

14 September 2022

## **Sutton Harbour Group plc (the "Company")**

### **Annual General Meeting Statement**

The Chairman of Sutton Harbour Group plc will issue the following update to shareholders attending today's AGM.

Since my last update in the Annual Report published in July 2022, I am pleased to report that Summer trading has been strong, particularly at our marinas where annual berthing was fully sold, and at our car parks where usage has returned to pre-Covid levels. Occupancy of rental property has remained robust to date, although some office tenants, whose leases are close to expiry, are reconsidering future requirements and this may present an opportunity for alternative uses within the Company's estate portfolio.

The construction of Harbour Arch Quay is now well underway with the service core built to full height and the third floor (of eight) now built. Exchanges have taken place on two (of fourteen apartments) with a further five reservations in line to progress to exchange.

The refurbishment of Old Barbican Market building is close to completion with incoming tenants progressing their fit-out works. It is expected that two tenants, where leases are complete, will start trading from the premises next month. Once complete, the building at the heart of the historic Barbican will provide a café/bakery, retail store and bar/restaurant, each of high quality, to add to the overall amenity of the area.

Following on from these new developments, a pipeline of material projects is ready to continue the stated strategy of value growth to shareholders.

The Company has been in active consultation with the Local Authority and users over the redevelopment of the Plymouth Fishmarket resulting in the 'pre-application' submission to the Local Planning Authority, which has recently been approved in principle. This major project will proceed in line with the Council's Port Strategy for Plymouth and delivery of the redevelopment will modernise facilities for the fishing industry, improve access to the National Marine Aquarium, include the presence of a new retail fishmarket and enhance the vibrancy for a sustainable Sutton Harbour.

Whilst the 14 apartment Harbour Arch Quay development has provided the Company with current experience in development around Sutton Harbour after more than a decade's hiatus, the scale of the consented 170 apartment Sugar Quay development will be transformative. Sugar Quay will be the landmark presence at Sutton Harbour with its iconic design over 20 storeys and has the scale for material development returns.

At the request of the Local Authority, the Company has entered into discussions regarding valuation of the former Plymouth City airport site, on which the Company has a long unexpired leasehold interest. The Company recorded the airport site at historical cost on its balance sheet at £13.2m as at 31 March 2022. However, the Company has maintained the site and carried the cost of capital invested for nearly eleven years since it was closed. The present value of the carried cost is approximately £27m and a valuation of the land on a development basis, prepared for the Company by an expert valuer, is considerably higher than the present carried cost. Whether the former airport site is realised for the Company

through a transaction or ultimate development, the site is expected by the Board to continue to become more valuable as demand for land in Plymouth for industrial, residential or other uses continues to increase.

Realisation of Sugar Quay and whatever ultimate use of the former airport site would create material value for shareholders together with the public benefits of bold regeneration in urban Plymouth. The timing of these strategic moves will be dependent on the overall macro-economic environment and the need for settling of the current uncertainties of rising inflation and cost of capital.

After an encouraging Summer, the Company has prepared for the upcoming challenges of the second half year. The Company's current power contract expires on 30 September and the uncertainty and volatility in the energy markets has prevented the Company's suppliers and brokers from providing a firm renewal price. The Company will settle a new contract as soon as possible, but has prepared for the consequences of a sharp increase in energy costs. A significant proportion of the Company's energy cost is recharged to tenants and harbour users.

Interest paid by the Company on its bank debt has been steadily increasing in line with base rate increases. Other loans, including the development finance for Harbour Arch Quay and related party loans, announced and drawn down in May 2022, are both at fixed rates of interest. At the present time, the Company has not entered into any interest rate fixing agreements due to the high cost of doing so, however this remains under monthly review by the Board. The Company is in discussions with its bankers regarding the extension or renewal of its current facilities. The Company has also received expressions of interest from other banks regarding corporate and real estate finance.

Other costs will be impacted by general inflationary pressures although many of the key cost inputs, including salaries, are now fixed or contracted for the remainder of the financial year.

I reported on a six-month long programme to replace the lock cills in my July report. These works are now rescheduled for the next financial year and the Company is in active discussions with the Environment Agency and harbour user groups about a revised works timetable with a longstop date of March 2024.

Post the completion of Old Barbican Market and Harbour Arch Quay, the Company looks forward to the larger strategic developments to deliver long term value and revenue growth to shareholders.

The Interim Results for the 6 month period to 30 September 2022 are due to be published in early December 2022.

#### **Enquiries**

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### **Notes to Editors**

Sutton Harbour Group plc (AIM: SUH) is an AIM quoted company specialising in marine operations, waterfront regeneration and destination creation in Plymouth and South West England.

The Company operates Sutton Harbour Marina, King Point Marina and Plymouth Fisheries. Operational activities include mixed-use lettings, car parking and support services to harbour users, property management and regeneration and asset enhancement.

Sutton Harbour is committed to being the leading marine and waterfront regeneration specialist in Southern England, and to positioning Sutton Harbour in Plymouth as a destination of national interest.