equity £000	31 March 2019 £000
Property, plant and equipment	**(1,102)**	-	317	**-**	**(785)**
Investment property	**(269)**	-	(7)	**-**	**(276)**
Employee benefits	**-**	-	-	-	-
Losses carried forward	**33**	-	5	**-**	**38**
	(1,338)	**-**	**315**	**-**	**(1,023)**

The Directors believe the deferred tax asset relating to losses carried forward will be utilised by future taxable profits.

17. Inventories

	2019	2018
	£000	£000
Stores and materials	**17**	19
Goods for resale	**36**	24
Development property	**23,514**	21,233
	23,567	21,276

Included within inventories is £23,514,000 (2018: £21,233,000) expected to be recovered in more than 12 months. £12,448,000, of the Development Property, being the carrying value of the former airport site, is classified in the Balance Sheet as a non-current asset as realisation of the asset may be in more than five years' time.

Inventories to the value of £2,047,000 were recognised as an expense in the year (2018: £1,927,000).

Interest capitalised during the year in relation to development property was £40,000 (2018: £40,000).

In the course of the year, £nil of development property inventory was written down (2018: £nil).

18. Trade and other receivables

	2019 £000	2018 £000
Trade receivables	**655**	649
Provision for impairment of trade receivables	**(25)**	(85)
	630	564
Other receivables	**135**	326
Prepayments and accrued income	**1,518**	1,280
	2,283	2,170

Included within trade and other receivables is £634,000 (2018: £697,000) expected to be recovered in more than 12 months.

The fair value of trade and other receivables classified as loans and receivables are not materially different to their carrying values.

The Group regularly reviews the ageing profile of trade receivables and actively seeks to collect any amounts that have fallen outside the defined credit terms. The Group provides, in full, for any debts it believes have become non-recoverable. Movements on the Group specific provision for impairment of trade receivables are as follows:

	2019 £000	2018 £000
As at the beginning of the year	**85**	52
Provision for receivables impairment	**2**	44
Receivables written off during the year as uncollectable	**(62)**	(11)
As at the end of the year	**25**	85

The ageing of trade receivables that have not been provided for are:

	2019 £000	2018 £000
Not yet due:		
0 – 29 days	**457**	338
Overdue:		
30 – 59 days	**56**	113
60 – 89 days	**6**	14
90 – 119 days	**13**	36
120 + days	**98**	63
	630	564

As at 31 March 2019, trade receivables of £173,000 (2018: £226,000) were past due but not impaired (as disclosed in the above table). These relate to a number of independent customers for whom there is no recent history of default.

19. Cash and cash equivalents

	2019 £000	2018 £000
Cash and cash equivalents per Consolidated Balance Sheet	**1,296**	2,767
Cash and cash equivalents per cash flow statement	**1,296**	2,767

At 31 March 2019, the Group had an agreed bank facility of £25.0m (2018: £25.0m) which expires on 31 March 2021. The facility incurs interest charged at rates over LIBOR during the term of the facilities.

Security over the assets of the Group has been given in relation to the bank facilities.

Undrawn facilities:

	2019 £000	2018 £000
Expiring within one year	**-**	-
Expiring within one to two years	**2,500**	650
Expiring between two and five years	**-**	-
	2,500	650

20. Bank loans

This note provides information about the contractual terms of the Group's interest-bearing loans. For more information about the Group's exposure to interest rate risk, see note 3.

	2019 £000	2018 £000
Non-current liabilities		
Secured bank loans	**22,500**	24,350
	22,500	24,350

Secured bank loans:
The current secured bank loans relate to a facility of £25.0m comprising two loans which incur interest at various rates over LIBOR during the term of the facilities and fall due for renewal more than 12 months from the Balance Sheet date. Assets with a carrying amount of £54.70m (2018: £54.70m) have been pledged to secure borrowings of the Group.

21. Deferred income and deferred government grants

Deferred income classified as current liabilities comprises advance rental income and advance marina fees. Deferred government grants relate to grants received in relation to the Airport runway and lighting surrounding the runway. The grant liability relating to the airport runway and lighting will not be released prior to any future sale of the site.

	Deferred income		Deferred government grants	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
At the beginning of the year	**1,434**	1,479	646	1,169
Adjustment to opening balances	**-**	-	**-**	(523)
Released to the income statement	**(1,434)**	(1,479)	**-**	**-**
Income and grants received and deferred	**1,398**	1,434	**-**	**-**
At the end of the year	**1,398**	1,434	646	646
Current	**1,398**	1,434	-	-
Non-current	**-**	-	646	646
	1,398	1,434	646	646

22. Trade and other payables

	2019	2018
	£000	£000
Trade payables	**1,090**	967
Other payables	**87**	85
Other taxation and social security costs	**112**	117
Accruals	**207**	464
	1,496	1,633

The ageing of trade payables is as follows:

	2019	2018
	£000	£000
Not yet due:		
0 – 29 days	**749**	685
Overdue:		
30 – 59 days	**285**	240
60 – 89 days	**56**	3
90 – 119 days	**-**	10
120 + days	**-**	29
	1,090	967

23. Finance lease liabilities

	Minimum lease payments		Capital element of lease payments	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Amounts payable under finance leases:				
Within one year	**128**	127	**122**	117
In the second to fifth years inclusive	**48**	167	**47**	158
	176	294	**169**	275
Less: future finance charges	**(7)**	(19)	**n/a**	n/a
Present value of lease obligations	**169**	275	**169**	275
Current			**122**	117
Non-current			**47**	158
			169	275

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is 2.2 years (2018: 2.9 years).
For the year ended 31 March 2019, the average effective borrowing rate was 4.7% (2018: 4.6%). Interest rates are fixed at the contract date.
All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.
All lease obligations are denominated in sterling and the fair value of the Group's lease obligations approximates to their carrying amount.

24. Employee benefits

Pension plans

Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £126,000 (2018: £159,000). There were no amounts outstanding or prepaid at the year end (2018: £nil).

25. Provisions for other liabilities and charges

	Onerous leases £000	Total £000
Balance at 1 April 2017	253	253
Provisions made during the year	-	-
Provision utilised during the year	(14)	(14)
Balance at 31 March 2018	239	239
Balance at 1 April 2018	239	239
Provisions made during the year	-	-
Provisions utilised during the year	(5)	(5)
Balance at 31 March 2019	**234**	**234**
Current	70	70
Non-current	164	164
	234	**234**

Onerous leases are those where expected rents payable exceed rents receivable on sub-let office space in respect of two leases expiring in 2021.

26. Capital and reserves

Share capital

	Ordinary shares		Deferred shares		Total shares	
Thousands of shares	**2019**	2018	**2019**	2018	**2019**	2018
In issue at the beginning of the financial year - fully paid	**105,599**	96,277	**62,944**	62,944	**168,543**	159,221
Issued for cash	**10,345**	9,322	**-**	-	**10,345**	9,322
In issue at the end of the financial year – fully paid	**115,944**	105,599	**62,944**	62,944	**178,888**	168,543

	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Allotted, called up and fully paid						
115,944,071(2018: 105,599,120) Ordinary shares of 1p each (2018: 1p each)	**1,160**	1,056	-	-	**1,160**	1,056
62,943,752 (2018: 62,943,752) Deferred shares of 24p each (2018: 24p each)	**-**	-	**15,106**	15,106	**15,106**	15,106
	1,160	1,056	**15,106**	15,106	**16,266**	16,162

There is no limit to the authorised deferred share capital.

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. On a winding up each Ordinary share shall rank in priority to the Deferred shares.

The holders of Deferred shares are not entitled to receive dividends nor are they entitled to vote at meetings of the Company. On a winding up each Deferred share shall only be entitled to the nominal capital paid up or credited as paid up after paying the nominal capital paid up or credited as paid up on the Ordinary shares, the Deferred shares and/or any other shares in issue, together with the sum of £1,000,000 on each Ordinary share.

Issue of shares during 2018

On 6 December 2018, Sutton Harbour Group plc issued 10,441,657 ordinary shares of 1p each at a price of 29.0p each. Net proceeds after issue costs were £2.928m and the £2.823m excess of the value of the shares over their nominal value was credited to the Share Premium account.

Other reserves

Share premium account

The share premium account represents premiums paid over the nominal value of share capital issued less transaction costs.

Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings included within property, plant and equipment.

Merger reserve

The merger reserve was created when Sutton Harbour Company was incorporated into the holding company, Sutton Harbour Group plc. It was further increased when a cash box placing of shares occurred on 4 September 2009, creating an additional £3.6m.

Hedging reserve

The hedging reserve contains the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges.

Retained earnings

Retained earnings represent retained earnings attributable to owners of the parent.

27. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	**203**	220
Between one and five years	**111**	321
Greater than five years	**-**	-
	314	541

During the year £214,000 was recognised in respect of operating leases expense in the income statement (2018: £228,000): £196,000 in cost of sales (2018: £196,000) and £18,000 in administrative expenses (2018: £32,000).

Included within operating lease rentals is an amount of £293,000 (2018: £489,000) due in relation to the lease of part of a property which has been sublet. Income will therefore be generated to offset some of these lease rental amounts.

Leases as lessor

The Group leases certain properties under operating leases (see notes 13 and 14).
The future minimum lease rentals receivable under non-cancellable leases are as follows:

	2019 £000	2018 £000
Investment property:		
Less than one year	**1,511**	1,309
Between one and five years	**4,668**	4,474
More than five years	**24,794**	24,888
	30,973	30,671
Owner-occupied properties:		
Less than one year	**35**	35
Between one and five years	**139**	139
More than five years	**123**	158
	297	332

Total contingent rents recognised in the year were £74,000 (2018: £74,000). Contingent rents are determined by reference to specific clauses within the leases.

During the year ended 31 March 2019 £1,474,000 (2018: £1,382,000) was recognised as rental income in the income statement.
Repair and maintenance expense recognised in cost of sales for the year to 31 March 2019 was £60,000 (2018: £46,000).

Owner-occupied property is classified within property, plant and equipment on the balance sheet, reflecting their principal use in the business.

Operating leases on the properties have terms between 5 years and 125 years in length and cannot be cancelled before the end of the lease, unless there is a break clause. Rent reviews usually occur at five year intervals.

28. Cash flow statements

	2019 £000	2018 £000
Cash flows from operating activities		
Profit for the year from continuing operations	**1,831**	(2,198)
Adjustments for:		
Taxation on loss from continuing activities	**(315)**	(304)
Financial expense	**901**	897
Fair value adjustments on investment property	**(310)**	405
Revaluation of property, plant and equipment	**(1,133)**	221
Depreciation	**358**	325
Loss on sale of property, plant and equipment	**-**	(10)
Cash generated from continuing operations before changes in working capital and provisions	**1,332**	(664)
(Increase) in inventories	**(2,236)**	(707)
(Increase)/ decrease in trade and other receivables	**(113)**	82
(Decrease)/increase in trade and other payables	**(124)**	462
(Decrease) in deferred income	**(35)**	(45)
(Decrease) in provisions	**(5)**	(14)
Cash generated from continuing operations	**(1,181)**	(886)

29. Related parties

The parent of the Group is Sutton Harbour Group plc. The ultimate controlling party is FB Investors LLP, which is owned jointly by Beinhaker Design Services Limited and 1895 Management Group ULC. In the course of the year, Beinhaker Design Services Limited provided services to the value of £321,000 (2018: £67,000).

At 10 January 2018, as a result of the acquisition by FB Investors LLP of 72.65% of the increased issued share capital of Sutton Harbour Group plc, Philip Beinhaker joined the Board of Directors as Chairman and was appointed Executive Chairman in April 2018.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Transactions with key management personnel:

Executive Directors of the Company and their immediate relatives control 72.90% (2018 72.69%) of the voting shares of the Company.

The compensation of key management personnel (the Executive and Non Executive Directors) is as follows:	**2019** **£000**	2018 £000
Fees	**139**	86
Short term employee benefits including taxable benefits	**165**	778
Social security costs	**25**	147
Company contributions to money purchase pension schemes	**39**	82
	368	1,093

30. Capital commitments

As at 31 March 2019 the Group has no capital commitments.

On 8 April 2019 the Group entered into a contract valued at £677,000 to supply a new Fuel Line System and Utilities Dispensary for Plymouth Fisheries.

Historical Financial Information

For the year ended 31 March 2019

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Net Assets	**45,732**	39,328	40,483	40,869	40,459
Revenue	**6,893**	6,503	6,718	6,509	6,955
Operating profit before fair value adjustments, impairments, costs of change in ownership and onerous leases	**973**	761	1,288	1,467	1,274
Fair value adjustments on investment property and fixed assets	**1,444**	(626)	(105)	1,452	917
Impairment of assets, onerous leases	**-**	-	(173)	(272)	(403)
Operating profit/(loss) after fair value adjustments and impairments	**2,417**	(1,605)	1,010	2,647	1,788
Net financing costs (excludes joint ventures/associates)	**(901)**	(897)	(957)	(1,057)	(927)
Profit/(loss) before tax on continuing activities	**1,516**	(2,502)	53	1,590	861
Profit/(loss) attributable to equity shareholders	**1,831**	(2,198)	40	1,497	655
Dividends paid	**-**	-	-	-	-
Basic earnings/(loss) per share	**1.68p**	(2.24)p	0.04p	1.55p	0.68p
Diluted earnings/(loss) per share	**1.68p**	(2.24)p	0.04p	1.55p	0.68p

Company Balance Sheet

As at 31 March 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	5	**11,268**	11,268
		11,268	11,268
Current assets			
Debtors	6	**29,003**	26,939
Cash at bank and in hand		**428**	2,008
		29,431	28,947
Current liabilities			
Creditors: amounts falling due within one year	7	**23**	29
Net current assets		**29,408**	28,918
Total assets less current liabilities		**40,676**	40,186
Creditors: amounts falling due after more than one year	8	**8,807**	11,539
Net assets		**31,869**	28,647
Capital and reserves			
Called up share capital	9	**16,266**	16,162
Share premium account	11	**10,695**	7,872
Merger Reserve	11	**3,620**	3,620
Profit and loss account	11	**1,288**	993
Total shareholders' funds		**31,869**	28,647

The notes on pages 63 to 67 are an integral part of these financial statements. In the year the Company made a profit of £295,000 (2018: loss of £1,591,000).

The Financial Statements were approved and authorised by the Board of Directors on 10 July 2019 and were signed on its behalf by:

NATASHA GADSDON
DIRECTOR

Company Statement of Changes in Equity

As at 31 March 2019

	Called up capital £000	Share premium account £000	Merger reserve £000	Profit and loss account £000	Total £000
Balance at 1 April 2017	16,069	5,368	3,620	2,584	27,183
Loss for the year	-	-	-	(1,591)	(1,591)
Issues of shares	93	2,504	-	-	2,597
Balance at 31 March 2018	16,162	7,872	3,620	993	28,647
Balance at 1 April 2018	16,162	7,872	3,620	993	28,647
Profit for the year	-	-	-	295	295
Issue of shares	104	2,823	-	-	2,927
Balance at 31 March 2019	**16,266**	**10,695**	**3,620**	**1,288**	**31,869**

1. General information

Sutton Harbour Group plc, formerly known as Sutton harbour Holdings plc ("the Company") is a limited company incorporated in the United Kingdom under the Companies Act 2006. These financial statements cover the financial year from 1 April 2018 to 31 March 2019, with comparatives for the year 1 April 2017 to 31 March 2018 and are compliant with FRS101.

2. Accounting policies

Basis of preparation
The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2019.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosure;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16,, 38(a), 38(b), 38(c), 38(d), 40(a), 40(b), 40(c), 40(d), 111 and 134- 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Going concern
The Company meets its day to day working capital requirements through intercompany funding and is therefore reliant on bank finance in the form of Group wide term loan and revolving credit facilities. In January 2018, Sutton Harbour Group plc and subsidiary companies (the "Group") renewed its banking facilities until March 2021, with two term loans totalling £22.5m and a £2.5m revolving credit facility.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of the facilities and covenants over a period of at least twelve months from the date of approval of these financial statements.

It has been confirmed that the intercompany balances in place will not be requested for repayment in the foreseeable future.

In light of the above and considering the Group's forecast covenant compliance, in the Directors' opinion it remains appropriate to adopt the going concern basis of preparation for these financial statements.

Measurement convention
The financial statements are prepared on the historical cost basis as modified by the fair value of share based payments, financial assets and financial liabilities (including derivative instruments) at fair value through the profit or loss. Investment property and other property are carried at fair value. Non-current assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

The functional currency of the Company is pounds sterling and therefore balances are shown in the financial statements in thousands of pounds sterling, unless otherwise stated.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

Investments
Investments are carried cost less any provision for impairment in value.

Cash and cash equivalents
Cash in the balance sheet comprises cash at bank and in hand.

Impairment
The carrying amounts of the Company's assets are considered at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount it is impaired and is written down to its recoverable amount.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Own shares
Ordinary and Deferred shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary and Deferred shares and share options are recognised as a deduction from equity.

Taxation
Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax is recognised on all temporary differences except on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Dividends
Interim dividends are recognised when paid, final dividends are recognised when approved by the shareholders. Dividends unpaid at the balance sheet date are only recognised as a liability at that date if they have been approved. Unpaid dividends that have not yet been approved are disclosed in the notes to the financial statements.

Financial instruments
Trade and other debtors, trade and other creditors and all intercompany balances are financial instruments and are carried at amortised cost.

3. Services provided by the Company's auditors

During the year the Company obtained the following services from the Company's auditors:

Current auditors:	**2019 £000**	2018 £000
Fees payable to Company's auditor for the audit of Parent Company financial statements	**22**	22
Fees payable to the Company's auditor for other services:		
Tax services	**1**	1

For further details on other services provided by the Company's auditors, see note 7 of the main Group consolidated financial statements.

4. Employees and Directors

The Company has no employees. The Directors are not remunerated for their services to the Company. Remuneration in respect of subsidiary undertakings is disclosed in note 8 to the consolidated financial statements.

5. Investments

	2019 £000	**2018 £000**
Cost and net book value		
Investments in subsidiary undertakings	**11,268**	11,268

Subsidiary companies:
At 31 March 2019, the Company has the following investments in subsidiaries:

	Class of shares held	Ownership 2018	2017	Nature of Business
Subsidiaries				
Sutton Harbour Company	Ordinary	100%	100%	Harbour Authority
Sutton Harbour Services Limited	Ordinary	100%	100%	Marine Leisure & Property
Plymouth City Airport Limited	Ordinary	100%	100%	Property Developer
Sutton Harbour Property and Regeneration Limited	Ordinary	100%	100%	Property
Harbour Arch Quay Limited	Ordinary	100%	100%	Property
Sutton Harbour Projects Limited	Ordinary	100%	100%	Property
Sutton Harbour Car Parks Limited	Ordinary	100%	100%	Car Park Operator
Sugar Quay Holdings Limited	Ordinary	100%	100%	Investment Company
Sugar Quay Limited	Ordinary	100%	100%	Property Developer

All of the above companies were incorporated in the United Kingdom and registered in England and Wales and for each the registered address is Sutton Harbour Office, Guys' Quay, Plymouth, PL4 0ES.

6. Debtors

	2019 £000	2018 £000
Amounts owed by subsidiary undertakings	**28,841**	26,560
Other debtors and prepayments	**162**	379
Total debtors	**29,003**	26,939

Amounts owed by subsidiary companies are all due in more than one year.

7. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Other creditors	**23**	29
Total creditors	**23**	29

Security over the assets of the Group has been given in relation to the bank facilities.

8. Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Amounts owing to subsidiary undertakings	**8,807**	9,689
Bank borrowings	**-**	1,850
Total creditors	**8,807**	11,539

Interest is charged at rates over LIBOR during the term of the bank facilities.

9. Called up share capital

	Ordinary Shares		Deferred Shares		Total	
Thousands of shares	**2019**	2018	**2019**	2018	**2019**	2018
In issue at the beginning and end of the financial year – fully paid	**105,599**	96,277	**62,944**	62,944	**168,543**	159,221
Issued for cash	**10,345**	9,322	**-**	-	**10,345**	9,322
In issue at the end of the financial year – fully paid	**115,944**	105,599	**62,944**	62,944	**178,888**	168,543

	Ordinary Shares		Deferred Shares		Total	
	2019 £000	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Authorised Ordinary share capital						
100,000,000 Ordinary shares of 1p each (2018: 100,000,000 Ordinary shares of 1p each)	**1,000**	1,000	**-**	-	**1,000**	1,000
Allotted, called up and fully paid						
115,944,071 (2018: 105,599,120) Ordinary shares of 1p each (2018: 1p each)	**1,160**	1,056	**-**	-	**1,160**	1,056
62,943,752 (2018: 62,943,752) Deferred shares of 24p each (2017: 24p each)	**-**	-	**15,106**	15,106	**15,106**	15,106
Total	**1,160**	1,056	**15,106**	15,106	**16,266**	16,162

There is no limit to the authorised deferred share capital.

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. On a winding up each Ordinary share shall rank in priority to the Deferred shares.

The holders of Deferred shares are not entitled to receive dividends nor are they entitled to vote at meetings of the Company. On a winding up each Deferred share shall only be entitled to the nominal capital paid up or credited as paid up after paying the nominal capital paid up or credited as paid up on the Ordinary shares, the Deferred shares and/or any other shares in issue, together with the sum of £1,000,000 on each Ordinary share.

Issue of shares year ended 31 March 2019
On 10 December 2018, at a general meeting of shareholders, a resolution was passed to issue 10,344,951 new ordinary 1p shares by the Company each at a price of 29p. The aggregate net consideration of £2.927m (after deducting £73,000 of costs) has been credited as follows: £104,000 to Share Capital and £2.823m to Share Premium Account.

10. Contingencies

The Company has given an unlimited guarantee in respect of bank borrowings of all subsidiary companies. At 31 March 2019, these borrowings amounted to £22,500,000 (2018: £24,350,000).

11. Description of reserves

Called up share capital
The called up share capital and share premium accounts represent equity share capital (see note 26 to the consolidated financial statements).

Share premium account
The share premium account represents premiums paid over the nominal value of share capital issued (see note 26 to the consolidated financial statements).

Merger reserve
The merger reserve was created when a cash box placing of shares occurred on 4 September 2009. In the opinion of the Directors, this reserve is distributable (see note 26 to the consolidated financial statements).

Profit and loss account
The profit and loss account represents retained profits.

12. Ultimate controlling party

Sutton Harbour Group plc is the ultimate Parent Company of the Group. The ultimate controlling party is FB Investors LLP, which is owned jointly by Beinhaker Design Services Limited and 1895 Management Group ULC, and owns 72.65% of the issued share capital of Sutton Harbour Group plc. The consolidated financial statements of the Group headed by Sutton Harbour Group plc are presented separately on pages 28 to 59 of this document. The results of the Company are not consolidated in any other group's financial statements.

Notes

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