

assets are likely to be classified as investment properties once the re-generation is complete nor where these assets are maintained in a continual state of high repair nor in the case of the lock where maintenance is the acknowledged responsibility of the Environment Agency (formerly National Rivers Authority). There is at present no formalised agreement with the Environment Agency although the Directors believe such an agreement will be concluded within 12 months. Any plant which forms an integral part of the buildings such as the structural element of the ice plant is also not depreciated. The machinery is however depreciated in accordance with the normal dry plant and machinery policy at 20 per cent. reducing balance.

The non-provision of depreciation of freehold property is not in accordance with the requirement of Statement of Standard Accounting Practice 12, Accounting for depreciation, but is considered necessary for the accounts to show a true and fair view. The Directors consider that the lives of such freehold property and their residual values (based on prices prevailing at the time of acquisition or subsequent valuation) are such that their depreciation is insignificant.

The non-depreciation of investment property is permitted by Statement of Standard Accounting Practice 19. This treatment is a departure from the requirements of the Companies Act 1985 concerning the depreciation of Fixed Assets. However, Clare Place is not held for consumption but for investment. The Directors consider that in the circumstances systematic annual depreciation would be inappropriate and that the accounting policy adopted (see note 1 (d)) is necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

(g) Government Grants

The Group has received grants and contributions towards the re-generation of the harbour, specifically North Quay House, new fish market, Barbican Fish Market, the lock and quay walls. The normal treatment of such grants under SSAP4 is to credit them to deferred income and release them to the Profit and Loss Account over the life of the asset. In view of the unlimited life of much of the harbour and the policy of maintaining the assets in a state of high repair, thus eliminating the need for depreciation, it is not practicable to identify an economic life over which the deferred income could be released. The Directors believe that it would not present a true and fair view to leave the grants and contributions in deferred income indefinitely.

The Directors also believe that netting the grants received against the cost of the related assets, an alternative approach considered acceptable under SSAP 4, would not reflect the nature of the Harbour re-generation grants and therefore would not give a true and fair view of the group's financial position. As a result the Directors have used the true and fair override and the grants have been credited to a separate non-distributable capital reserve. This treatment is a departure from Statement of Standard Accounting Practice 4, Accounting for Government Grants and Financial Reporting Standard 3, Reporting Financial Performance. The effect of the departure is to increase shareholder funds by the amounts shown in the balance sheet as Capital Reserves (Grants) in each period presented, which amount would otherwise have been netted off against fixed assets. The grants received in the year to 31 March 1996 were £771,575 (1995: £1,068,222 and 1994: £1,366,868).

£2,604,237 of the grants received to date does, subject to certain conditions, vest absolutely with the Group. The remaining £4,010,315 will vest absolutely with the Group by 1998, provided the project is completed and no element sold and certain other conditions are satisfied. All conditions of the grants are in the opinion of the Directors likely to be met. Where the grants and contributions have been received towards Plant and Machinery, they are treated as a deferred credit in deferred income within or after one year in the consolidated Balance Sheet and written off over the estimated useful life of the assets.

(h) Stock and Work in Progress

Stock and work in progress which comprise goods for re-sale and tools of trade are valued at the lower of cost and net realisable value. Cost is represented by direct materials purchased on a First In First Out basis plus labour together with attributable amounts of fixed and variable overheads incurred in bringing each product and service to its present location and condition. Net realisable value is defined as estimated selling price less costs of disposal or an estimated benefit derived from further use.

(i) Deferred Taxation

Provision for deferred taxation is only made for timing differences between the treatment of certain items for taxation and accounting purposes where it can reasonably be foreseen that such deferred taxation will become payable in the future. In the case of freehold properties deferred taxation is only provided on the excess of capital allowances over depreciation when it is anticipated that the asset will be sold. As there are no such plans, no provision has been made. In October 1993 the company sold and repurchased the lock realising a capital gain which was held over into the said repurchase. Although the capital gain will crystallise in October 2003, or earlier if the lock is sold or ceases to be used, the Directors intend to roll over the gain by reinvesting £2,750,000 in a non-depreciating asset or assets to achieve full rollover of the gain.

(j) Loan Finance

During the year ended 31 March 1994 the Group sold the lock for £2,750,000 to repurchase it over 10 years with a fixed term loan from Lombard North Central Plc with the balance of the liability financed by overdraft. No profit on disposal was recognised and the asset is recorded in the consolidated Balance Sheet as freehold property at its revalued amount. The liability for repayment is included in creditors due within and after one year. The interest element on the loan has been calculated using the actuarial method.

(k) Goodwill

Goodwill arising on acquisitions is charged directly to profit and loss account reserve in the period of acquisition.

(l) Pensions

The Group operates a defined contribution pension scheme for its employees whereby contributions are charged to the Profit and Loss Account as they become payable in accordance with the rules of the scheme.

2. Group Profit and Loss Accounts for the years ended 31 March

	Notes	1996 £'000	1995 £'000	1994 £'000
Turnover	6(a)	2,095	1,289	1,117
Cost of Sales	6(a)	(1,223)	(567)	(374)
Gross Profit	6(a)	872	722	743
Net Operating Expenses		459	391	325
Operating Profit		413	331	418
Exceptional Profit on disposal of Fixed Assets	6(b)	59	—	95
Profit on Ordinary Activities Before Interest		472	331	513
Interest Payable	6(e)	(198)	(94)	(38)
Profit on Ordinary Activities Before Taxation	6(b)	274	237	475
Tax on Profit on Ordinary Activities	6(d)	—	—	(94)
Profit on Ordinary Activities After Taxation and Attributable to Shareholders		274	237	569
Dividends	6(f)	(166)	(152)	(149)
Retained Profit for the Year		108	85	420
Earnings per Share	6(g)	5.71p	4.99p	12.05p
Adjusted Earnings per Share	6(g)	5.39p	4.71p	11.38p

The profit for all years represents historical cost profit and relates directly to continuing activities.

3. Group Balance Sheets as at year ended 31 March

	Notes	1996 £'000	1995 £'000	1994 £'000
Fixed Assets				
Tangible Assets	6(h)	20,223	16,829	13,971
Investments	6(i)	18	9	9
		<u>20,241</u>	<u>16,838</u>	<u>13,980</u>
Current Assets				
Stock	6(j)	151	100	65
Debtors: due within one year	6(k)	737	717	443
due after one year	6(k)	53	38	38
Cash at Bank and in Hand		13	13	14
		<u>954</u>	<u>868</u>	<u>560</u>
Creditors (due within one year)	6(l)	(5,628)	(4,541)	(2,356)
Net Current (Liabilities)/Assets		<u>(4,674)</u>	<u>(3,673)</u>	<u>(1,796)</u>
Total Assets less Current Liabilities		<u>15,567</u>	<u>13,165</u>	<u>12,184</u>
Creditors (due after more than one year)	6(m)	(1,758)	(1,955)	(2,133)
Deferred Income	6(o)	(262)	(188)	(182)
		<u>(2,020)</u>	<u>(2,143)</u>	<u>(2,315)</u>
		<u>13,547</u>	<u>11,022</u>	<u>9,869</u>
Capital and Reserves				
Called Up Share Capital	6(p)	1,245	1,187	396
Share Premium Account	6(r)	340	143	180
Revaluation Reserve	6(r)	4,318	2,839	2,839
Merger Reserve		108	108	108
Investment Property Revaluation Reserve	6(r)	(78)	—	—
Capital Reserve (Grants)	6(r)	6,614	5,843	4,775
Profit and Loss Account	6(r)	1,000	902	1,571
Equity Shareholders' Funds	6(r)	<u>13,547</u>	<u>11,022</u>	<u>9,869</u>

4. Group Statements of Recognised Gains and Losses for the years ended 31 March

	1996 £'000	1995 £'000	1994 £'000
Grants and contributions for the lock, North Quay House, new fish market and Barbican Fish Market developments	771	1,068	1,367
Revaluation Surplus	1,479	—	—
Temporary Deficit on Investment Property	(78)	—	—
Reported Profits in Group Companies available for Distribution	274	237	569
Total Recognised Gains for the Year	<u>2,446</u>	<u>1,305</u>	<u>1,936</u>

5. Group Cash Flow Statements for the years ended 31 March

	Notes	1996 £'000	1995 £'000	1994 £'000
Net Cash Inflow from Operating Activities	6(u)	483	367	732
Returns on Investments and Servicing of Finance				
Interest received		6	1	6
Interest paid		(488)	(401)	(228)
Dividends paid		(152)	(152)	(133)
Net Cash Outflow from Returns on Investments and Servicing of Finance		(634)	(552)	(355)
Taxation				
UK Corporation Tax received/(paid) (including Advance Corporation Tax)		4	66	(61)
Investing Activities				
Purchase of Goodwill		(10)	—	—
Purchase of Fixed Assets		(1,945)	(2,622)	(2,675)
Receipts from disposal of Fixed Assets		210	11	200
Purchase of Investments		(8)	—	—
Receipts from sale of Investments		1	—	—
Net Cash Outflow from Investing Activities		(1,752)	(2,611)	(2,475)
Net Cash Outflow Before Financing		(1,899)	(2,730)	(2,159)
Financing				
Issue of Share Capital		255	—	43
Capital Reserve (Grants)		772	1,068	1,367
Grants on Plant and Machinery		132	31	—
Repayment of Amounts Borrowed		(179)	(179)	(365)
Loan Advances		—	—	2,200
Net Cash Inflow from Financing		980	920	3,245
(Decrease)/Increase in Cash and Cash Equivalents	6(v)	(919)	(1,810)	1,086

6. Notes to the Accounts

(a) Turnover, Cost of Sales and Net Operating Expenses

Turnover for all years relates entirely to sales made to UK customers.

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
Turnover			
Dues — Ships	34	19	11
— Goods	99	57	49
Services and Facilities	1,245	539	486
Rents	410	427	501
Other Revenues	29	2	1
Engineering Repairs and Yard Facilities	278	245	69
	<u>2,095</u>	<u>1,289</u>	<u>1,117</u>
Cost of Sales	<u>1,223</u>	<u>567</u>	<u>374</u>
Net Operating Expenses			
Engineering Repairs and Yard Facilities	48	34	24
Administrative Expenses	411	357	301
	<u>459</u>	<u>391</u>	<u>325</u>

Since the construction of the new fish market, the Group has been able to purchase fuel from any source. This applied for the year ended 31 March 1996. All fuel sales prior to this were sold on a commission basis only. Fuel is included in Services and Facilities above. The Group operates within a single business segment. Other than at turnover level, it is not practicable to provide further analysis of operating profit and assets until the harbour re-generation project is complete, when this matter will be reviewed by the Directors.

(b) Profit on Ordinary Activities Before Taxation

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
Profit on Ordinary Activities Before Taxation is stated after charging (crediting):			
Auditors Remuneration: Audit	9	9	8
Other	8	5	6
Depreciation of Owned Assets	89	59	47
Amortisation of Grants on Owned Assets	(34)	(6)	—
Exceptional Item	(59) ¹	—	(95) ²

1. The Exceptional Item for the year ended 31 March 1996 represents a profit on the sale of the Cooperage public house which was deemed peripheral to the Group's long term objectives.

2. The Exceptional Item for the year ended 31 March 1994 represents a profit on the sale of buildings at Lockyer's Quay. The land remains in the ownership of the Group and is leased to Plymouth City Council who have developed a 350 space multi-storey car park.

(c) Employment Costs

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
Employment Costs (excluding Non-executive Directors)			
Wages and Salaries	480	423	343
Social Security Costs	50	44	35
Pension Costs	44	37	35
	<u>574</u>	<u>504</u>	<u>413</u>
 The average number of staff employed by the Group (including Executive Directors only) was:	 <u>35</u>	 <u>28</u>	 <u>26</u>

Directors' Emoluments

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

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
Fees	27	26	26
Other Emoluments	98	94	90
Pension Contributions	9	9	8
	<u>134</u>	<u>129</u>	<u>124</u>

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

	Directors' Salary £'000	Taxable Benefits £'000	Fees £'000	1996 Total £'000	1995 Total £'000	1994 Total £'000
Bryan H. Foster	13	—	4	17	17	17
Peter C. Stedman	12	—	4	16	16	16
Duncan B. Godefroy	47	11	—	58	55	50
Malcolm L. Iley	—	—	4	4	4	4
Peter A. Langmaid	—	—	4	4	4	4
Jonathan H. Trafford	—	—	4	4	4	4
Thomas R. Winser	—	—	1	1	—	—
Raymond Wood	—	—	6	6	6	6
	<u>72</u>	<u>11</u>	<u>27</u>	<u>110</u>	<u>106</u>	<u>101</u>

The Managing Director also received the following emoluments:

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
In respect of services as Company Secretary	<u>15</u>	<u>15</u>	<u>15</u>
Pension contributions	<u>9</u>	<u>9</u>	<u>8</u>

(d) Tax on Profit on Ordinary Activities

The Group had available trading losses of £2,090,000 to carry forward at 31 March 1996. These resulted in part from the sale and repurchase in 1993 over 10 years of the lock for £2,750,000. The Group claimed enhanced capital allowances of 40 per cent. on the repurchase resulting in a large trading loss and tax credit of £94,404 for the year to 31 March 1994. The capital gain arising from the sale of the lock was held over into the repurchase. Additionally, the Group has claimed capital allowances on subsequent freehold property developments. These losses have been carried forward and offset against taxable profits for the years ended 31 March 1995 and 1996, resulting in no tax being payable for these years.

As it is considered that no liability is likely to arise in the foreseeable future in respect of taxation deferred by the excess of capital allowances over depreciation, no provision has been made. However, tax may become payable in the foreseeable future on rental profits, as the trading losses carried forward cannot be offset against future rental profits.

No deferred tax has been provided on the revaluation surplus on freehold land and buildings revalued on 31 March 1996 as it is not anticipated that any of the buildings involved will be disposed of in the foreseeable future. No deferred tax is provided on the capital gain which may crystallise in respect of the lock in October 2003 (or earlier if the lock is sold or ceases to be used) as the Directors intend to roll over the gain by reinvesting £2.75 million in a non-depreciating asset.

The effect of deferred taxation on the Profit and Loss Account is as follows:

	Year ended 31 March					
	1996 £'000	Provided 1995 £'000	1994 £'000	Not Provided 1996 £'000	1995 £'000	1994 £'000
Capital Allowances in advance of Depreciation	—	—	—	232	475	169
Tax Losses	—	—	—	(195)	(385)	(110)
Rolled Over/Held Over Capital Gains	—	—	—	—	5	742
	<u>—</u>	<u>—</u>	<u>—</u>	<u>37</u>	<u>95</u>	<u>801</u>
Less: Advance Corporation Tax	—	—	—	16	38	125
	<u>—</u>	<u>—</u>	<u>—</u>	<u>21</u>	<u>57</u>	<u>676</u>

(e) Net Interest

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
Interest Payable:			
Bank Loans and Overdraft	494	400	257
Less: Interest Capitalised on freehold property	289	302	213
	205	98	44
Interest Receivable and Similar Income	(7)	(4)	(6)
	198	94	38

(f) Dividends per share

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
Dividends			
Ordinary Shares			
Interim Paid	57	57	54
Final Proposed	109	95	95
	166	152	149

	Year ended 31 March		
	1996	1995	1994
Dividends per Ordinary Share paid and proposed:			
Interim	1.200p	1.200p	1.167p
Final	2.200p	2.000p	2.000p
Total	3.400p	3.200p	3.167p

(g) Earnings per share

The calculation of earnings per ordinary share is based on the following:

	1996	1995	1994
Profit for the year attributable to ordinary shareholders (£'000)	274	237	569
Weighted average number of ordinary shares (000's)	4,787	4,748	4,723
Earnings per share	5.71p	4.99p	12.05p
Adjusted earnings per share ¹	5.39p	4.71p	11.38p

The weighted average number of shares for the year ended 31 March 1994 has been adjusted to account for the bonus issue of 3,165,232 ordinary shares of 25p each on 25 July 1994 based on two new ordinary shares for every one existing share.

- The earnings per share in each of the three years ended 31 March 1996 have been restated and adjusted for the bonus element attaching to the Placing of 5,000,000 ordinary shares of 25p each on 22 August 1996. The revised earnings per share are shown after applying the factor 133.3/120.0 to account for the bonus element.

(h) Tangible Assets

	Freehold Property £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost or Valuation					
At 1 April 1993	11,025	250	63	68	11,406
Additions	2,846	39	12	2	2,899
Disposals	(105)	—	—	—	(105)
At 1 April 1994	13,766	289	75	70	14,200
Additions	2,780	52	42	50	2,924
Disposals	—	—	—	(28)	(28)
At 1 April 1995	16,546	341	117	92	17,096
Valuation Surplus	1,401	—	—	—	1,401
Additions	2,008	176	47	2	2,233
Disposals	(151)	—	—	—	(151)
At 31 March 1996	19,804	517	164	94	20,579
Depreciation					
At 1 April 1993	—	117	28	38	183
Charge for the year	—	31	7	8	46
Disposals	—	—	—	—	—
At 1 April 1994	—	148	35	46	229
Charge for the year	—	32	11	17	60
Disposals	—	—	—	(22)	(22)
At 1 April 1995	—	180	46	41	267
Charge for the year	—	61	15	13	89
At 31 March 1996	—	241	61	54	356
Net Book Value					
At 31 March 1996	19,804	276	103	40	20,223
At 31 March 1995	16,546	161	71	51	16,829
At 31 March 1994	13,766	141	40	24	13,971

Stratton Creber, Independent Surveyors and part of the Lloyds TSB Group, carried out a valuation of the freehold properties at 31 March 1996 in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Their valuation was £19,785,000 comprising:

	£'000
(i) Existing use value	
Marina (valued as a fully equipped operational entity with regard to its trading potential) and other properties mainly owner occupied for business	2,455
(ii) Open Market Value	
Investment property — Clare Place	300
Investment properties in course of construction:	
North Quay House	1,730
Barbican Fish Market	945
Other properties forming part of the Harbour-side which will be held as investment properties once the re-generation is complete	4,190
	7,165
(iii) Depreciated Replacement Cost, subject to the adequate potential profitability of the business compared with the value of the total assets employed	
Properties mainly owner occupied for the business, being the new fish market, lock and quays	10,165
	19,785

The historical cost of the freehold properties valued by Stratton Creber on 31 March 1996 is as follows:

	£'000
Clare Place — Investment property	378
North Quay — Under the course of construction	2,208
Harbour re-generation project	12,978
	15,564

Also included in the valuation of freehold property are the lock and new quays valued at £6,655,000. The lock and quays are not directly income producing but expenditure on them was necessary as a pre-requisite to the whole re-generation of the Harbour area. The capitalisation of the lock costs leads in the short to medium term to reduced returns on capital employed which is the reason why it was substantially grant aided. Once the Harbour re-generation project is complete, an exercise will be undertaken to allocate historical cost to individual assets and where appropriate transfer those assets to the investment property category. Once the Harbour assets have reached the expected level of activity, the Directors intend that the Harbour-side operation, namely the marina, the new fish market, lock and quays will be valued as a whole on the basis of existing use value. Until this exercise is complete, there will be some offsetting of gains and losses within the overall revaluation surplus on Harbour-side assets. In the opinion of the Directors, should there be any underlying deficit on a particular asset, which is thought unlikely, then such deficit would be expected to be temporary and reversed once the full benefit of the re-generation project is reflected in the economic activity of the asset concerned.

The following properties, whose cost can be ascertained, show a deficit against valuation at 31 March 1996:

	£'000
Clare Place — investment property	(78)
North Quay House — in the course of construction	(478)
Lock, new quays and new fish market	(202)

The Directors believe that the deficit on Clare Place is temporary, reflecting current short term tenancies. The deficit has been taken to the investment property revaluation reserve, and is disclosed separately in note 6(r). The deficit on North Quay House is not regarded by the Directors as permanent and has been offset against the overall revaluation reserve. Following the year end, the property has been substantially completed and partially let. The Directors are of the opinion that once the property is fully let, then the temporary loss will reverse.

The deficit on the lock, new quays and new fish market arises from Stratton Creber's use of the depreciated replacement cost method of valuation which, using a life of 80 years, has written down their value by some £202,000. The Directors do not regard this deficit as permanent as they consider such assets to have an unlimited useful life as the assets are maintained in a continual high state of repair and in the case of the lock maintenance is the acknowledged responsibility of the Environment Agency. The Directors consider that the book value of the lock, new quays and new fish market is supported by the value in use of these assets.

The cumulative amount of capitalised interest included in the historical cost of fixed assets and now absorbed in the revaluation is:

Year ended 31 March		
1996	1995	1994
£'000	£'000	£'000
947	658	356

(i) Investments

	Listed Investments £'000	Other Investments £'000	Total £'000
At 1 April 1993	3	6	9
At 1 April 1994	3	6	9
At 1 April 1995	3	6	9
Additions	—	9	9
At 31 March 1996	3	15	18

At 31 March the aggregate market value of the listed investments included in the accounts at cost was for 1996: £7,447, (1995: £6,067, 1994: £6,517). The other investments are various paintings and antiques held in the Group's possession.

(j) Stock

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Stores and Materials	33	24	17
Work in Progress	66	34	23
Goods for Resale	52	42	25
	<u>151</u>	<u>100</u>	<u>65</u>

(k) Debtors

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Due within one year			
Trade Debtors	439	154	184
Corporation Tax Recoverable	—	4	94
Advance Corporation Tax Recoverable	51	90	24
Other Debtors	192	445	126
Prepayments and Accrued Income	55	24	15
	<u>737</u>	<u>717</u>	<u>443</u>
Due after one year			
Advanced Corporation Tax Recoverable	53	38	38

(l) Creditors (due within one year)

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Current Instalment due on Loans	197	179	165
Bank Overdraft	4,048	3,129	1,321
Trade Creditors	192	68	73
Tax and Social Security Costs	103	21	41
Other Creditors	457	889	386
Deferred Income	481	95	252
Proposed Dividend	109	95	95
Advance Corporation Tax Payable	41	65	23
	<u>5,628</u>	<u>4,541</u>	<u>2,356</u>

The bank overdraft is secured by fixed and floating charges over the assets of the Group. The interest rate is 1.5 per cent. above base rate.

(m) Creditors (due after more than one year)

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Bank Loan	222	247	272
Other Loan	1,536	1,708	1,861
	<u>1,758</u>	<u>1,955</u>	<u>2,133</u>

The amounts falling due on the loans after more than one year are as follows:

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Between 1 and 2 years	200	199	179
Between 2 and 5 years	863	718	809
In more than 5 years	695	1,038	1,145
	<u>1,758</u>	<u>1,955</u>	<u>2,133</u>

The bank loan from National Westminster Bank plc is secured by a fixed charge on one property, Clare Place, and is not wholly repayable within five years. The interest rate is 1.5 per cent. above base rate and the loan is repayable in quarterly instalments including both capital and interest of £11,589 which commenced on 1 December 1992.

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Amounts repayable in more than five years	96	120	148

The "Other Loan", which was from Lombard North Central plc, related to the sale and repurchase of the lock. It was secured by a second fixed charge on the Group's property and subject to the first charge in respect of National Westminster Bank plc which was postponed for an amount not exceeding £1,000,000. The second fixed charge ranked pari passu with the National Westminster Bank plc charge above the sum of priority of £1,000,000. The Lombard North Central plc rate was 10.39 per cent. fixed over 10 years and the loan was repayable in quarterly instalments including both capital and interest of £83,512 commencing 28 October 1993.

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Capital element repaid during the year as disclosed separately in the cash flow statement	179	179	365
Amounts repayable in more than five years	599	917	997

(n) Provisions for Liabilities and Charges

Deferred taxation provided in the Balance Sheet and amounts not provided are as follows:

	Year ended 31 March					
	1996 £'000	Provided 1995 £'000	1994 £'000	1996 £'000	Not Provided 1995 £'000	1994 £'000
Capital Allowances in advance of Depreciation	—	—	—	1,037	805	330
Tax Losses	—	—	—	(690)	(495)	(110)
Rolled Over/Held Over Capital Gains	—	—	—	747	747	742
	—	—	—	1,094	1,057	962
Less:						
Advance Corporation Tax	—	—	—	(179)	(163)	(125)
	—	—	—	915	894	837

(o) Deferred Income

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
Rental Received in Advance	154	168	182
Grant Deferred Credit	108	20	—
	262	188	182

(p) Share Capital

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
Authorised:			
Ordinary Shares of 25p each	10,000	10,000	10,000
Allotted, Called Up and Fully Paid:			
Ordinary Shares of 25p each	1,245	1,187	396

During the year ended 31 March 1996 the Company issued 232,000 Ordinary Shares and in the year ended 31 March 1995 a two for one Capitalisation Issue was effected which gave rise to an issue of an additional 3,165,232 shares.

(q) Reconciliation of Movements in Equity Shareholders' Funds

	Year ended 31 March		
	1996 £'000	1995 £'000	1994 £'000
Reported Profit in Group Companies for the Year	274	237	569
Less: Dividends	166	152	149
Retained Profit for the Year	108	85	420
Goodwill Written Off on Acquisition of Stainless Steel Fabrications	(10)	—	—
Other Recognised Gains	2,172	1,068	1,367
Share Issue	58	—	6
Premium on Share Issue	197	—	37
Opening Equity Shareholders' Funds	11,022	9,869	8,039
Closing Equity Shareholders' Funds	13,547	11,022	9,869

(r) Reserves

	Share Premium Account £'000	Revaluation Reserve £'000	Investment Property Revaluation Reserve £'000	Capital Reserve (Grants) £'000	Profit and Loss Account £'000
At 1 April 1993	143	2,887	—	3,408	1,103
Profit for year	—	—	—	—	569
Dividends	—	—	—	—	(149)
Premium on Share Issue	37	—	—	—	—
Realisation arising from Sale of Property	—	(48)	—	—	48
Government Grants and NRA contributions	—	—	—	1,367	—
At 1 April 1994	180	2,839	—	4,775	1,571
Profit for year	—	—	—	—	237
Dividends	—	—	—	—	(152)
Capitalisation in respect of bonus issue	(37)	—	—	—	(754)
Government Grants	—	—	—	1,068	—
At 1 April 1995	143	2,839	—	5,843	902
Profit for year	—	—	—	—	274
Dividends	—	—	—	—	(166)
Premium on Share Issue	197	—	—	—	—
Government Grants	—	—	—	771	—
Revaluation Surplus	—	1,479	—	—	—
Temporary Cumulative Deficit on Investment Property	—	—	(78)	—	—
Goodwill Written Off on Acquisition of Stainless Steel Fabrications	—	—	—	—	(10)
At 31 March 1996	340	4,318	(78)	6,614	1,000

(s) Capital Commitments

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Contracted but not provided for	<u>17</u>	<u>945</u>	<u>1,612</u>

Additionally at 31 March 1996, expenditure of £927,000 was authorised, but not contracted, for the development of the Barbican Fish Market. The commitment is disclosed gross of grant aid of 48.068 per cent.

(t) Contingent Liabilities

The Group is involved in a boundary dispute at North Quay House. The maximum potential liability is £50,000. However, the Group is counter claiming and therefore no provision has been made.

(u) Net Cash Inflow from Operating Activities

Operating profit shown by the Group's Profit and Loss Account (note 2) is reconciled to the Net Cash Inflow from operating Activities as follows:

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Operating Profit	413	331	418
Depreciation Charges	89	59	47
Amortisation of Grants	(34)	(6)	—
Disposal of Fixed Assets	59	—	95
Profit on Sale of Fixed Assets	(59)	(4)	(95)
Profit on Sale of Investments	(1)	—	—
Increase in Stock	(51)	(34)	(45)
(Increase)/decrease in Debtors	(63)	(272)	7
Increase in Creditors	130	293	305
Net Cash Inflow from Operating Activities	<u>483</u>	<u>367</u>	<u>732</u>

(v) Cash and Cash Equivalents

	Year ended 31 March		
	1996	1995	1994
	£'000	£'000	£'000
Balance at 1 April 1995/1994/1993	(3,116)	(1,306)	(2,392)
Balance at 31 March 1996/1995/1994	<u>(4,035)</u>	<u>(3,116)</u>	<u>(1,306)</u>
(Decrease)/Increase in Cash and Cash Equivalents	<u>(919)</u>	<u>(1,810)</u>	<u>1,086</u>

7. Post Balance Sheet Events

The following non-adjusting post balance sheet events have occurred since 31 March 1996:

- On 22 August 1996, the Company issued a further 5,000,000 Ordinary Shares by way of a Placing at 100p per share;
- The proceeds from the share issue have been applied to the repayment of the overdraft with National Westminster Bank Plc which amounted to £3.77 million at 22 August 1996 and also to the repayment of a £235,000 loan in respect of Clare Place on 22 October 1996;
- On 16 September 1996, the outstanding loan balance of £1,647,000 with Lombard North Central Plc was repaid and replaced by a new overdraft facility with National Westminster Bank Plc; and
- North Quay House has been substantially completed and partially let. Accordingly, with effect from 30 September 1996, the Directors have re-classified North Quay House as an investment property. The associated temporary deficit has been transferred to the Investment Property Revaluation Reserve.

8. Audit reports

The audit reports for the three years ended 31 March 1996 as prepared by Nevill Hovey & Co, were unqualified.

Yours faithfully

ERNST & YOUNG
Chartered Accountants"

Part IV: Additional Information

1. Sutton Harbour Holdings plc

- (a) The Company was incorporated on 21 September 1989 under the Act as a company limited by shares with registered number 2425189. On 12 August 1994 the Company was re-registered under the Act as a public limited company. The principal legislation under which the Group operates is the Act and regulations made thereunder.
- (b) The Company's registered office and principal place of business is Harbour Office, Sutton Harbour, Plymouth, PL4 OES.

2. Share Capital

- (a) The original share capital authorised on incorporation of the Company was £10,000,000 divided into 40,000,000 Ordinary Shares of 25p each. 778,908 Ordinary Shares of 25p each were then allotted on 31 January 1990 as a result of the Scheme of Arrangement. A further 778,908 Ordinary Shares of 25p each were allotted on 25 July 1990 by way of bonus issue and on 29 March 1994 24,800 Ordinary Shares of 25p each were allotted under a stock option scheme. On 25 July 1994 a further 3,165,232 Ordinary Shares of 25p each were allotted as a result of a 2 for 1 bonus issue. On 24 January 1996 232,000 Ordinary Shares of 25p each were allotted to subscribers and on 22 August 1996 5,000,000 Ordinary Shares of 25p each were issued by a Placing.
- (b) There is no current authority under Section 80 of the Act empowering the Directors to allot shares. The last authority given at the EGM on 21 August 1996 was confined to the 5,000,000 shares which were placed on 22 August 1996.

There is no Section 95 disapplication of pre-emption rights as the last disapplication at the 1995 Annual General Meeting was renewed only until the conclusion of the 1996 AGM and no subsequent Section 95 authority has been authorised by the Company.

- (c) Neither the Company, nor any of its subsidiaries has granted any options over its shares or has agreed, conditionally or unconditionally, to grant any such options.

Save as disclosed in paragraph 2(a) above:

- (i) no share or loan capital of the Company or any of its subsidiaries has within the three years immediately preceding the date of this document been issued or been agreed conditionally or unconditionally to be issued fully or partly paid, either for cash or for a consideration other than cash and no such issue is proposed;
- (ii) save as disclosed in paragraph 8(a), no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries within three years immediately preceding the date of this document in connection with the issue or sale of any share or loan capital of any such company.

3. Subsidiaries

- (a) The subsidiaries of the Company (all of which are wholly owned) are as follows:

<i>Subsidiary Undertaking</i>	<i>Activity</i>
Sutton Harbour Company	Harbour Authority
Sutton Harbour Services Limited	Marine engineers, boat repairers and steel fabricators
Sutton Harbour Development Limited	Not trading
Sutton Harbour Fisheries Limited	Dormant

- (c) The registered office of all the subsidiaries referred to above is Harbour Office, Sutton Harbour, Plymouth PL4 OES.

4. Memorandum and Articles of Association

- (a) The Company's principal objects (as referred to in clause 4.1 of its Memorandum of Association) are to carry on the business of a holding company.

- (b) The Articles of Association of the Company ("the Articles") are summarised below:

(i) VOTING

Subject to any rights or restrictions for the time being attached to shares, and to disenfranchisement of a member in the event of non-compliance with a statutory notice requiring the member or any person appearing to be interested in the member's shares to give particulars of any interest in such shares, at every general meeting of the Company every member present in person or, (being a corporation) by a duly authorised representative, shall, on a

show of hands, have one vote and on a poll every such holder of share capital present in person or by proxy shall have the following votes:

- (a) for the first £250 of such capital one vote for each complete £1 of nominal value;
- (b) for the next £2,250 of such capital one vote for each complete £5 of nominal value; and
- (c) for the balance of such capital one vote for each complete £10 of nominal value.

(ii) DIVIDENDS

In accordance with the provisions of the Companies Act 1985, the Company may by Ordinary Resolution declare final dividends to be paid subject to the respective rights and priorities of the members, but no dividend shall exceed the amount recommended by the Directors. The Directors may pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company.

All dividends unclaimed for 12 years after having been declared shall, unless the Directors otherwise resolve, be forfeited and revert to the Company.

(iii) RETURN OF CAPITAL ON A WINDING UP

If the Company is wound up, the Liquidator may, within the authority of an Extraordinary Resolution, divide among the members in specie or in kind the whole or any part of the assets of the Company. The Liquidator may, with the like authority, vest any part of the assets of the Company. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the Liquidator with like authority shall think fit, but so that no person shall be compelled to accept any shares in respect of which there is a liability.

(iv) FREE TRANSFERABILITY

A member may transfer all or any of his shares by an instrument of transfer in writing in the usual form or in any other form approved by the Directors.

The Directors may, in their absolute discretion, decline to register any transfer which includes any share which is not fully paid or any shares upon which the Company has a lien.

The Directors may also refuse to register any instrument of transfer unless:

- (a) it is duly stamped and is accompanied by the Certificate to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) it is in respect of only one class of shares; and
- (c) it is a transfer to no more than four joint holders.

(v) VARIATION OF RIGHTS

To the extent that the capital of the Company is divided into classes of shares with special rights, then those rights can be varied either by the consent in writing of the holders of three-quarters of the issued shares of the class, or by an extraordinary resolution passed at a general meeting of such holders.

(vi) REDEMPTION

The Company has the right, subject to any statutory provisions, to purchase its own shares provided that there are no outstanding convertible securities and, if the shares are quoted on the London Stock Exchange, at a price calculated by reference to the middle market quotation.

(vii) PRE-EMPTION

There are no existing rights of pre-emption (other than statutory rights) attaching to the Ordinary Shares.

(viii) DIRECTORS

- (a) The number of Directors shall not be less than three nor more than nine unless otherwise determined by the Company in general meeting.
- (b) A Director shall be a shareholder in the Company.
- (c) The Directors shall be entitled to such remuneration as the Company may by Ordinary Resolution determine.
- (d) At every Annual General Meeting one third of the Directors who are subject to retirement by rotation (or the nearest number to but not exceeding one third) shall retire from office.
- (e) The Directors may from time to time appoint one or more of their number to be the holder of any employment or executive office on such terms as to remuneration and otherwise as they think fit and may from time to time vary or revoke such appointment subject to the terms of any agreement between the Company and the appointee.

- (f) A Director may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided by any other Article.
- (g) A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).
- (h) A Director shall not vote nor be counted in the quorum in respect of any contract or arrangement or any other proposal in which he has a direct or indirect material interest, but the prohibition shall not apply to:
- (i) any contract or arrangement for giving to such Director any security or indemnity in respect of money lent by him or obligations undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries which the Director has himself guaranteed or secured in whole or in part;
 - (iii) any contract or arrangement by a Director to subscribe for shares, debentures or other securities of the Company issued or to be issued pursuant to any offer or invitation to members or debenture holders of the Company or any class thereof or to the public or any section thereof, or to underwrite any shares, debentures or other securities of the Company;
 - (iv) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
 - (v) any contract or arrangement concerning any other company (not being a company in which the Director owns one per cent or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise;
 - (vi) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme which relates both to Directors and employees of the Company or of any its subsidiaries and does not accord to any Directors as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates;
 - (vii) any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the Director benefits in a similar manner as the employees and does not accord to any Director as such any privilege or advantage not generally accorded to the employees to whom such arrangement relates;
 - (viii) any contract or arrangement for insurance for the benefit of any officer or employee of the Company against liability for negligence, default, breach of duty or breach of trust or any other liabilities which may be lawfully insured against under which the Director benefits in a similar manner as the other officers of the Company and does not accord to any Director as such any privilege or advantage not generally accorded to the officers to whom such insurance relates.

(ix) **BORROWING POWERS**

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets, including its uncalled capital for the time being, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

5. Directors and other interests

- (a) The Directors of the Company and their functions are as follows:

Bryan Hayward Foster	Non-executive Chairman
Duncan Bruce Godefroy	Managing Director
Nigel John Godefroy	Executive Director
Malcolm Lawson Iley	Non-executive Director
Peter Anthony Langmaid	Non-executive Director
Peter Cecil Stedman	Non-executive Deputy Chairman
Jonathan Hugh Trafford	Non-executive Director
Thomas Ralph Winsor	Non-executive Director
Raymond Wood	Non-executive Director
Margaret Ellen Winsor	Alternate to Thomas Ralph Winsor

- (b) The following is a list of all directorships held by the Directors within the last five years apart from their Directorships of the Company:

Bryan Hayward Foster

Current

Sutton Harbour Company
Sutton Harbour Development Limited
Sutton Harbour Fisheries Limited
Sutton Harbour Services Limited

Previous

Allied Provincial plc
Allied Provincial Securities Limited
Westlake Nominees Limited
Westlake & Co (Stockbrokers) Limited

Duncan Bruce Godefroy

Current

Sutton Harbour Company
Sutton Harbour Development Limited
Sutton Harbour Fisheries Limited
Sutton Harbour Services Limited
Plymouth Barbican Association Limited

Previous

The Mount Batten Port Company Limited (Dissolved)

Nigel John Godefroy

Current

Sutton Harbour Company
Sutton Harbour Services Limited

Malcolm Lawson Iley

Current

Sutton Harbour Company
Bevan Ashford Services Limited
Devon Environmental Trust

Previous

Devon Environmental Business Initiative Limited
Leominster District Economic Development Trust (Dissolved)
Leominster Training Enterprises Limited

Peter Anthony Langmaid

Current

A.E. Andrew (Developments) Limited
Bromhead & Co. Limited
Business Advice Centre (South West) Limited
Enterprise Plymouth Limited
Glenglow Properties Limited
Marine Projects (Plymouth) Limited
Ravencroft Limited
Sutton Harbour Company
Taskforce (South West) Limited
The Crown Carpet Company Limited
Wallsend Estates Limited

Previous

Commercial Union Assurance Co. PLC (Exeter Local Board of Directors)
Mayflower Carpets Limited (Dissolved)

Peter Cecil Stedman

Current

Sutton Harbour Company
Sutton Harbour Development Limited
Plymouth Barbican Association Limited

Previous

The Mast Development Company Limited (Dissolved)

Jonathan Hugh Trafford

Current

Chiltern Radio PLC
GWR Group PLC
Mount House School Trust Limited
Oval (709) Limited
Plymouth Sound Limited
Sutton Harbour Company
South West Enterprise Limited
Tradreed Limited

Previous

Acrebee Limited (Dissolved)
Candidum Trading International Limited (Dissolved)
Devon Cablevision Limited
Mao Services Limited (Dissolved)
Plymouth Law Society
Westcountry Broadcasting Limited

Thomas Ralph Winser

Current

Amberston Limited
Ardevora Ventures Limited
Sutton Harbour Company

Raymond Wood

Current

Metropole Court Management (Minehead) Limited
Sutton Harbour Company
Sutton Harbour Development Limited

Margaret Ellen Winser

Current

Ardevora Ventures Limited
Benenden School (Kent) Limited
Benenden School Trust Limited
River & Mercantile Investment Management Limited
River & Mercantile Asset Management Limited

Previous

James Capel Fund Managers Limited

- (c) At the date of this document, none of the Directors has any unspent convictions nor has been subject to any public criticisms by statutory or regulatory authorities. Save as set out below, there have been no bankruptcies, receiverships or liquidations of companies in which the Directors were directors at the time of, or within 12 months preceding such events. The companies referred to as being dissolved were dissolved without any outstanding obligations.

From 2 July 1987 to 5 July 1995 Mr Trafford was a director of Mao Services Limited. This company was incorporated as a private company in 1984. On 25 July 1995 there was a creditors' voluntary liquidation of the Company. The process of liquidation is nearing completion with the primary creditors being the Inland Revenue, Perma Led Plc and a bank. The estimated deficiency as at 19 July 1995, the date of the latest available information, was £1,185,854.

- (d) So far as the Directors are aware, no person or persons directly or indirectly, jointly or severally, exercise or could exercise control over the Company. "Control" means the ability, in practice, to determine the actions of the Company.
- (e) The interests of the Directors and their respective immediate families, held both directly or indirectly, and (so far as the Directors are aware, having made reasonable enquiries) persons connected with a Director (within the meaning of Section 346 of the Act) in the share capital of the Company which will be required to be notified by each Director pursuant to Section 324 or 328 of the Act or required pursuant to Section 325 of the Act to be entered in the Register of Directors' Interests maintained by the Company pursuant to that Section are as follows:

	<i>Beneficial</i>	<i>Non-Beneficial</i>
Bryan Hayward Foster	122,700	—
Duncan Bruce Godefroy	89,544	—
Nigel John Godefroy	3,000	—
Malcolm Lawson Iley	11,390	—
Peter Anthony Langmaid	189,400	2,400
Peter Cecil Stedman	362,560	—
Jonathan Hugh Trafford	43,352	—
Thomas Ralph Winser (and Margaret Ellen Winser)	570,800	—
Raymond Wood	28,744	—

No Director holds, or is entitled to, any share options.

- (f) No Director has or has had any interest in transactions which are or were unusual in their nature or conditions or significant to the business of the Company and which were effected by the Company during the current or immediately preceding financial year or were effected during any earlier financial year and which remain outstanding or unperformed.
- (g) There are no outstanding loans or guarantees which have been granted or provided to or for the benefit of any Director by any member of the Group.
- (h) As at 6 December 1996, the Company was not aware of any persons who directly or indirectly are, or within the preceding 12 months, were entitled to exercise or control 10 per cent or more of the votes able to be cast on all or substantially all matters at general meetings of the Company.

- (i) As at 6 December 1996 the Directors are aware of the following persons (other than the Directors) who were interested directly or indirectly in 3 per cent or more of the issued ordinary share capital of the Company.

Shareholder	Number of Ordinary Shares	% of the Company's issued ordinary share capital
Rotolok (Holdings) Limited	650,044	6.5%

Although no formal notification has been received by the Company, it is believed that Mr D McCauley may have an interest in 15.39 per cent. of the Company's issued share capital including those shares held by Rotolok (Holdings) Limited.

6. Directors' Service Agreements and Emoluments

- (a) The Company entered into a Service Agreement with Mr Duncan Godefroy on 1 June 1994. Under this Agreement Mr Godefroy is employed as full time Managing Director and Company Secretary for a period of 3 years from the date of the Agreement, such 3 year period to be extended automatically on the anniversary of the Agreement unless notice to the contrary has been given. At the date of this Admission Document no notice has been given.

The Company entered into a Service Agreement with Mr Nigel Godefroy on 6 December 1996. Under this agreement Mr N Godefroy is employed as full-time Executive Director for a fixed term of 2 years commencing on 1 November 1996, terminable thereafter by 3 months' notice given by either party.

- (b) There are no other existing or proposed service contracts with Directors.
- (c) During the financial year ended 31 March 1996 the remuneration of the individual Directors was as follows:

	Salary £	Taxable Benefits £	Fees £	1996 Total £	1995 Total £
Bryan Hayward Foster	12,720	—	4,000	16,720	16,720
Peter Cecil Stedman	12,360	—	4,000	16,360	16,360
Duncan Bruce Godefroy	47,000	11,480	—	58,480	54,618
Jonathan Hugh Trafford	—	—	4,000	4,000	4,000
Malcolm Lawson Iley	—	—	4,000	4,000	4,000
Peter Anthony Langmaid	—	—	4,000	4,000	4,000
Thomas Ralph Winsor	—	—	1,000	1,000	—
Raymond Wood	—	—	6,000	6,000	6,000
Margaret Ellen Winsor	—	—	—	—	—
	<u>72,080</u>	<u>11,480</u>	<u>27,000</u>	<u>110,560</u>	<u>105,698</u>

- (d) Duncan Godefroy is also paid £15,000 per annum in his capacity as Company Secretary. His principal taxable benefits consist of a company car with fuel benefits and private health insurance. Nigel Godefroy is paid a salary of £32,000 per annum and has a principal taxable benefit of a company car. Duncan Godefroy is also eligible to receive a performance related bonus based on the Group's profitability. No other Director receives any taxable benefits or pension contributions.
- (e) It is not anticipated that the fees for Directors will be increased in the current financial year although the total remuneration of the Managing Director has been raised by 2.75 per cent. Thomas Winsor will receive fees at the full annual rate of £4,000 for the financial year ending 31 March 1997 having been elected at the Annual General Meeting.

7. Taxation

The following paragraphs are based on the current United Kingdom legislation and Inland Revenue practice. They are intended as a general guide only and may not apply to certain classes of shareholders such as share dealers and assume a shareholder holds his existing shares in the Company as an investment. They should be read in conjunction with the note set out on page 12 of this document.

(a) Reinvestment Relief

Reinvestment Relief enables a UK resident individual to make a claim for gains on disposals on or after 30 November 1993 arising on any chargeable assets to be rolled over and treated as reducing the capital gains tax cost of ordinary shares in a qualifying unquoted trading company acquired within one year before or three years after the disposal. A successful reinvestment relief claim can therefore defer the payment of capital gains tax.

The Company has received a provisional ruling from the Inspector of Taxes that the shares acquired in the Company since 1 April 1995 potentially qualify for reinvestment relief. Reinvestment relief is however subject to various qualifying conditions being met by both the individual shareholder and the Company.

As a result, Ordinary Shares acquired by an individual since 1 April 1995 will potentially be eligible for reinvestment relief. Any claim for reinvestment relief will, however, be subject to a qualifying period of three years from the date of acquisition during which time the Company must continue to be a "qualifying company". If at any time during the three year period the Company ceases to be a "qualifying company", reinvestment relief will be clawed back, potentially resulting in a capital gains tax liability for the individual. This is in addition to other qualifying conditions that must also be fulfilled throughout the three year period.

This is a complex issue and therefore individuals looking to take advantage of reinvestment relief by the acquisition of Ordinary Shares in the Company should seek independent professional advice.

(b) Inheritance Tax Business Property Relief

Business property relief is available on valuing, for inheritance tax purposes, transfers (in life and on death) of business property, providing certain conditions as to the length of ownership (usually 2 years) and type of business are satisfied. Holdings in certain unquoted companies can potentially attract 100% business property relief.

The Company has received confirmation from the Inland Revenue Shares Valuation Division that the different business activities that the Company undertakes do not debar individual shareholders or executors from claiming, subject to other qualifying conditions being met, a measure of inheritance tax business property relief.

(c) Tax on Income

Under current United Kingdom taxation legislation, no tax is withheld from dividend payments by the Company. However, on paying a dividend, the Company is liable to account to the Inland Revenue for an amount of advance corporation tax ("ACT"). The rate is 20/80 of the amount of the distribution. Such ACT can, within certain limits, be set against the Company's liability to UK corporation tax.

United Kingdom resident individual shareholders will be entitled to a tax credit equal to 20 per cent of the aggregate of the dividend paid and the attributable ACT. The dividend and associated tax credit received by a resident shareholder is included in calculating his total income for UK tax purposes. To the extent that an individual shareholder's total income, including the dividend and tax credit, does not exceed the threshold for higher rate tax, tax will be chargeable on the amount of dividend plus the associated tax credit at 20 per cent. The tax credit satisfies an individual shareholder's liability for both basic and lower rate tax, so no further tax will be payable in respect of the dividend (the tax credit matching the tax liability). To the extent that an individual shareholder's income exceeds the threshold for higher rate tax, tax will be chargeable on the amount of the dividend plus the associated tax credit at 40 per cent. The associated tax credit will discharge a part of the liability but there will be additional tax at 20 per cent in respect of the dividend plus the associated tax credit. To the extent that his total tax credit exceeds his overall income tax liability, an individual shareholder may claim to have the excess paid to him by the Inland Revenue.

A UK resident corporate shareholder will not be liable to UK corporation tax on any dividend received from the Company and will be able to treat the dividend received and the related tax credit as franked investment income. The tax credit can be used by the UK resident corporate shareholder for the purpose of reducing the amount of ACT that has to be remitted to the Inland Revenue when such a recipient pays a dividend to its own shareholders.

Whether shareholders who are resident in countries other than the United Kingdom are entitled to payment from the Inland Revenue of a proportion of a tax credit in respect of any dividends paid depends in general upon the provision of any double taxation convention which exists between such countries and the United Kingdom. However, individual shareholders who are resident in countries other than the United Kingdom but who fall into certain categories of persons within section 278 of the Income and Corporation Taxes Act 1988 are entitled to a tax credit which they may set against their total United Kingdom tax liability or, in appropriate cases, reclaim in cash.

- (d) The Directors have been advised that the Company is not a close company, as defined by section 414 of the Income and Corporation Taxes Act 1988.

The above comments are general in character and are based on certain aspects of current law and Inland Revenue practice which may not apply to certain classes of taxpayers (such as dealers). Any person who is in any doubt as to his taxation position and those subject to taxation in jurisdictions other than the United Kingdom should consult their own professional adviser.

8. Material Contracts

The following contract (not being a contract entered into in the ordinary course of business) were entered into by the Group within the period of two years immediately preceding the date of this document and is or may be material:

- (a) Letters dated 17 July 1996 by which HSBC Investment Bank Limited ("HSBCIB") and Greig Middleton & Co. Limited were appointed to act on the Company's behalf in placing the 5,000,000 Ordinary Shares. Under the terms, HSBCIB and Greig Middleton & Co Limited were to use their reasonable endeavours to procure placees for up to 4,979,848 Ordinary Shares at £1 per share and were guaranteed 2,489,924 shares would be made available for placing. The Company paid a fee to HSBCIB and Greig Middleton & Co Limited equal to 1.5 per cent (plus any applicable VAT) of the funds raised by them. No placing commissions were payable to placees.
- (b) by a Deed of Variation dated 2 March 1995 between English Partnerships (formerly the Secretary of State for the Environment) (1) Sutton Harbour Company (2) and the Company (3) the Grant Deed dated 14 May 1992 between the same parties was varied. English Partnerships agreed to make grant available in the total sum not exceeding £4,644,991.

9. Litigation

Save as set out below, no member of the Group is or has within the 12 months preceding the date of this document been engaged in any legal or arbitration proceedings which may have or have had a significant effect on the Group's or the Company's financial position. So far as Sutton Harbour Holdings plc is aware, no such legal or arbitration proceedings are pending or threatened against the Company or any member of the Group.

- (a) The Group is involved in a boundary dispute at North Quay House. The Group is counter - claiming and therefore no provision has been made.

10. Working Capital

After due and careful enquiry the Directors are of the opinion that the Company and its subsidiaries have sufficient working capital for their present requirements.

11. General

- (a) The financial information contained in this document does not comprise statutory accounts as referred to in Section 240 of the Act. The auditors of the Company are Nevill Hovey & Co., chartered accountants and registered auditors of Godwins House, Hampton Street, Plymouth PL4 8DB.
- (b) The Directors are of the opinion that the Group carries adequate insurance cover for all major risks which it faces and which would be expected to be the subject of insurance cover.
- (c) The total expenses of or incidental to Admission, all of which are payable by the Company, are estimated to amount to approximately £125,000 (excluding VAT). The expenses will be charged to the profit and loss account of the Company.
- (d) Definitive share certificates have been issued in respect of the Company's existing shares.
- (e) This document has been drawn up in accordance with the Public Offers of Securities Regulations 1995 as required by Rule 16.10 of the London Stock Exchange.

12. Consents

- (a) Ernst & Young have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their name and the references thereto in the form and context in which they appear.
- (b) Nevill Hovey & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their name and the references thereto in the form and context in which they appear.

- (c) Stratton Creber have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their name and the references thereto in the form and context in which they appear.

13. Documents Available for Inspection

Copies of the following documents may be inspected at the offices of Bond Pearce, Darwin House, Southernhay East, Exeter EX1 1LA, during usual business hours on any weekdays (Saturdays, Sundays and public holidays excepted) for a period of 14 days following the date of this document:

- (a) the Memorandum and Articles of Association of Sutton Harbour Holdings plc;
- (b) the unaudited interim statement for 6 months ended 30 September 1996 set out in Part II;
- (c) the accountants' report set out in Part III and the statement of adjustments relating thereto;
- (d) the service contracts referred to in paragraph 6 above;
- (e) the material contracts referred to in paragraph 8 above;
- (f) the written consents referred to in paragraph 12 above;
- (g) the prospectus of the Company dated 22 July 1996; and
- (h) Stratton Creber's valuation report dated 3 April 1996 referred to in Part III.

Dated: 18 December 1996