



 SUTTON
HARBOUR

SUTTON HARBOUR GROUP PLC

2023

ANNUAL REPORT &
FINANCIAL STATEMENTS

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STRATEGIC REPORT

VISION AND OBJECTIVES

Sutton Harbour Group plc, listed on the Alternative Investment Market (AIM) 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 is the owner and custodian of a unique historic harbour asset adjacent to Plymouth city centre to the north and Plymouth Sound to the south, connecting the sea to the South West of England.

The Group owns property assets around the harbour and directly supports the City's objective to create the first National Marine Park, and to assist it to fulfil its ambitions as the Ocean City thereby creating a prime location for living, working, visiting and hosting waterside events.

OUR OBJECTIVES

- To develop a mix of trading activities for medium to long-term sustainable growth and to provide a balanced risk profile.
- To provide a secure investment proposition in a profitable Group which has a strong income producing asset base by increasing and improving the income earning asset portfolio of the Group.
- To build on the Group's strength as a specialist in waterfront destination and regeneration in the South West region.
- To provide asset-based value growth to shareholders in the medium term.

CURRENT BUSINESS PLANS

- Retention of strategic assets and development of new adjacent assets for investment and revenue generation until they reach their full potential.
- Value realisation of inventory assets through development together with the sale of some assets which have attained their full potential.
- Investment in infrastructure to increase capacity, improve service and enhance quality.
- Growth of earnings from core divisions: marine (marinas and fisheries), real estate (commercial lettings), parking and regeneration/development.
- Maintain strong reputation for quality and customer service.

STRATEGIC REPORT

THE GROUP AT A GLANCE

MARINE

Sutton Harbour currently has capacity for berthing 523 leisure and commercial vessels (as of June 2023 was accommodating 468 vessels) and achieves an increasing, core annual revenue stream in the form of dues, fees and rents from the established fisheries, marinas and property operations.

Marinas

Sutton Harbour Marina for leisure berthing is currently 95% occupied and is trading at close to capacity.

The King Point Marina, which opened in 2013, has now transitioned into a mature business with 97% occupancy. The facility has 119 leisure berths with additional berthing taking approximately a third of the total space leased to Princess Yachts until 2028.

Plymouth Fisheries, the trading name of the fishmarket in Plymouth, is recognised as an important fishing port in England.

The Group's subsidiary, Sutton Harbour Company has been trading since 1847 and during this long period of operating the harbour and associated assets have experienced successive economic cycles. This long history serves as a guide to continue to develop the asset for further performance and value growth in the future.

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 quality residential and commercial buildings overlooking the harbour, and improvements to berthing facilities, added to the attractiveness of the area to create a sustainable location for business, leisure and living. The Group is now focused on bringing forward the third phase with new planning applications secured and in preparation which will integrate the city centre to communities east of the Harbour, a long held aspiration of the City of Plymouth.

REAL ESTATE

This division comprises the rentals from investment properties and is particularly focused on growing its annual income through asset enhancement, including office space, retail and leisure facilities.

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 Old Barbican Market, the former fishmarket which was converted to retail use in 1998, underwent a major refit in 2022 which was subsequently let to three high quality national covenant tenants and now attracts increased footfall to the Sutton Harbour area.

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. These facilities and operators attract visitors and citizens of Plymouth, strengthening the natural attractiveness, leisure and social enjoyment of the Harbour.

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.

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, around Sutton Harbour and adjoining various tenanted properties.

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.

During 2022 and 2023 the Company has been constructing its first new building at Sutton Harbour since 2009 – a 14 unit apartment building (Harbour Arch Quay). Planning consents are held for the development of the iconic Sugar Quay tower of 170 units, with retail/office space incorporated facing the harbour and the extension to an existing multi storey car park owned by the Group is also approved, to be implemented in parallel with Sugar Quay.

The Group has also been working with the Local Planning Authority to build significant residential complexes on the east side of Sutton Road which will facilitate improved east west linkage across Sutton Harbour joining the city centre and existing easterly residential areas.

Former Airport Site

In 2000, the Group purchased Plymouth City Airport Limited and a long lease of the regional airport site from Plymouth City Council. The Group also owns some freehold land on the 113 acre 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.

Plymouth City Council agreed upon the closure of the former airport as of 23 December 2011, due to withdrawal of flight services and unsustainable losses. The decision also resulted in cancellation of the airport operating licence and cancellation of the air traffic zone. In March 2019, Plymouth City Council produced a new local plan which was scrutinised at public hearings and by Government Planning Inspectors. The plan was accepted together with the Council's proposal to safeguard the former airport site for aviation operations but limited to five years. Accordingly, the Group is working towards options for the site and developing a masterplan. This strategic asset will either be redeveloped for a range of uses (including the possibility of an aviation component based on emerging new technology that is sensitive to the environment and does not require the full extent of the current runway length) or limited to airport uses only, but in either case the intrinsic value of the asset is represented by its potential future uses.

STRATEGIC REPORT

EXECUTIVE
CHAIRMAN'S REPORT

INTRODUCTION

I am pleased to report on a successful year of progress for the year ended 31 March 2023, notwithstanding the material challenges in the economy:

The Company has been engaged in the delivery of two key property projects during the financial year, in line with the strategy to improve the quality, value and sustainability of the Sutton Harbour area:

Harbour Arch Quay – construction of the waterfront 14 apartment building is due to be substantially completed in August 2023, whereafter occupations of the 12 (of 14) apartments already exchanged will follow. This is the first new building developed by the Company at Sutton Harbour since 2009.

Old Barbican Market – the historic former fishmarket building has undergone a full refurbishment, including a new roof on the listed structure and separation of the 7,500 sq ft space into three c. 2,500 sq ft retail spaces. All three units are let to higher quality national operators: Cornish Bakery, Pavers and Loungers, stimulating footfall and adding to the diversity and vibrancy of the area.

Marinas – the marinas achieved another record season with berths occupied effectively to capacity during the year.

The nature of the Company's operations and level of debt carried has exposed the Company to significant cost increases as a result of rising interest rates and the extreme energy cost spike in the second half of the year. Energy costs have declined at the start of the current financial year and the Company is securing more effective contracts and with more stability in supply.

To support repayment of a third party loan, the Company's progress with active and future property projects and to improve cash headroom Related Party Loans totalling £2.955m were drawn down from two major shareholders during the year. Post-period end, in May 2023, subscription for new equity shares by the major shareholder provided £2.923m (before expenses) to further support the Company's operations and projects in the face of ongoing higher costs and to permit reduction of bank loan debt.

FINANCIAL HIGHLIGHTS	2023	2022
Net Assets	£56.067m	£56.211m
Net Asset value per share	43.1p	43.3p
(Loss)/Profit before tax from continuing operations	(£2.021m)	£0.561m
Adjusted profit/(loss) before tax excluding fair value adjustments	(£0.096m)	(£0.366m)
(Loss) after tax	(£2.036m)	(£0.259m)
Basic (loss) after tax per share	(1.57p)	(0.20p)
Dividend per share	0.0p	0.0p
Total Comprehensive Income for the year attributable to shareholders	(£0.144m)	£5.641m
Total Comprehensive Income per share	(0.11p)	4.33p
Net Debt	£29.259m	£24.408m
Gearing (Net Debt/Net Assets)	52.2%	43.4%

RESULTS AND FINANCIAL POSITION

The adjusted loss before taxation for the year was £0.096m (2022: £0.366m profit before taxation) which excludes non-cash fair value adjustments. In this financial year these adjustments relate to property asset valuation, undertaken by external valuers as at 31 March 2023. The loss before taxation for the year under review as per the Income Statement, inclusive of the aforementioned adjustments, was £2.021m (2022: £0.561m profit before tax). Gross profit for the year was £2.246m down £0.102m compared to the previous period to 31 March 2022 (£2.348m), reflecting the impact of the higher energy costs in the second half year.

Net debt (including lease liabilities) increased to

£29.259m as at 31 March 2023 from £24.408m at 31 March 2022, an increase of £4.851m. This includes £2.372m at 31 March 2023 in respect of a specific development loan (maximum £5m facility) for the construction of Harbour Arch Quay. The increase in development property inventory during the year to £37.048m (31 March 2022: £31.861m), includes the Harbour Arch Quay development which amounted to £6.940m at the year end.

Gearing (Net debt: net assets) as at 31 March 2023 stood at 52.2% (31 March 2022: 43.4%). Net finance costs of £1.150m in the year (2022: £0.789m) are stated after capitalisation of interest of £0.555m (2022: £0.343m).

As at 31 March 2023, net assets were £56.067m (31 March 2022: £56.211m), a net asset value of

43.1p per ordinary share (31 March 2022: 43.3p per ordinary share). The movement includes the valuation of the Group's property assets which gave rise to an overall valuation surplus of £0.510m, as reconciled in the table below, of which a £1.925m deficit relates to the investment property portfolio and a net £2.435m surplus relates to the owner-occupied properties. These valuation results reflect the strength and continued strong performance of the marina and car park assets, set against the impact of a general weaker market sentiment towards office and retail space. The Company's investment portfolio has continued to be well let and with demand for the few available properties. During the year a 27 year old office building has been decanted as leases expired with refurbishment of the building intended.

	VALUATION SURPLUS/(DEFICIT)	ACCOUNTING*
Owner Occupied Portfolio		
Fisheries	-	
Marinas	£2.024m	Credited to the Revaluation Reserve in the Balance Sheet
Car Parks	£0.411m	Credited to the Revaluation Reserve in the Balance Sheet
Investment Property Portfolio	£(1.925)m	Fair valuation adjustment recorded in the Income Statement
TOTAL	£0.510m	

Further details on Financial Performance can be found on page 10.

Financing

In May 2022 the Company repaid a third party loan which had been drawn down in 2020 to purchase strategic land. Security provided to the lender was then released. This was funded by unsecured Related Party Loans from two major shareholders totalling £2.3m on better and more flexible terms than could be secured elsewhere. Later in the financial year (December 2022 and March 2023) the Related Party Loans were increased by £280,000 and £375,000 respectively to improve cash liquidity. Terms of the loans allow for interest to be rolled into the loan principal on a quarterly basis. The Related Party Loans expire in May 2024.

The Company's general banking facility has been extended by one year giving a new expiry date of December 2024. The committed facilities of £24.9m reduce to £21.7m by 31 August 2023. The Company is now preparing to put a new general banking facility in place within the current financial year. During the past financial year the Company met all banking covenant tests as agreed with the bank.

A £5m development facility was put in place to fund the construction costs of Harbour Arch Quay. This facility will be repaid with the completion of sales of the apartments before the expiry date of 13 September 2023.

During the financial year under review bank base rate rose from 0.75% as at 1 April 2022 to 4.25% at 31 March 2023. The progressive rises throughout the year have resulted in material increases in debt servicing costs. The board has discussed the merits of fixing the interest rate by way of a hedge instrument every month, but to date has not entered into any agreements due to the high cost of doing so relative to the rate ruling at the time of obtaining quotes and the expectation that rates are close to peaking.

Recognising the increasing cost of debt serving costs, the Company has a strategy to further reduce debt levels and to improve profitability:

- To continue to improve the attractiveness of the Sutton Harbour asset to benefit the Company's trading profitability and investment property rentals.

- Deliver profitable redevelopment of existing sites for sale to improve working capital headroom and to reduce debt, and/or for rent to improve revenue, profit and capital value growth
- Consideration of the sale of non-strategic assets that have achieved maturity and stability in value.
- And thus rebalancing the debt : equity ratio of Company to allow the reduction of debt and consequent saving of interest.

Taking into account the current level of bank borrowing, the board does not recommend payment of a dividend on the year's results.

DIRECTORS AND STAFF

There have been no Board changes during the year. Headcount as at 31 March 2023 was 30 (31 March 2022: 32).

OPERATIONS REPORT

MARINE

Both Sutton Harbour Marina and King Point Marinas achieved record revenues for the year to 31 March 2023 with respective average occupancies of 97% and 96%. The Company saw high demand for berthing following the trend of the previous year and more customers paying some 5 months in advance of the start of the season to secure their preferred berth. In response to the increased level of business some additional staffing resource has been introduced to support the administrative and operational functions running the marinas.

The outlook for the marinas remains strong with King Point Marina fully let and a new 5 year lease for approximately one third of the total berthing space to Princess Yachts completed in June 2023. The Company has increased fees, in line with inflation, as have competitor marinas. Berth-holders at Sutton Harbour Marina have been offered a discount to reflect the disruption of the forthcoming lock work and occupancy is slightly lower this season at 95%. Normal operations will resume by May 2024 once these works are complete with the expectation that major lock works will not be required for another 12-15 years (more information on these works is given below).

Fisheries trading followed the slow trend of the last couple of years with high fuel prices, competition from other south western ports, intermittent poor weather and lower fish stocks all contributing to a decline in the trading position. Landings of fish in value terms were slightly lower than the previous year although the volume of fuel sold was up on last year, albeit at a lower overall margin charged by the Company to support fishermen to go to sea and improve competitiveness. Against this trading picture, demand for commercial units at Plymouth Fisheries has been strong, such that all units are now let to fisheries related businesses and there are no void premises. Rental incomes and related service charges have therefore improved in the last year.

The energy price spike that affected the second half of the financial year under review which took hold after the previous fixed price expired increased energy prices to 3.5-4 times as much as previous charged, even after allowing for the Government energy price relief discount. Since 1 April 2023 energy prices have halved from where they were, although this is still close to double the price as pre October 2022. The Company will continue to be a significant energy consumer to operate the harbour, lock and fisheries plant as well as general heating and lighting consumption across the estate which is recharged to tenants and other users based on meter readings in the case of specific supply. To manage the risk of volatility in energy prices the Company is in the process of entering into a 5 year capped buying arrangement for the procurement of gas and electricity requirements which offers greater protection against future price volatility.

Starting in Autumn 2023 the Environment Agency will embark on a six month programme to replace the cills of the Sutton Harbour Lock, which is a flood defence to protect the City. These essential works result in restrictions to harbour users at certain times when passage through the lock will be constrained. The Group is arranging for back-up alternatives to facilitate some of the landing of fish at nearby locations which can be transported to the Fishery Complex for fish processing and auction. This was the same some 13 years previously when works were undertaken on the lock gates, however the costs relating to the works themselves is being funded by the Environment Agency.

REAL ESTATE AND CAR PARKING

Tenant occupancy by 31 March 2023 stood at 89% (31 March 2022 89%). There has been little change in the tenants mix over the reporting year. The main changes have been the decanting of North Quay House (a 17,750 sq ft 5-floor) office building and the letting of the refurbished Old Barbican Market.

The Old Barbican Market is fully let with three new national scale tenants with material covenants and has visibly stimulated increased visitor footfall to the area. The sensitive and complete restoration of the listed historic building has enhanced the quality of the built environment and amenity in the Sutton Harbour/ Barbican area for years to come.

North Quay House has been continuously let to office tenants for 27 years. Following the vacation by most tenants the Company is reviewing options for the building which would achieve best value for the Company and to stimulate activity at Sutton Harbour. Demand for office space in Plymouth has weakened and the Company judges that the cost of refurbishment to modern standard office space is unlikely to generate returns sufficient to justify the investment. Following the success of the Harbour Arch Quay residential development, the Company now intends to submit a planning application to convert the building to residential accommodation with ground floor commercial space. Subject to planning consent and financing this development, which could provide 10 high quality apartments over 5 floors together with on site parking, could be delivered in 2024.

The car parks traded successfully throughout the financial year achieving the best revenues to date. Prices have been raised in line with inflation and other local parking facilities for the new season. The car parks management agreement is due for renewal at the end of 2023 and discussions with specialist management companies will take place over the next few months to secure the best terms for the Company.

The normal events programme organised, by the City Council and other stakeholders, for the waterfront and nearby City Centre areas have resumed, increasing visitor numbers which in turn support the trading operations of many of our tenants. Together with the Company's new developments and improvements these events promote the vibrancy and popularity of the Sutton Harbour area for visitors, workers and residents, thereby supporting the sustainability of the Harbour and values of the Company's property assets.

REGENERATION

Harbour Arch Quay

The development construction is due to be completed by mid August 2023, with occupation of sold apartments due to take place immediately thereafter. Of the 14 apartments, including 2 penthouses, 12 are sold and the remaining two are being marketed. The Company will be relocating its head office to the ground floor space of the building. This is the first new development that the Company has delivered at Sutton Harbour in 14 years and re-establishes the Company's reputation as an active developer.

North Quay House

This asset has been described in more detail further above.

Sugar Quay

The Company has consent for a 170 apartment building on the eastern quay of Sutton Harbour. Taking into account the market absorption rate for the Harbour Arch Quay apartments, the length of the build programme and the current economic outlook, the Company is now working on modifying the approved plan for this site that will allow for the development to be delivered in three distinct phases.

Former Airport Site

The 5 year safeguard protecting against non-aviation uses of the site, as recommended by the Government's Inspectors of planning policy when the new Local Plan was determined in 2019, expires in March 2024. Since the airport closed in December 2011, no funded plan to resume airport operations from the site has been received. The Company maintains that the site could be put to better use for the economic and social benefit of the City by mixed use redevelopment to include institutional, business space and housing provision with the possibility of an aviation component. The Company intends to submit a planning application to the Local Planning Authority setting out the plan for development later this year.

The Company has a long-term lease on the Property of the Former Airport site with over 130 years remaining. In addition, the Company has the right for an extension of the said lease. Since the closure of the Airport in December 2011 the Company, under the terms of the agreement with the Plymouth City Council,

has been managing the property faithfully. This management includes the security of the land assets against trespassers, groundskeeping and environmental management and site safety, all at considerable cost to the Company, c. £200,000 per annum.

The Company has also collaborated with the local authority (Plymouth City Council or PCC) and other public bodies to enable them to make productive use of the property.

Some examples are:

- Agreement via sublease to enable the PCC to have a cycle path on the property alongside some of the adjacent roads;
- Agreement with the local authority to enable the construction contractor of the PCC to store large reinforced concrete bridge beams on the property needed for the construction of a major new highway; and
- Use of the site by the Police and other public security services for various training exercises.

Recently, the Company received a request from the NHS Derriford Hospital to accommodate part of their need for parking of cars on the site. This need arose from the construction works on the hospital site, funded by the National Government, which displaced staff parking. The Company approached the local authority as free-holder of the site for this temporary use for a few years for the benefit of the NHS/Derriford Hospital, which request was not granted by Plymouth City Council.

The Company has more recently been approached by the construction contractor of the Hospital works, to use some of the land on a temporary basis to store construction related materials, vehicles and equipment with commitment to return the site in the same state as before this temporary use. The Company is making an application to the PCC regarding this request, notwithstanding the previous temporary car parking rejection, in the hope that the PCC will recognise the importance of this need to deliver the essential hospital improvements.

FINANCIAL OUTLOOK

Trading at the start of the new financial year is steady and consistent with recent trading. Demand for the Company's property, services and facilities continues to be robust. The Company

will continue to be challenged with higher energy prices (although these continue to fall from the winter peak), general inflation and the consequential costs resulting from the lock cill replacement. Higher interest rates represent the single biggest cost pressure.

SUMMARY AND OUTLOOK

The Board is pleased with the successful delivery of new developments to meet objectives of sustaining and enhancing the attractiveness and amenity of the Sutton Harbour area and to create long term value growth from the assets. The investments made in the past year are proof that sustainable success is achievable with improvements to the Harbour environment for the benefit of visitors, workers and residents. This positive achievement is set against the emergence of economic challenges of higher energy and interest costs which have undermined profitability in the past year. Looking to the future, in order to maintain the momentum with current strategic plans, the Company is in discussions with the current development funder, based on the productive results of the work to date, towards securing the additional financing for development of the Company's existing land assets in the coming year. We look forward to updating the market in due course.

PHILIP BEINHAKER
EXECUTIVE CHAIRMAN
31 July 2023

STRATEGIC REPORT

s172 REPORT - PROMOTING THE SUCCESS OF THE GROUP FOR THE BENEFIT OF ITS SHAREHOLDERS

The s172 report explains how the Board has sought to promote the success of the Group for the benefit of shareholders and highlights the key decisions taken by the Group in the past year.

DECISION MAKING

Typically major decision making concerns financing/funding, strategic business direction, key contracts and major business transactions, risk management, human resources and pay matters, Board appointments and regulatory reporting matters. Implications of specific decisions are researched to ensure communications to specific stakeholder groups make clear the business reasons, the benefits and the costs, as applicable.

ENGAGING WITH STAKEHOLDERS

The Group regards its key stakeholders as its bankers, investors, Plymouth City Council, Environment Agency, other governance bodies, customers, staff and trade bodies.

Stakeholders	Marine - Marinas	Marine - Fisheries	Real Estate	Car Parking	Regeneration	Corporate
Service Users / Customers	Berth-holders	Fishers Fishing Industry Trawler Agents	Tenants	General public National Marine Aquarium		
Finance					Project Financiers	Shareholders Company Bankers Corporate Advisors
Government & Regulatory	Marine Management Organisation	Plymouth City Council Environment Agency Marine Management Organisation	Plymouth City Council - Planning Authority	Plymouth City Council - Planning Authority	Plymouth City Council - Planning Authority	AIM rules/ London Stock Exchange compliance
Staff	The Group's board, management team and employed personnel. 3rd party contractors – advisors and operations delivery					
Trade Bodies	British Marine Industries Federation Yacht Harbour Association	The British Ports Association		British Parking Association		

The Group's approach is to collaborate with partners to promote the success of the Group, balanced proportionately with needs of collaborators to meet their own criteria for success.

The Group communicates with investors about progress at regular reporting intervals and when other reportable events occur.

The Group works closely with its key stakeholders being bankers, major investors, Plymouth City Council, Government Departments (including the Environment

Agency), other governance and trade bodies and consults with these parties where appropriate to ensure the ongoing success of business activities. After establishing relations with harbour users, Company management has continued to meet with stakeholders' groups to consult upon the timing, methodology and back up facilities in connection with the upcoming lock cill replacement works. The Company has engaged independent facilitators to assist with this process and has taken external independent advice where appropriate to inform the measures to be put in place.

The Group engages professional advisors to assist with the formulation of strategies that are best positioned for success and deliverability and for advice on technical, legal or special matters. The Group is available to talk directly to key customers and tenants as matters arise.

Staff communications are managed informally and more formally through monthly one to one meetings and annual appraisals given the small number of employees (currently 30).

KEY DECISIONS TAKEN IN THE YEAR

Financing

During the year the Company has required additional financing to support operations and to replace expiring loans. In achieving new financing the board took into account flexible terms, competitive debt servicing rates, low fees and professional costs, preference for unsecured debt and time efficiency to put new financing in place. Financing decisions during the year resulted in:

- Replacement of a secured third party loan on better and more flexible terms with unsecured related party loans provided by two major shareholders.
- Extensions to related party loans to provide increased cash headroom to manage energy and interest cost rises to maintain progress with property projects.
- Extension of general banking facility by one year rather than a longer term facility renewal to allow the Company to consider future debt structuring requirements, with the objective of debt reduction by generation of capital from developments.
- Equity raise by way of subscription to the majority shareholder (completed after the year end) using existing authority granted by shareholders to permit reduction of bank debt (Summer 2023)
- Development finance drawn down to fund Harbour Arch Quay reduced by utilising deposits paid to meet some subcontractors costs and thereby save interest.

Asset improvement and redevelopment

In line with the board's decision to become a development focused company, the Company has advanced the following projects:

Throughout the year, the Company has been engaged in delivery of the new 14 apartment Harbour Arch Quay building which will be completed in Summer 2023. This has been the first new development delivered by the Company in a decade and is the model for construction and financing of future projects in lands surrounding Sutton Harbour. Contracts for 12 of the 14 apartments have been exchanged 'off-plan'.

The board supported the comprehensive refurbishment of the Old Barbican Market to enable the Company to accommodate three new national covenant tenants to improve the quality of amenity in the area and consequent footfall.

As the leases have expired for space in the North Quay House office building, the board has been appraising the financial merits of various options for the building taking account of market demand for different forms of accommodation.

Interest – hedging

The board has had monthly discussions about the merits of hedging interest rates but did not enter into an agreement due to the high cost of doing so at each review date compared to the expectations of rate increases.

Power cost buying arrangements

To avoid the impact of energy price volatility the board has decided to enter into a 5 year capped energy buying strategy from 1 October 2023 in the best interests of controlling the Company's costs and direct/indirect charges to customers. This strategy is expected to result in greater certainty of future rates and lower costs.

Stakeholder engagement re Lock Works

The Environment Agency is responsible for the procurement and financing of the upcoming Lock Cill replacement works. Harbour users, which include fishers, leisure boat owners and others have been consulted through a series of meetings to discuss measures to mitigate the disruption as far as it practicable to do so.

Staffing and pay

After a larger pay increase for many operational personnel at the start of 2022, pay increases effective April 2023 were moderate and were benchmarked against rates in the locality for similar roles.

Dividend

The board does not recommend a dividend on the year's results in line with its policy stated on page 11 in the Financial Review.

PHILIP BEINHAKER
EXECUTIVE CHAIRMAN
31 July 2023

STRATEGIC REPORT

FINANCIAL REVIEW

KEY PERFORMANCE INDICATORS

The key performance indicators used to measure performance of the Group are stated below and narrative to these is provided in the Executive Chairman's Report.

BUSINESS SEGMENTS

The Group separates its activities into 3 trading segments: Marine (comprising Fisheries, Harbour and Marina operations), Real Estate being the business of renting the portfolio of commercial premises owned by the Group and Car Parking which records results from the operation of two public car parks and various other parking

areas. A fourth regeneration segment is activated when active construction of new build assets is underway. Plymouth Fisheries receives its income from landings dues (a percentage of the value of the fish determined at auction), the margin on fuel sales, sales of ice and rental of commercial space at the Fisheries complex. The Group has improved its marina results through increases

in overall occupancy. Continued digital targeted marketing and the renewed popularity of UK based leisure boating have been key success factors in stimulating growth.

Property Asset Performance Key Performance Indicators, which are markers of the portfolio's success are reporting as follows:

PROPERTY METRICS	AS AT 31 MARCH 2023	AS AT 31 MARCH 2022
Total estate portfolio valuation	£55.505m	£54.320m
Owner occupied portfolio valuation	£38.300m	£36.125m
Investment portfolio valuation	£17.205m	£18.195m
Number of investment properties	75	72
Contracted rent (per annum)	£1.404m	£1.385m
Net initial yield	9.42%	8.46%
Reversionary yield	9.08%	8.96%
Occupancy rate	89%	89%
Estimated rental value (ERV) of vacant units	£0.380m	£0.319m
Average unexpired lease	7.6 years	8.3 years
Gross car parks revenue	£0.771m	£0.736m
Development Inventory		
Sites around Sutton Harbour	£23.485m	£18.445m
Portland	£0.200m	£0.200m
Former airport site	£13.363m	£13.216m
Total	£37.048m	£31.861m

The Group assesses the performance of its property assets through annual independent valuation and monthly review of the property metrics as above. Success is measured in terms of occupancy rate, the number of vacant properties available and the rent that letting voids could yield. Car parking cash takings are monitored weekly and are cross referenced to activity levels in the harbour and compared to results of previous comparative periods. The Group is actively pursuing new planning consents, in addition to the live consents already held, and cost of the pre-construction work is capitalised to the carrying value.

REGENERATION PROJECTS

Costs incurred in pre-construction projects are held as development stock and are expensed against delivery of the project. The construction of Harbour Arch Quay building is due for completion in August 2023 and the increased development inventory balance at 31 March 2023 reflects the position at the year end.

ASSET VALUATION

During the year, independent valuation of the Group's investment and owner-occupied portfolio was undertaken as at 31 March 2023. This valuation gave rise to a net surplus of £0.510m reconciled as (£1.925m) deficit on the investment portfolio and £2.435m surplus on the owner-occupied portfolio.

CARRYING VALUE OF FORMER AIRPORT SITE

A full explanation is provided within note 4 on Accounting estimates and judgements on page 41.

CASH FLOW AND FINANCING

The Group's main sources of cash inflow are commercial property rentals, marina berthing fees, car parking fees, fish landings dues and fuel and ice sales income. These incomes cover the overhead and debt servicing costs and routine capital infrastructure replacements of the Group. The bank facility and from time to time, new equity capital, has been drawn upon to fund

pre-construction costs of new regeneration projects. Other loan financing has been used to finance land purchases; in December 2020 a loan from a private lender was taken out to fund the purchase of a site on Sutton Road, Plymouth. In May 2022, repayment of this loan was funded by two unsecured loans totalling £2.3m which were provided major shareholders on less expensive and more flexible terms. These related party loans were extended by a further £0.655m by March 2023 and are due for repayment in May 2024. The financing of the Harbour Arch Quay building construction has provided by a development funder with a facility that expires in October 2023.

The Group had total borrowing net of cash and cash equivalents of £29.259m at 31 March 2023 (2022: £24.408m) with a gearing level of 52.2% (2022: 43.4%). The Group has operated within its authorised facilities. The bank facilities were amended in December 2020 to permit the carve out of the Sugar Quay site provided as security to a different lender for the purchase of the Sutton Road site. The facilities were amended again in March 2021 to extend the additional £2m RCF until May 2022 and to amend certain covenants in line with Covid crisis impacted trading expectations. In September 2021 facilities were amended to permit the transfer of the land for the Harbour Arch Quay to be transferred to the subsidiary undertaking the development and to allow the development lender to take security thereon. In March 2023, the facility was amended to provide an extension of one year until December 2024 and it was agreed that term loan debt of £3.2m would be repaid from the proceeds of the Harbour Arch Quay development.

With the pipeline of development projects to finance, the Group is having discussions to put in place funds to progress construction as conditions allow.

Debt servicing costs continue to be a major expense to the Group and the board considers monthly the merits of entering into interest rate swap arrangements to fix interest on part of the

total debt. There are currently no interest hedge agreements in place due to the high cost of hedge agreements at the time of each review and the expectation that interest rates are reaching a peak.

The Company is actively working on its future financing strategy as is referred to in the Executive Chairman's Statement on page 4.

TAXATION

The standard rate of tax applicable to the Group is 19% (2022: 19%). The overall tax charge for the year is £0.015m (2022: charge of £0.820m).

DIVIDEND POLICY

Taking into account the current level of bank borrowing and consequent debt servicing costs and the Group's need for bank facility headroom to maintain current operations and the planning stages of future real estate development, the Board does not recommend a dividend on the year's results. The Group regards itself as an asset-based investment with its opportunities to reduce bank debt and realise value vested in the success of future development projects.

NATASHA GADSDON FINANCE DIRECTOR

31 July 2023

STRATEGIC REPORT

PRINCIPAL 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 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. Principal Risks and Uncertainties are as follows:

PRINCIPAL RISK / UNCERTAINTY	RISK IDENTIFIED	RESPONSE TO RISK
Financing	The availability of adequate borrowing and other funding facilities	The Company's current banking facilities to a maximum of £21.7m (after £3.2m repayment of term loan debt in Summer 2023) expire in December 2024. The company is actively working on a future financing strategy to have in place by March 2024. Development is and will be funded through specific loans and equity capital. Major shareholders have demonstrated their ongoing support through their participation, latterly subscription to new equity issue raising £2.9m in May 2023 and in the provision of unsecured loans (£2.955m) during the year to 31 March 2023.
	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.
	Interest rate rises	The Group currently has total bank facility debt exceeding £24m and any further material increase in interest rates could have a significant impact on debt servicing costs. The Group regularly reviews interest rates and its exposure. Interest swap agreements may be entered into to manage interest risk exposure where these are judged to be cost effective, as agreed by the board.
Reputation	The impact of negative publicity about the Group, its operations or stakeholders	The Group retains the advice of public relations specialists to advise on potentially contentious matters. Key stakeholders are consulted with as appropriate to the matter. Media publicity about the Group is actively followed and reported where it is misleading or untrue.
Property Development Risk – The Company is undertaking a development project of 14 apartments at Harbour Arch Quay.	Sales risk	12 of the 14 apartments (including the two double size penthouse units) are exchanged which represents 87.5% of total apartments revenue. Building construction is due to complete in August 2023 with occupations to follow thereafter.

APPROVAL

The Strategic Report from pages 2 to 12 was approved by the Board of Directors on 31 July 2023 and signed on its behalf by

PHILIP BEINHAKER
EXECUTIVE CHAIRMAN

GOVERNANCE

DIRECTORS AND ADVISORS

Company Number

02425189

Directors

Philip H. Beinhaker (Executive Chairman)
Corey B. Beinhaker (Chief Operating Officer)
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.com

Independent Auditors

PKF Francis Clark
Centenary House
Peninsula Park
Rydon Lane
Exeter
EX2 7XE

Nominated Advisor and Broker

Strand Hanson Limited
26 Mount Row
Mayfair
London
W1K 3SQ

Registrar

Computershare Services plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Bankers

National Westminster Bank plc
135 Bishopsgate
EC2M 3UR

GOVERNANCE

DIRECTORS' REPORT

The Directors present their Directors' Report and audited Consolidated Financial Statements for the year ended 31 March 2023. The review of activities during the year and future developments is contained in the Strategic Report.

MAJOR SHAREHOLDINGS

As at 31 July 2023 the Group's register of shareholdings showed the following interests in 3% or more of the Group's share capital:

	%	ORDINARY SHARES
FB Investors LLP	75.38	107,741,157
Crystal Amber Fund Limited	9.78	13,978,650
Rotolok (Holdings) Limited	5.18	7,409,996

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 Group as at 31 March 2023 are set out below.

	2023	2022
Philip H. Beinhaker	-	-
Corey B. Beinhaker	-	-
Graham S. Miller	610,762	610,762
Natasha C. Gadsdon	27,838	27,838
Sean J. Swales	10,000	10,000

There has been no dividend paid or proposed in the year.

DIRECTORS AND THEIR INTERESTS

PHILIP H. BEINHAKER

Aged 82. Appointed Non-Executive Director and Chairman on 22 January 2018 following the 'Partial Offer and Acceptance' which precipitated a change in control of the Group whereby FB Investors LLP acquired a controlling interest in the Group'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 (recently acquired by Arcadis), 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.

COREY B. BEINHAKER

Aged 53. Appointed Executive Director and Chief Operating Officer on 23 October 2019. Prior to his involvement with Sutton Harbour Group, Corey Beinhaker worked for IBIB Group Consultants (Israel) Limited from 2010 to 2017 latterly as its Chief Executive Officer where he, amongst other things, was contract manager for a number of significant projects including the Tel Aviv Red 10 Line Underground Station design and the design and technical specification for the traffic management for the inter-urban network in Israel. Corey Beinhaker has been working closely with the Group since January 2018 when FB Investors LLP acquired a 72.65% holding in the Group's share capital, initially through Beinhaker Design Services Limited (a Company of which he is a Director) and then as an employee of Sutton Harbour Group from July 2019.

In accordance with the Group's Articles of Association Corey B Beinhaker retires by rotation at this year's Annual General Meeting and being eligible offers himself 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 10.

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 Group'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 Group's auditors are aware of that information.

On behalf of the Board
NATASHA GADSDON
FINANCE DIRECTOR
31 July 2023

GRAHAM S. MILLER

Aged 60. 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.

SEAN J. SWALES

Aged 55. 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.

NATASHA C. GADSDON

Aged 53. 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 Group Secretary since 2001.

GOVERNANCE

STATEMENT OF COMPLIANCE
WITH QCA CORPORATE
GOVERNANCE CODE

SENIOR INDEPENDENT DIRECTOR'S INTRODUCTION

The Group 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 Group undertakes new developments on land it owns or redevelops existing assets to realise the value of land holdings or to retain as investment assets. The Group's assets and operations are all located in Plymouth, Devon, primarily at Sutton Harbour.

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 under utilised assets to improve the attractiveness of the area and to ensure it has a sustainable and vibrant future and to deliver shareholder value growth.

The Group'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.

The board has adopted the QCA Corporate Compliance Code, this being the most suited to the Group's size and AIM market listing.

GRAHAM MILLER

SENIOR INDEPENDENT DIRECTOR (NON-EXECUTIVE)

The Board of Directors

OFFICE	APPOINTEE	COMMITTEE ROLES	ATTENDANCE OF BOARD/ COMMITTEE MEETINGS	SHAREHOLDING AND INDEPENDENCE
Executive Chairman	Philip Beinhaker	Audit Committee Member Remuneration Committee Chair Nomination Committee Chair	Board Meeting – 9/9 Audit Committee – 2/2 Remuneration Committee – 1/1 Nomination Committee – 0/0	Philip Beinhaker has no personal shareholding in the Group. FB Investors LLP, which owns 75.38% 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.
Senior Independent Director (Non- Executive)	Graham Miller	Audit Committee Chair Remuneration Committee Member Nomination Committee Member	Board Meeting – 9/9 Audit Committee – 2/2 Remuneration Committee – 1/1 Nomination Committee – 0/0	Graham Miller and his spouse together hold 610,762 shares in the Group and he is the Senior Independent Director on the Board. Graham was appointed a Director in 2013.
Non - Executive Director	Sean Swales	Audit Committee Member Remuneration Committee Member Nomination Committee Member	Board Meeting – 9/9 Audit Committee – 2/2 Remuneration Committee – 1/1 Nomination Committee – 0/0	Sean Swales holds 10,000 shares in the Group. He is also the corporate representative of Rotolok (Holdings) Limited which has an interest in 7,409,996 (5.18%) of the Group's shares. Sean was appointed a Director in 2009. Until 10 January 2018, Rotolok (Holdings) Limited was interested in 28.79% of the Group'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. Although Sean has served twelve years on the board, the continuity of his experience through the recent majority shareholder change and board composition transition is valued.
Chief Operating Officer (Executive)	Corey Beinhaker		Board Meeting – 9/9	Corey Beinhaker holds no shares in the Group. FB Investors LLP, which owns 75.38% of the issued share capital, is jointly owned by Beinhaker Design Services Limited and 1895 Management Holdings UIC. Corey Beinhaker is a Director and 100% shareholder of Beinhaker Design Services Limited.
Finance Director (Executive) and Group Secretary	Natasha Gadsdon		Board Meeting – 9/9	Natasha Gadsdon holds 27,838 shares in the Group and has been an Executive Director since 2004. She also holds options over 143,340 ordinary shares exercisable under provisions of the Group Share Option Plan rules.

No changes to the Board's composition have occurred in the last year. The Board has reconsidered its composition during the year and is satisfied that taking into account the size of the Group, its AIM listing and its principal interests it has the appropriate balance of finance, property development and governance expertise to manage its affairs efficiently and effectively. The Board has reviewed its balance of independent and non-independent directors and is satisfied that a single Independent Director, Graham Miller who has now served 9 years on the board, is acceptable given his experience on other boards. The Board also notes, that whilst Sean Swales has served more than 10 years on the Board, that his long term experience of the Group, knowledge of property investment and financial specialism are valuable contributions to the governance of the Group.

Philip Beinhaker and Corey Beinhaker continue to be the board appointees nominated by FB Investors LLP, the majority shareholder in the Company. It has been agreed by the board that no decision or meeting would be quorate unless at least one of the Non-Executive Directors is present in addition to the FB Investors' appointees.

Philip Beinhaker is appointed Executive Chairman (since April 2018, previously Non-Executive Chairman from January – April 2018) and presides over the business of the Board as well as directing and overseeing the operations of the Group through the senior management team.

Corey Beinhaker was appointed Chief Operating Officer in October 2019 with a wide-ranging role focusing on Group operations and regeneration projects.

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. A Chartered Accountant, he continues to contribute actively to the Board due to his financial specialism, property investment and development expertise and regional knowledge.

Natasha Gadsdon, a Chartered Accountant, is appointed Finance Director and Group 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.

SHAREHOLDER RELATIONSHIP AGREEMENT WITH FB INVESTORS LLP

The Relationship Agreement updated May 2023, addresses amongst other things, the composition of the SHG Board providing FB Investors with the ability to appoint up to two Directors to the SHG 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 Group). It contains certain restrictions in relation to Directors appointed by FB Investors voting at meetings of the SHG Board on matters in which FB Investors is interested. FB Investors has nominated Philip Beinhaker and Corey Beinhaker to serve as Directors of Sutton Harbour Group plc.

BOARD DECISION MAKING, QUORUM AND INTERNAL CONTROL

9 full Board meetings were held in the financial year to 31 March 2023 (attendances are summarised in the table above). Prior to each meeting an agenda together with narrative business reports and supporting appendices are circulated to each Board member. Matters for Board decision are highlighted in advance of the meeting. The advice of non-board colleagues and professional advisors is sought where additional specialist information is required to inform a decision. Following the change of majority shareholder in early 2018 and Board level changes, the Board considers its effectiveness annually and has concluded that its present composition, taking into account the size of the Company, its AIM listing, the skills and experience it requires and current diversity of Board personnel, is appropriately balanced with experienced appointees.

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. To ensure decisions are made with independent input it has been agreed that such decisions can only be taken where either Graham Miller or Sean Swales are present with Philip Beinhaker and Corey Beinhaker.

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 roles of the Board's governance committees are set out below.

The Remuneration Committee within its terms of reference determines and agrees with the Board the employment terms and remuneration packages of the Executive Directors and other senior personnel. 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 has written terms of reference and provides a forum for reporting by the Group's auditors. The Committee may request Executive personnel to attend all or part of any meeting as the Committee considers appropriate. The Audit Committee meets two or three times a year to review the Interim and Annual Reports and Accounts, agree the Audit Plan, confirm the Auditor engagement, review risk management and insurance provision, assess the adequacy of the Group's finance personnel and any other matters pertaining to financial management, the statutory audit and tax compliance.

In accordance with FRC Ethical Standard prohibiting auditors of AIM listed companies from offering services to prepare computations of taxation, the Audit Committee engaged a different firm of accountants, from the auditors, to undertake this work.

The Nomination Committee is responsible for proposing candidates to the Board having regard to its balance, expertise and structure. .

RISK MANAGEMENT

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. Included in the monthly reports to the Board, new risks are identified together with proposals to manage/mitigate the risk. Group Bankers and Insurers are kept apprised of business risks and vulnerabilities on an ongoing basis. Annual independent health and safety audits are undertaken with the results reported to the Board. Advice from the appointed external Health and Safety Advisor is taken where appropriate.

STAKEHOLDER ENGAGEMENT AND RESPONSIBILITIES

Investor Relations

The Group maintains an active dialogue with major investors and invites shareholders to open days, which are held from time to time depending on interest levels, which include a tour of the assets. The Board welcomes the participation of shareholders at the Annual General Meeting with the opportunity to answer questions of any Board member offered. 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. The Group Secretary is normally the first point of contact for any general enquiries or arrangement regarding shareholder meetings.

Email: n.gadsdon@sutton-harbour.co.uk

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. The Company has established a communications forum to meet with the local fishing industry on a regular basis and organises other user group meetings to discuss specific matters as they arise. Surveys of marina customer satisfaction are normally 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. Pay reviews are undertaken at least annually following a detailed review of market rates in the area to ensure pay remains competitive and attractive. The Group undertakes appraisals for all employees annually, arranges monthly or quarterly contact meetings for all employees with their line manager, sponsors their essential qualifications and continuing professional development (as appropriate to role) and has a schedule of monthly function meetings with a Director present at each.

CORPORATE VALUES

Refer also to the Corporate, Social Responsibility and Environment Report on page 19 Senior Managers are invited to present at Board Meetings from time to time 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 Group's standards of conduct as set out in the foreword of the Employee Handbook.

By Order of the Board
NATASHA GADSDON
COMPANY SECRETARY
31 July 2023

GOVERNANCE

CORPORATE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

CORPORATE CULTURE

The Group's executive management team sets the tone of professionalism and proactivity. Actions are prioritised daily in collaborative meetings to make the most beneficial use of management time to ensure trading progress and project delivery are on track to achieve performance targets. The Group has made good use of virtual meeting technology to improve efficiency and inclusiveness of sharing of information and ideas. This approach has allowed the Group to continue to make good progress towards its targets.

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 currently 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 Group, 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 Maritime and Coastguard Agency audit 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 Sutton Harbour Group and the Group recognises that it needs to set itself achievable environmental standards.

The Group has looked at the areas of its business which could have both positive and negative impacts on the environment and has identified the following policy aims to enhance its overall environmental performance.

The Group is working to:

- Reduce its Carbon Footprint by minimising energy use and cutting out energy waste.
- Minimise the amount of waste it creates and ensures that it recycles as much of the waste generated as is feasible.
- Ensure that it meets and if plausible exceeds environmental legislative requirements.
- Use and operate sound procedures to avert water pollution in Sutton Harbour.
- Tackle the issues that arise from car travel by introducing ways of reducing the impact of travel to work and business mileage.

- Review its purchasing requirements and practices also whenever possible to do so make environmentally sound purchasing decisions and increase local purchasing.

COMMUNITY ENGAGEMENT AND CHARITABLE INVOLVEMENT

The area of Sutton Harbour is located in the heart of Plymouth. The Group supports various community and tourist 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 which has led to the reshaping and design of many successful quality regeneration projects surrounding the historic harbour. 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. The Group supports local charities and other community initiatives.

NATASHA GADSDON
FINANCE DIRECTOR
31 July 2023

GOVERNANCE

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 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 Group, 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 2023 were £nil in respect of Corey B. Beinhaker (2022: £5,000) and £3,600 in respect of Natasha C. Gadsdon (2022: £5,000).

SHARE OPTIONS

An Inland Revenue approved Group Share Option Scheme was established in November 2019 for the Remuneration Committee to make discretionary awards of share options to certain Executive Directors and other Group personnel to reward performance. On 23 June 2021, Natasha Gadsdon was awarded 12,000 share options with an exercise price of 25p per share. These options are not expected to vest before 8 July 2023, subject to the scheme rules. No share options were awarded to any Directors in the year ended 31 March 2023. The credit/expense in connection with the unexercised share options is calculated using a Black Scholes model and credited/expensed annually until exercise or lapse of options.

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 Group is as follows:

	2023 £000	2022 £000
Fees	144	144
Other Emoluments	293	285
Pension Contributions	28	32
(Credit)/Expense of Unexercised Share	(2)	6
	463	467

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

FOR THE YEAR TO 31 MARCH 2023	Directors' salaries £000	Taxable benefits £000	Bonus Payments £000	Share Options £000	Directors' fees £000	Total £000
Philip H. Beinhaker	-	-	-	-	101	101
Graham S. Miller	-	-	-	-	23	23
Corey B. Beinhaker	166	-	-	-	-	166
Natasha C. Gadsdon	111	12	4	(2)	-	125
Sean J. Swales	-	-	-	-	20	20
	277	12	4	(2)	144	435

FOR THE YEAR TO 31 MARCH 2022	Directors' salaries £000	Taxable benefits £000	Bonus Payments £000	Share Options £000	Directors' fees £000	Total £000
Philip H. Beinhaker	-	-	-	-	101	101
Graham S. Miller	-	-	-	-	23	23
Corey B. Beinhaker	160	-	5	-	-	165
Natasha C. Gadsdon	101	14	5	6	-	126
Sean J. Swales	-	-	-	-	20	20
	261	14	10	6	144	435

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

	2023 £000	2022 £000
Corey B. Beinhaker	-	-
Natasha C. Gadsdon	28	32
	28	32

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.

On 23 October 2019, the Group entered into a service contract with Corey B. Beinhaker. Under this agreement he is employed as a full time Executive Director with a one year rolling contract. He was appointed Chief Operating Officer in October 2019.

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

On behalf of the Board

On Behalf of the Board
PHILIP H BEINHAKER
EXECUTIVE CHAIRMAN AND CHAIR
OF THE REMUNERATION COMMITTEE
31 July 2023

Statement of Directors' Responsibilities

For the year ended 31 March 2023



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 UK adopted International Accounting Standards (UK adopted IAS), and the Parent 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 Parent 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 UK adopted IAS 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 Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and the Parent Company 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 Group'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 Group'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
GROUP SECRETARY

31 July 2023



GOVERNANCE

Independent Auditor's Report

For the year ended 31 March 2023

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 2023 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Balance sheet, the Company Statement of Changes in Equity and the notes to the Consolidated and Company 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 UK-adopted International Accounting Standards ("UK-adopted IAS"). 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 2023 and of the group's loss for the year then ended;
- The group financial statements have been properly prepared in accordance with UK-adopted IAS;
- 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 listed entities, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER – VALUATION OF INVENTORY

We draw attention to the Strategic Report and note 4 of the consolidated financial statements which describe 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 £13.363m. 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.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We planned and performed our audit by obtaining an understanding of the group and its environment, including the accounting processes and controls, and the industry in which it operates. The group comprises 12 wholly owned subsidiaries.

- We performed statutory audits on 3 entities (Sutton Harbour Group plc, Sutton Harbour Company and Plymouth City Airport Limited).
- We performed audit procedures on risk significant balances and transactions in Sutton Harbour Services Limited, Sutton Harbour Car Parks Limited, Sutton Harbour Projects Limited and Harbour Arch Quay Limited.
- We performed analytical review procedures on Sutton East Holdings Limited and Sutton Harbour Property and Regeneration Limited.
- Remaining components are dormant.

The components within the scope of audit work covered 98% of group revenue, 100% of group loss before tax and 97% of group net assets.

KEY AUDIT MATTERS

We have determined the matters described below to be the key audit matters to be communicated in our report. 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.

KEY AUDIT MATTER

Valuation of investment properties and owner-occupied land and buildings

The group adopts a policy of revaluation for its owner-occupied land and buildings as well as its investment properties, with all such properties 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 are held at £17.2m and owner-occupied land and buildings are held at £38.15m. Due to the significance of the valuations for the financial statements and their inherently judgemental nature, we have considered this area as a key audit matter.

An external valuation has been performed at 31 March 2023

RESPONSE AND CONCLUSION

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 whether the professional valuers are independent and sufficiently competent, with respect to qualifications, experience and reputation.
- Using an internal expert as part of our audit procedures.
- Discussing and challenging the valuation directly with the third party valuer.
- Considering the appropriateness of the assumptions that had the most material impact. Key variables in the valuations include Fair Maintainable Operating Profit and discount rates in the valuation of owner-occupied property, and yields and market rates for investment property valuations.
- Considering deferred tax treatment in respect of the valuations in line with IAS 12.
- Considering the appropriateness of the disclosures made in the financial statements, in particular as regards the judgements and estimates in respect of the fair value movements through profit and loss and other comprehensive income.

Conclusion

We are satisfied with the Board's determination of fair values as at 31 March 2023 and are satisfied that the carrying values of investment properties and owner occupied land and buildings are materially correct. We are satisfied that deferred tax treatment in respect of the property valuations is materially accurate and in line with IAS 12. We are satisfied that sufficient, appropriate disclosure as regards judgements and estimates has been made.

Valuation of Former Plymouth City Airport Site

Within development inventory the group holds the former airport site at a carrying value of £13.363m. IAS 2 requires inventory to be held at the lower of cost and net realisable value. As detailed in the Strategic Report and note 4, a Government Inspectors' Report was issued in March 2019 which supported a 5 year safeguard period to allow time for a potential airport operator to bring forward a plan for a licensed general aviation airport. This is due to expire in March 2024. There has not yet been any decision over the use of the site for the future. This creates significant uncertainty in the Group's ability to realise value of this site.

Our work included

- Reviewing management's assessment of the carrying value of the site, which includes the latest external opinion/appraisals and discussed these with management to obtain an understanding of the current situation.
- Critically assessing and challenging the assumptions used in these reports.
- Reconfirming ownership of the site.
- Vouching a sample of current year expenditure to source documentation.
- Considering the adequacy of the related disclosures in the financial statements.

Conclusion

Based on our work we are satisfied with the current treatment adopted by the directors. The safeguarding period until March 2024 impacts the value and timing of any potential development of the site as detailed in the Strategic Report and note 4 and demonstrates the need for the Emphasis of Matter paragraph within our audit report.

Valuation Of Development WIP

The group has a number of development sites, in particular Sugar Quay and Harbour Arch Quay, with substantial balances held in WIP. The developments must be carried at the lower of cost and net realisable value.

The development of Harbour Arch Quay progressed in the year ended 31 March 2023 and as at the date of signing, the construction is nearing completion. No sales had completed within the 2023 financial year and the WIP balance totalled £6.94m as at the year end.

Our work included

- Focussing on the material balances within Group inventory, being Sugar Quay (£11.7m), incorporating Sutton Road acquisition (£3.4m) and Harbour Arch Quay (£6.94m).
- Reviewing management's assessment of the carrying values of the key sites, which includes considering the planning permission obtained, site appraisals and overall project profitability.
- Critically assessing and challenging the assumptions used in those site appraisals in the light of available external market data and our experience of the residential construction sector (appreciating the specialist nature of these projects).
- Vouching a sample of expenditure to source documentation.
- Reconfirming ownership of the sites.

Specifically for the ongoing development at Harbour Arch Quay

- Reviewing third party reports on the progress of the development up to June 2023, including agreeing costs incurred per the report to the accounts and original budget. We have considered the risk of cost overruns and have confirmed that a significant portion of contracts with subcontractors are fixed and agreed, reducing the risk in this area.
- We have reviewed and recalculated management's expected return on the development. This does not indicate any material impairment at the year-end based on the information available.

Conclusion

As a result of the procedures performed, we are satisfied that development costs are stated at the lower of cost and net realisable value.

OUR APPLICATION OF MATERIALITY

Materiality for the group financial statements as a whole was set at £960,000. We determined materiality by reference to the group's total assets. We consider total assets 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 1% 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 £48,000, in addition to other identified misstatements that warrant reporting on qualitative grounds.

Materiality for the parent company financial statements was set at £396,000. This has been determined with reference to the total 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 company. Materiality represents 1% of the parent company's total assets as presented on the face of the Balance Sheet. We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £19,800, in addition to other identified misstatements that warrant reporting on qualitative grounds.

The range of materiality at the two components subject to full scope audit is £134,000 - £489,000. Materiality was determined by reference to total assets in both cases.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing and challenging management's assessment of going concern and key assumptions (including assessment at the planning stage of the audit process). Our work included assessing the timing and amount of turnover and related cashflows in the forecast models.
- Reviewing and assessing the appropriateness of management's sensitivity analysis including changes in turnover and related cashflows.
- Reviewing the bank facility agreement dated 27 March 2023 which confirmed £24.9m (reducing to £21.7m in August 2023) in place until December 2024.
- Reviewing the funding documentation for the Harbour Arch Quay build and discussing with management its options should there be delays in completion.
- Reviewing documentation in respect of related party loans which are due for repayment in May 2024 and plans for repayment of these.
- Assessing the amount of available facilities and other options available to the group and expected headroom based on the forecast over the next 12 months and covenant compliance.
- Evaluating the reliability of the forecast through discussion with management, review of post year end trading and considering the historic reliability of forecasts compared to actual results.
- Reviewing going concern related disclosures in the financial statements to ensure they are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

OPINIONS 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 any material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, 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 23, 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

AUDITORS 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We obtained an understanding of the legal and regulatory framework applicable to the parent company, the group and the industry in which it operates. We identified the principal risks of non-compliance with laws and regulations as relating to breaches around health and safety and specifically the Port Marine Safety Code. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as financial reporting legislation (including the Companies Act 2006) and relevant taxation legislation. We considered the extent to which any non-compliance with these laws and regulations may have a negative impact on the group's ability to continue trading and the risk of a material misstatement in the financial statements.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and determined that the principal risks related to the misstatement of the result for the year and impairment in relation to development WIP. We also considered the adequacy of the design and implementation of internal controls in relation to supplier payments.

Based on this understanding we designed our audit procedures to identify irregularities. Our procedures involved the following:

- Valuation of development WIP was assessed as a Key Audit Matter and our work in respect of that is detailed above.
- We made enquiries of senior management as to their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements. As part of these enquiries we also discussed with management whether there have been any known instances of material fraud.
- We identified the individuals with responsibility for ensuring compliance with laws and regulations and discussed with them the procedures and policies in place.
- We obtained and reviewed the annual review of the Port Marine Safety Code and general health and safety management of Sutton Harbour performed by an external health and safety consultant.
- We reviewed minutes of meetings of senior management and those charged with governance.
- We challenged the assumptions and judgements made by management in its significant accounting estimates.
- We audited the risk of management override of controls, including through substantively testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error; as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

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.

GLENN NICOL SENIOR STATUTORY AUDITOR

PKF Francis Clark
Statutory Auditor
Centenary House
Peninsula Park
Rydon Lane
Exeter
EX2 7XE

31 July 2023



Consolidated Income Statement

For the year ended 31 March 2023

	Note	2023 £000	2022 £000
Revenue	5	8,161	7,194
Cost of sales		(5,915)	(4,846)
Gross profit		2,246	2,348
Fair value adjustments on investment properties and fixed assets	14	(1,925)	195
Administrative expenses		(1,193)	(1,193)
Operating (Loss)/Profit	5,6	(872)	1,350
Finance income		1	-
Finance costs	9	(1,150)	(789)
Net finance costs		(1,149)	(789)
(Loss)/Profit before tax from continuing operations		(2,021)	561
Taxation charge on (loss)/profit from continuing operations	10	(15)	(820)
(Loss) for the year from continuing operations		(2,036)	(259)
(Loss) for the year attributable to owners of the parent		(2,036)	(259)
Basic and diluted (loss) per share from continuing operations	12	(1.57p)	(0.20p)
Diluted (loss) per share from continuing operations		(1.57p)	(0.20p)

Consolidated Statement of Other Comprehensive Income

For the year ended 31 March 2023



	Note	2023 £000	2022 £000
<hr/>			
(Loss) for the year		(2,036)	(259)
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment	13	2,245	1,338
Deferred tax in respect of property revaluation	10	(543)	(1,116)
Items that may be reclassified subsequently to profit or loss:			
Other comprehensive income for the year, net of tax		1,892	5,900
Total comprehensive (loss)/income for the year attributable to owners of the parent		(144)	5,641

The notes on pages 33 to 57 are an integral part of these consolidated financial statements.



Consolidated Balance Sheet

As at 31 March 2023

	Note	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	13	38,540	36,398
Investment property	14	17,205	18,195
Inventories	17	13,363	13,216
		69,108	67,809
Current assets			
Inventories	17	23,749	18,734
Trade and other receivables	18	2,092	1,810
Tax recoverable		5	9
Cash and cash equivalents	19	1,095	970
		26,941	21,523
Total assets		96,049	89,332
Current liabilities			
Bank loans		3,200	-
Other loans	20	5,477	2,275
Trade and other payables	22	3,301	1,880
Lease liabilities	23	66	165
Deferred income	21	2,132	2,225
		14,176	6,545
Non-current liabilities			
Bank loans	20	21,600	22,863
Lease liabilities	23	10	75
Deferred government grants	21	646	646
Deferred tax liabilities	16	3,550	2,992
		25,806	26,576
Total liabilities		39,982	33,121
Net assets		56,067	56,211
Issued capital and reserves attributable to owners of the parent			
Share capital	25	16,406	16,406
Share premium		13,972	13,972
Other reserves		24,072	22,180
Retained earnings		1,617	3,653
Total equity		56,067	56,211

The notes on pages 33 to 57 are an integral part of these consolidated financial statements.

The Financial Statements on pages 28 to 57 were approved and authorised by the Board of Directors on 31 July 2023 and were signed on its behalf by:

PHILIP BEINHAKER
DIRECTOR
COMPANY NUMBER 02425189

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023



	Notes	Share capital	Share premium	Revaluation reserve	Merger reserve	Retained earnings	Total equity
		£000	£000	£000	Other reserves £000	£000	£000
Balance at 1 April 2021		16,266	10,695	12,409	3,871	3,912	47,153
Comprehensive income							
Loss for the year		-	-	-	-	(259)	(259)
Other comprehensive income							
Share issue		140	3,277	-	-	-	3,417
Revaluation of property, plant and equipment	13	-	-	7,016	-	-	7,016
Deferred tax on revaluation	10	-	-	(1,116)	-	-	(1,116)
Total comprehensive income		140	3,277	5,900	-	(259)	9,058
Balance at 1 April 2022		16,406	13,972	18,309	3,871	3,653	56,211
Comprehensive income							
Loss for the year		-	-	-	-	(2,036)	(2,036)
Other comprehensive income							
Share issue		-	-	-	-	-	-
Revaluation of property, plant and equipment	13	-	-	2,435	-	-	2,435
Deferred tax on revaluation	10	-	-	(543)	-	-	(543)
Total comprehensive income		-	-	1,892	-	(2,036)	(144)
Balance at 31 March 2023		16,406	13,972	20,201	3,871	1,617	56,067



Consolidated Cash Flow Statement

For the year ended 31 March 2023

	Note	2023 £000	2022 £000
Cash (used in)/generated from total operating activities	27	(2,658)	59
Cash flows from investing activities			
Expenditure on investment property	14	(935)	(52)
Expenditure on property, plant and equipment	13	(97)	(196)
Proceeds from disposal		-	262
Cash generated/ (used) in investing activities		(1,032)	14
Cash flows from financing activities			
Proceeds from issue of share capital		-	3,417
Interest paid		(1,009)	(1,033)
Loan drawdown		7,263	(2,337)
Loan repaid		(2,275)	-
Lease finance received		-	62
Cash payments of lease liabilities		(164)	(148)
Grants received		-	8
Net cash (used)/generated from financing activities		3,815	(31)
Net increase in cash and cash equivalents		125	42
Cash and cash equivalents at beginning of the year	19	970	928
Cash and cash equivalents at end of the year	19	1,095	970

	2023 £000	Cash flow £000	2022 £000	Cash flow £000	2021 £000
Reconciliation of financing activities for the year ended 31 March 2023					
Bank loans	24,800	2,000	22,800	(2,400)	25,200
Other loans	6,306	3,968	2,338	63	2,275
Lease liabilities	76	(164)	240	(87)	327
Total debt	31,182	5,804	25,378	(2,424)	27,802

The notes on pages 33 to 57 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



I. General information

Sutton Harbour Group plc, ('the Group') 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 Group 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 Group and its subsidiaries.

The consolidated financial statements have been prepared in accordance with UK adopted IAS, 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.

Changes in accounting policies and disclosures

There are no new accounting standards this year. There are no changes to accounting standards expected in the coming 12 months that would have a material impact on the accounts.

Going concern

The review of the Group's business activities is set out in the combined Executive Chairman's Report on pages 4 to 6. The financial position of the Group, its cash flows and financing position are described in the Financial Review on page 10. 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 from the date of the approval of the accounts. The covenants measure interest cover, debt to fair value and capital expenditure.

Within the next twelve months, the Company has the following commitments to repayments of loans:

Development finance arranged for funding of the construction of Harbour Arch Quay is scheduled for repayment by 13th September 2023. The Company is confident that this will be achieved as:

- the building is scheduled for completion in August 2023
- completions of contracts for sale of 12 of the 14 apartments that have exchanged with total value of some £6M and
- final payment and occupation to take place within 5 days of notification of completion.

These receipts will fully satisfy repayment of the development loan which as at 31 March 2023 is £2.371m drawn.

Additionally, the residual funds will be sufficient to repay £1.6m of the term loan to the Company's bankers as agreed in the facility extension agreement (March 2023) by 31 August 2023. This follows a repayment, also £1.6m, made in June 2023. Due to delay in the build programme, deferment of the second half of the agreed term loan repayment to 31 August 2023 was covered by issue of a formal waiver of breach.

The related party loans advanced by major shareholders of the parent company are repayable in May 2024. The Directors are satisfied that these repayments can be funded from the actions noted above and supplemented, if appropriate, with the issue of new equity capital, which the largest shareholder has affirmed its support for, at the appropriate time.

In conclusion, after making enquiries, the Directors expect that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have not identified any material uncertainties relating to events or conditions that individually or collectively may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from the financial statements are authorised for issue.

Measurement convention

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

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.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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.

Intra-Group 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 is 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

Leased assets acquired 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. 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 where the lessor maintains the risks and rewards of ownership is described in the 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.

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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 IFRS 16 '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 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.

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.

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.



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For the year ended 31 March 2023

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.

Lease payments

The Directors have considered the application of IFRS 16 on its leasing arrangements. The Group has a small number of short term leases and leases of low value items and therefore continues to recognise payments made under these agreements on a straight line basis 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 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.

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 Group; these awards are granted by the Group. 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.

Notes to the Consolidated Financial Statements

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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 initially measured at the transaction price less impairment. In measuring the impairment, the Group has applied the simplified approach to expected credit losses as permitted by IFRS9. Expected credit losses are assessed by considering the Group's historical credit loss experience, factors specific for each receivable, the current economic climate and expected changes in forecasts of future events. Changes in expected credit losses are recognised in the Group income statement.

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.



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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.

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 the final stages, before start of construction and development refinancing or ultimate disposal. The Group currently has one consented scheme in under construction (Harbour Arch Quay) and two consented schemes with planning, with preconstruction work underway (Sugar Quay and Harbour Car Park extension). The Group structures borrowings into general facilities and secures specific financing for individual property projects as deemed appropriate.

The gearing ratio at the year end was as follows:

	2023 £000	2022 £000
Borrowings and loans	(30,278)	(25,138)
Lease liabilities	(76)	(240)
Cash and cash equivalents	1,095	970
Net debt	(29,259)	(24,408)
Equity	56,067	56,211
Net debt to equity ratio	52.2%	43.4%

Bank borrowing facilities and financial covenants

The Group had total borrowing net of cash and cash equivalents of £29.259m at 31 March 2023 (2022: £24.408m) with a gearing level of 52.2% (2022: 43.4%). The Group has operated within its authorised facilities and has met all bank covenants during the year. The bank facilities were revised in March 2023, when the Group entered into an agreement which provides a maximum £24.9m reducing to £21.7m committed facility with a confirmed expiry date of December 2024.

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.

Notes to the Consolidated Financial Statements

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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 2023:

	Total £000	0 to <1 year £000	1 to 2 years £000	2 to <5 years £000
Bank loans*	(24,800)	(3,200)	(21,600)	-
Other loans*	(5,477)	(5,477)	-	-
Trade and other payables*	(3,301)	(3,301)	-	-
Lease liabilities*	(76)	(66)	(10)	-
	(33,654)	(12,044)	(21,610)	-

As at 31 March 2022:

	Total £000	0 to 1 years £000	1 to 2 years £000	2 to 5 years £000
Bank loans*	(22,800)	-	(22,800)	-
Other loans*	(2,338)	(2,275)	(63)	-
Trade and other payables*	(1,880)	(1,880)	-	-
Lease liabilities*	(240)	(165)	(75)	-
	(27,258)	(4,320)	(22,938)	-

* financial liabilities at amortised cost

Interest rate risk

There is currently no SONIA swap in place to fix interest on any of the Group's bank debt. The Board has considered the merits of an instrument to fix interest rates at regular intervals during the year but has not entered into any hedging agreement due to the high cost of doing so at each review.

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:

	2023 £000	2022 £000
Trade receivables:		
New customers (less than 12 months)	96	48
Existing customers (more than 12 months) with no defaults in the past	373	383
Existing customers (more than 12 months) with some defaults in the past	193	127
Total trade receivables net of provision for impairment	662	558

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 2023, it is estimated that a general increase of a percentage point in interest rates (being the best estimate of future anticipated changes in interest rates), would have decreased the Group's profit before tax from continuing operations by approximately £228,000 (2022: £263,000). Net assets would have decreased by the same amount.



Notes to the Consolidated Financial Statements

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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 4.85% – 12.45% with the average yield being 8.9%. Assuming all else stayed the same; a decrease of 1.0% in the average yield would result in an increase in fair value of £1.944m. An increase of 1.0% in the average yield would result in a corresponding decrease in fair value of £1.551m.

These assets were independently valued by Jones Lang LaSalle (“JLL”) at 31 March 2023. 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 UK adopted IAS 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:

The valuation of investment property and property held for use in the business as at 31 March 2023 was £17,205,000 and £38,300,000 respectively; (2022: £18,195,000 and £36,125,000 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. In the case of North Quay House, a office building where most tenants have vacated, the valuation is based on the price a purchaser might pay for the re-development opportunity. Properties held for use in the business (fishmarket, marinas and car parks) are valued using a discounted cash flow model with recent actuals and budgeted future results (fair maintainable operating profits) generated by the business activities operated from each owner-occupied property. Judgement is exercised in the preparation of the budgets and also in the discount factors and yields applied to the fair maintainable operating profit to derive a valuation. Market evidence of values of similar assets is taken into account in the valuation process. Within the valuation of property held for use in the business, judgment is required to allocate the valuation between land and buildings. Any impact upon the valuation is therefore unknown at present. Further detail about the property valuation can be found in the Financial Review on page 10.

Judgements

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

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).

Determining the net realisable value of development property 2023: £37,048,000 see note 17; (2022: £31,861,000)

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.

The board has exercised judgement that the Former Airport Site is held as development inventory and that the net realisable value at 31 March 2023 is £13.363m (2022: £13.216m). The former airport site, a 113 acre site of which the Group directly owns c.8 acres and holds c.105 acres through an unexpired 135 year leasehold interest, with a right to renew for a further 150 years, totalling 285 years, is held as development inventory at a carrying value of £13.363m. 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 £13.363m is derived as follows:

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For the year ended 31 March 2023



- The land and building asset was independently valued twice yearly until 31 March 2013, when the asset was transferred to development inventory. The airport closed in December 2011.
- 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 would be 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 2023 (£13.363m) of £1.884m represents the capitalised costs of developing the planning intellectual property less the cost attributed to sales of small plots. £13.363m represents the historic cost of the airport asset as at 31 March 2023.
- In addition to the net cash expenditure on the airport asset, the former aviation operations, ongoing site maintenance and security, together with interest costs thereon (Present Value of total cash expended) is more than double the £13.363m.

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".

PCC prepared its new local plan to for submission to the Government Planning Inspectorate in which they called for the retention of the airport site for a possible reopening.

In April 2017, the Group 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 a maximum of five years. The Inspectors advised that a safeguarding period longer than five years would not be appropriate given the strategic value of this brown-field site and based on their determination that five years should be more than enough time to realize a viable business plan for aviation activity, if such activity was viable.

The Group has continued to prepare its masterplan for alternative use of the site, reflecting the guidance of the Government Planning Inspectors that presided over the 2019 new Local Plan, for submission to the Local Authority in good time to allow full participation in the forthcoming 5-year review of the Local Plan.

The Group does not regard the carrying value of the former airport site to be reflective of its value for alternative use, which is in turn significantly less than the value that can be earned from redevelopment of this strategic asset. The Group regards the value that can be earned from this strategic asset is significantly greater than both the carrying value and the Present Value of total cash expended.

The second largest development inventory item relates to the Sugar Quay (East Quay) site at Sutton Harbour which has a live consented scheme. The scheme appraisal shows recoverability of the development inventory in relation to the site. At the present time, a planning submission is being considered for the site which will reduce risk through being developed in phases.

Construction of the 14 apartment Harbour Arch Scheme is underway and due to be finished in August 2023, whereafter occupations of the 12 apartments, already exchanged, will follow. As at 31 March 2023, based on the sales exchanges achieved and independent monitor's report, the board is satisfied that no impairment is required.



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5. Segment results

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. Details of the types of revenue generated by each segment are given in note 2.

The Board of Directors assesses performance using segmental operating profit. The segment information provided to the Board of Directors for the reportable segments for the year ended 31 March 2023 is as follows:

Year ended 31 March 2023	Marine £000	Real Estate £000	Car Parking £000	Regeneration £000	Total £000
Revenue	6,016	1,374	771	-	8,161
Segmental Gross Profit before fair value adjustment and unallocated expenses	974	965	449	(142)	2,246
Fair value adjustment on investment properties and fixed assets	-	(1,925)	-	-	(1,925)
					2,543
Segmental Profit					321
Unallocated:					
Administrative expenses					(1,193)
Operating profit					(872)
Financial income					1
Financial expense					(1,150)
Profit before tax from continuing activities					(2,021)
Taxation					(15)
Loss for the year from continuing operations					(2,036)
Depreciation charge					
Marine					355
Car Parking					19
Administration					16
					390
Year ended 31 March 2022	Marine £000	Real Estate £000	Car Parking £000	Regeneration £000	Total £000
Revenue	4,771	1,427	736	260	7,194
Gross profit prior to non-recurring items	1,199	922	389	(162)	2,348
Fair value adjustment on investment properties and fixed assets	(185)	380	-	-	195
Segmental Profit					2,543
Unallocated:					
Administrative expenses					(1,193)
Operating profit					1,350
Financial income					-
Financial expenses					(789)
Loss before tax from continuing activities					561
Taxation					(820)
Loss for the year from continuing operations					(259)
Depreciation charge					
Marine					335
Car Parking					40
Administration					17
					392

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



Assets and liabilities	2023 £000	2022 £000
<hr/>		
<i>Segment assets:</i>		
Marine	32,956	31,068
Real Estate	17,656	18,628
Car Parking	6,843	6,428
Regeneration	37,272	31,936
Total segment assets	94,727	88,060
Unallocated assets:		
Property, plant & equipment	41	61
Trade & other receivables	185	241
Cash and cash equivalents	1,096	970
Total assets	96,049	89,332
<hr/>		
	2023 £000	2022 £000
<hr/>		
<i>Segment liabilities:</i>		
Marine	2,702	2,622
Real Estate	415	464
Car Parking	100	132
Regeneration	2,298	1,234
Total segment liabilities	5,515	4,452
Unallocated liabilities:		
Bank overdraft & borrowings	30,354	25,378
Trade & other payables	562	296
Deferred tax liabilities	3,550	2,994
Tax payable	1	1
Total liabilities	39,982	33,121
<hr/>		
Additions to property, plant and equipment		
Marine	(86)	(171)
Car Parking	(1)	(1)
Unallocated	(10)	(24)
Total	(97)	(196)

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:

	2023 £000	2022 £000
<hr/>		
Sale of goods	2,818	1,869
Rental income and service recharges	1,575	1,609
Provision of services	3,768	3,456
Sale of property	-	260
	8,161	7,194

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



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

6. Operating result

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

	Note	2023 £000	2022 £000
Staff costs	8	1,554	1,467
Increase/(decrease) in provisions		-	(56)
Rental income from investment property	26	(1,374)	(1,427)
(Profit)/loss on sale of property, plant and equipment		-	(1)
Direct operating expenses of investment properties (including repairs and maintenance)		409	547
(Gain)/loss on re-measurement of investment property to fair value	14	1,925	(380)
Loss on re-measurement of fixed assets	13	(135)	183
Depreciation of property, plant and equipment	13	390	392

7. Services provided by the Group's auditors

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

	2023 £000	2022 £000
Fees payable to Group's auditors for the audit of Parent Company and consolidated financial statements	30	25
Fees payable to the Group's auditors for other services:		
The audit of Group's subsidiaries pursuant to legislation	33	31
Tax compliance services	-	-

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



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	
	2023	2022
Marine Activities	24	23
Property and Regeneration	-	1
Administration	6	6
	30	30

The aggregate payroll costs of these persons were as follows:

	2023	2022
	£000	£000
Wages and salaries	1,263	1,172
Social security costs	140	121
Other pension costs (note 24)	151	174
	1,554	1,467

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

	2023	2022
	£000	£000
Fees	144	144
Other Emoluments	293	285
Pension Contributions	28	32
Expenses of Unexercised Share Options	(2)	2
	463	463

Details of the highest paid Director are detailed in the Remuneration Report on page 20

9. Finance income and finance costs

	2023	2022
	£000	£000
Finance income	-	-
Interest payable on bank loans and overdrafts	1,035	652
Interest payable on lease liabilities	115	137
Finance costs	1,150	789

Finance costs are net of borrowing costs capitalised in the year. See note 17.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

10. Taxation

	Note	2023 £000	2022 £000
Deferred tax			
Adjustments in respect of previous years		67	(5)
Origination and reversal of temporary differences		(43)	107
Change in tax rate		(9)	718
Total tax charge/(credit) in income statement	16	15	820

The tax assessed for the year uses the standard rate of corporation tax in the UK of 19% (2022: 19%). The deferred tax charge recognised in other comprehensive income is £543,000 (2022: £1,116,000)

Reconciliation of effective tax rate

	2023 £000	2022 £000
(Loss)/Profit before tax	(2,021)	561
Tax on profit at standard corporation tax rate of 19% (2022: 19%)	(384)	107
Expenses not deductible for tax purposes	168	6
Adjustments respect of prior periods	67	(6)
Change in deferred tax rate	164	718
Creation of tax losses	-	(5)
Total tax charge/(credit) on continuing operations	15	820

11. Share based payment

An Inland Revenue approved Company Share Option plan (CSOP) has been established by Sutton Harbour Group plc whereby the Group may at the discretion of the Remuneration Committee grant options over ordinary shares in the Group to key management personnel. The options are issued for nil consideration and are granted in accordance with the Scheme's rules at the absolute discretion of the Remuneration Committee. Option holders may exercise options after a minimum 3 year and maximum 10 year holding period, subject to the provisions and exceptions of the scheme rules. There are no other performance conditions governing the holder's right to exercise the options after the minimum holding period. Share options may only be exercised for shares. During the year 30,000 share options were granted with an exercise price of £0.22. The fair value of the options was calculated using the Black Scholes model and the credit to the income statement for the year ended 31 March 2023 was £6,203 (2022: charge £10,104).

A weight averaged volatility input to the Black Scholes of 48% was applied being the average % fluctuations (positive and negative) of the share price compared to the grant price of share options issued.

Set out below is a summary of options granted under the CSOP plan:

Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted	Exercised	Expired	Balance at end of year	Life of options remaining
27 Nov 2019	26 Nov 2029	22p	0	102,273	0	0	102,273	2,432 days
8 July 2020	8 July 2030	19p	102,273	115,790	0	0	218,063	2,656 days
23 Jun 2021	23 Jun 2031	25p	218,063	24,000	0	0	242,063	3,007 days
20 Jun 2022	20 Jun 2032	22p	242,063	30,000	0	0	272,063	3,369 days
	23 Jun 2022	22p			0	34,091	237,972	-

The weighted average exercise price at 31 March 2023 was 20.83pence (31 March 2022: 20.84 pence).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



12. Earnings per share

	2023 Pence	2022 Pence
<hr/>		
Continuing operations:		
Basic earnings/(loss) per share	(1.57p)	(0.20p)
Diluted earnings/(loss) per share	(1.57p)	(0.20p)

Basic earnings per share

Basic earnings per share have been calculated using the Loss for the year of £2,036,000 (2022: loss of £259,000) for the continuing operations.

Diluted earnings per share

Diluted earnings per share uses an average number of 130,183,220 (2022: 125,710,426) ordinary shares in issue in accordance with IAS 33 'Earnings per Share' based on a positive earnings per share result.

After the year, 12,994,407 new ordinary shares were issued and options over 20,000 ordinary shares were granted under the Company Share Option scheme. Refer to note 30.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

13. Property, plant and equipment

	Land and buildings £000	Assets in the course of Construction £000	Plant, machinery and equipment, fixtures and fittings £000	Total £000
Cost or valuation				
Balance at 1 April 2021	27,674	75	4,947	32,696
Additions	57	3	135	195
Revaluations to income statement	(185)	-	-	(185)
Revaluations to revaluation reserve	7,016	-	-	7,016
Transfers	-	-	-	-
Disposals	-	-	(41)	(41)
Balance at 31 March 2022	34,562	78	5,041	39,681
Balance at 1 April 2022	34,562	78	5,041	39,681
Additions	63	6	28	97
Revaluations to revaluation reserve	2,435	-	-	2,435
Transfers	-	-	-	-
Disposals	-	-	(11)	(11)
Balance at 31 March 2023	37,060	84	5,058	42,202
Accumulated depreciation				
Balance at 1 April 2021	651	-	2,279	2,930
Depreciation charge for the year	145	-	248	393
Transfers	-	-	-	-
Disposals	-	-	(40)	(40)
Balance at 31 March 2022	796	-	2,487	3,283
Balance at 1 April 2022	796	-	2,487	3,283
Depreciation charge for the year	147	-	243	390
Transfers	-	-	-	-
Disposals	-	-	(11)	(11)
Balance at 31 March 2023	943	-	2,719	3,662
Net book value				
At 31 March 2022	33,766	78	2,554	36,398
At 31 March 2023	36,117	84	2,339	38,540

Included in Land and Buildings is long leasehold land at a value of £2,200,000 (2022: £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 March 2023 (see Strategic Report page 4). 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. Further detail about property revaluation is included in the Financial Review on page 10.

At 31 March 2023, 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 £23,628,000 (2022: £23,775,000).

At 31 March 2023, 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 £1,110,000 (2022: £1,110,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



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 leases are secured by the lessor's title to the fixed assets. The carrying value of plant, machinery and equipment which is subject to leases is £76,000 (2022: £519,000).

14. Investment property

At fair value:	2023 £000	2022 £000
Balance at the beginning of the year	18,195	17,845
Additions during the year	935	52
Fair value adjustments	(1,925)	380
Disposals	-	(232)
Intercompany transfers	-	150
Balance at the end of the year	17,205	18,195

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 2023 has been determined by a valuation carried out on that date by independent, external valuers (see Strategic Report page 4), 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. Further detail about property valuation is included in the Financial Review on page 10.

All of the Group's investment property is held under freehold interests with the exception of four (2022: four) properties which are held under long leaseholds.

15. Investments

At 31 March 2023 the Parent company has the following subsidiaries:

	Class of shares held	Ownership		Nature of Business
		2023	2022	
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
Harbour Arch Quay Management Company 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
Sutton East Holdings Limited	Ordinary	100%	100%	Property Developer
Sutton East Developco No1 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.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Property, plant and equipment	-	-	(1,635)	(1,561)	(1,635)	(1,561)
Investment property	-	-	(2,521)	(1,940)	(2,521)	(1,940)
Change in tax rate	-	-	-	-	-	-
Losses carried forward	606	509	-	-	606	509
Tax assets / (liabilities)	606	509	(4,156)	(3,501)	(3,550)	(2,992)

Movement in deferred tax during the year

	1 April 2022 £000	Change in deferred tax rate £000	Recognised in income £000	Recognised in equity £000	31 March 2023 £000
Property, plant and equipment	(1,628)	-	(73)	-	(1,701)
Investment property	(1,467)	-	(557)	-	(2,024)
Employee benefits	(133)	-	-	-	(133)
Losses carried forward	236	-	72	-	308
	(2,992)	-	(558)	-	(3,550)

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

17. Inventories

	2023 £000	2022 £000
Stores and materials	30	11
Goods for resale	34	78
Development property	37,048	31,861
	37,112	31,950

Included within inventories is £37,048,000 (2022: £31,861,000) expected to be recovered in more than 12 months. £13,363,000 (2022: £13,216,000) 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 £2,587,000 were recognised as an expense in the year (2022: £1,576,000).

Interest capitalised during the year in relation to development property was £555,000 (2022: £343,000). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.0% (2022: 3.0%).

In the course of the year, £nil of development property inventory was written down (2022: £nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



18. Trade and other receivables

	2023	2022
	£000	£000
Trade receivables	749	677
Provision for impairment of trade receivables	(87)	(119)
	662	558
Expected loss rate of trade receivables	8%	8%
Other receivables	193	50
Prepayments and accrued income	1,237	1,202
	2,092	1,810

Included within trade and other receivables is £635,000 (2022: £613,000) 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 provision for impairment of trade receivables is arrived at by using the historic loss rate and adjusting for current expectations, customer base and economic conditions. With historic and expected future losses being low, the Directors consider it appropriate to apply a single average rate for expected credit losses to the overall population of trade receivables.

19. Cash and cash equivalents

	2023	2022
	£000	£000
Cash and cash equivalents per Consolidated Balance Sheet	1,095	970
Cash and cash equivalents per Cash Flow Statement	1,095	970

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

Undrawn facilities:

	2023	2022
	£000	£000
Expiring within one year	-	-
Expiring within one to two years	100	2,100
Expiring between two and five years	-	-
	100	2,100



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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.

	2023 £000	2022 £000
Non-current liabilities		
Secured bank loans	21,600	22,800
Current liabilities		
Secured bank loans	3,200	-
Property financing secured loan	2,371	2,338
Unsecured related party loan	3,106	-
	30,277	25,138

Secured bank loans:

The current secured bank loans relate to a maximum facility of £24.9m comprising two loans and a revolving credit facility which incur interest at various rates over SONIA during the term of the facilities, £3.2m falls due within 1 year and £21.6m falls due in more than 12 months from the Balance Sheet date. Assets with a carrying amount of £55.355m (2022: £50.705m) have been pledged to secure borrowings of the Group.

The company also has a secured bank loan for the financing of Harbour Arch Quay development, up to a maximum of £4.950m which is due for repayment by 13 September 2023, drawn at £2.371m at 31 March 2023 (31 March 2022: £0.063m). As at 31 March 2022 the company had a loan for £2.275m, taken out to fund land purchase, which was repaid in May 2022. In three issues (May 2022, December 2022 and March 2023) the Company took out loans with Related Parties, Beinhaker Design Services Limited and Rotolok Holdings Limited. These loans are unsecured and repayable by May 2024.

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	
	2023 £000	2022 £000	2023 £000	2022 £000
At the beginning of the year	2,225	1,819	646	646
Adjustment to opening balances	-	-	-	-
Released to the income statement	(2,225)	(1,819)	-	-
Income and grants received and deferred	2,132	2,225	-	-
At the end of the year	2,132	2,225	646	646
Current	2,132	2,225	-	-
Non-current	-	-	646	646
	2,132	2,225	646	646

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



22. Trade and other payables

	2023 £000	2022 £000
Trade payables	1,829	1,230
Other payables	717	123
Other taxation and social security costs	152	196
Accruals	603	331
	3,301	1,880

The ageing of trade payables is as follows:

	2023 £000	2022 £000
<i>Not yet due:</i>		
0 – 29 days	1,181	1,007
<i>Overdue:</i>		
30 – 59 days	555	160
60 – 89 days	11	3
90 – 119 days	7	25
120 + days	75	35
	1,829	1,230

23. Lease liabilities

	Minimum lease payments		Capital element of lease payments	
	2023 £000	2022 £000	2023 £000	2022 £000
Amounts payable under lease liabilities:				
Within one year	69	175	69	175
In the second to fifth years inclusive	13	85	7	65
	82	260	76	240
Less: future finance charges	(6)	(20)	n/a	n/a
Present value of lease obligations	76	240	76	240
Current			66	165
Non-current			10	75
			76	240

It is the Group's policy to lease certain of its property, plant and equipment under leases. The average lease term is 1.2 years (2022: 1.9 years). For the year ended 31 March 2023, the average effective borrowing rate was 5.0% (2022: 3.0%). Interest rates are fixed at the contract date. All 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.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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 £151,000 (2022: £174,000). There were no amounts outstanding or prepaid at the year end (2022: £nil).

25. Capital and reserves

Share capital

Thousands of shares	Ordinary shares		Deferred shares		Total shares	
	2023	2022	2023	2022	2023	2022
In issue at the beginning of the financial year - fully paid	129,944	115,944	62,944	62,944	192,888	178,888
Issued for cash	-	14,000	-	-	-	14,000
In issue at the end of the financial year – fully paid	129,944	129,944	62,944	62,944	192,888	192,888
	2023	2022	2023	2022	2023	2022
	£000	£000	£000	£000	£000	£000
<i>Allotted, called up and fully paid</i>						
129,944,071 (2022: 129,944,071)						
Ordinary shares of 1p each (2022: 1p each)	1,300	1,300	-	-	1,300	1,300
62,943,752 (2022: 62,943,752)						
Deferred shares of 24p each (2022: 24p each)	-	-	15,106	15,106	15,106	15,106
	1,300	1,300	15,106	15,106	16,406	16,406

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 Group. 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 Group. 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.

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 Group was incorporated into the holding Group, 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.

Retained earnings

Retained earnings represent retained earnings attributable to owners of the parent. Retained earnings include £6.308m (2022: £3.873m) in respect of unrealised valuation surpluses on the Investment property assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



26. Leases

Leases

During the year £nil was recognised in respect of lease rentals in the income statement (2022: £96,000); £nil in cost of sales (2022: £116,000) and £nil in administrative expenses (2022: £nil).

During the year £7,000 (2022: £8,000) was recognised in the income statement in respect of low value operating leases for photocopiers, telephony equipment and vending machines.

During the year £96,000 was recognised in respect of lease rentals in the income statement (2021: £191,000); £116,000 in cost of sales (2021: £172,000) and £nil in administrative expenses (2021: £8,000).

Included within lease rentals is an amount of £nil (2021: £191,000) 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 (see notes 13 and 14). The future minimum lease rentals receivable under non-cancellable leases are as follows:

	2023 £000	2022 £000
Investment property:		
Less than one year	1,134	1,075
Between one and two years	1,164	847
Between two and three years	994	815
Between three and four years	961	713
Between four and five years	938	670
More than five years	24,107	19,969
	29,107	24,089
Owner-occupied properties:		
Less than one year	15	46
Between one and two years	15	46
Between two and three years	15	46
Between three and four years	8	46
Between four and five years	-	39
More than five years	-	83
	53	306

During the year ended 31 March 2023 £1,374,000 (2022: £1,427,000) was recognised as rental income in the income statement. Repair and maintenance expense recognised in cost of sales for the year to 31 March 2023 was £166,000 (2022: £133,000).

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.



Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

27. Cash flow statements

	2023 £000	2022 £000
Cash flows from operating activities		
Loss for the year from continuing operations	(2,036)	(259)
Adjustments for:		
Taxation on loss from continuing activities	15	820
Financial expense	1,149	789
Fair value adjustments on investment property	1,925	(380)
Revaluation of property, plant and equipment	-	185
Depreciation	390	392
Profit on disposal of Investment property	-	(28)
Amortisation of Grants	-	(9)
Loss on sale of property, plant and equipment	-	(1)
Cash generated from continuing operations before changes in working capital and provisions	1,443	1,509
(Increase) in inventories	(5,162)	(2,629)
Transfer from Inventories to Investment property	-	93
(Increase)/Decrease in trade and other receivables	(282)	586
Increase in trade and other payables	1,421	150
(Decrease)/Increase in deferred income	(93)	406
(Increase)/Decrease in provisions	15	(56)
Cash (outflow)/inflow from continuing operations	(2,658)	59

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



28. 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 £186,000 (2022: £180,000).

Unsecured Related Party Loans advanced during the year by Beinhaker Design Services Limited and Rotolok (Holdings) Limited of £3,106,000 (including interest rolled up of £151,000) are due to be paid by May 2024.

During the year Beinhaker Design Services Limited exchanged on the sale of an apartment in Harbour Arch Quay for £435,000. The sale price was at the full marketed asking price, in line with other apartments in Harbour Arch Quay which had already exchanged.

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

Transactions with key management personnel:

Executive Directors of the Group and their immediate relatives control 72.91% (2022 72.91%) of the voting shares of the Group, see note 30.

The compensation of key management personnel (the Executive and Non Executive Directors) is set out on the Remuneration Report on page 20.

29. Capital commitments

At 31 March 2023 there were capital commitments of £1,947,000 for the completion of construction work on the Harbour Arch Quay apartments (31 March 2022: £4,821,000).

30. Events after the reporting period

After the year end, the Group issued 12,994,407 new ordinary shares of 1p each on 5 May 2023 at a share price of 22.5 pence per new ordinary share. The shares were subscribed by FB Investors LLP, which increased its total shareholding to 107,741,157 ordinary shares, representing 75.38% of the Company's issued ordinary shares. Following this share issue Executive Directors and their immediate relatives control 75.83% of the voting shares of the Group.



Historical Financial Information

For the year ended 31 March 2023

	2023 £000	2022 £000	2021 £000	2020 £000	2019 £000
Net Assets	56,067	56,211	47,153	46,082	45,732
Revenue	8,161	7,194	5,400	6,558	6,893
Operating profit before fair value adjustments, impairments, costs of change in ownership and onerous leases	1,053	1,155	591	1,065	973
Fair value adjustments on investment property and fixed assets	(1,925)	195	(2,211)	(977)	1,444
Operating profit/(loss) after fair value adjustments and impairments	(872)	1,350	(1,620)	88	2,417
Net financing costs (excludes joint ventures/associates)	(1,149)	(789)	(753)	(844)	(901)
Profit/(loss) before tax on continuing activities	(2,021)	561	(2,373)	(756)	1,516
Profit/(loss) attributable to equity shareholders	(2,036)	(259)	(2,175)	(988)	1,831
Dividends paid	-	-	-	-	-
Basic earnings/(loss) per share	(1.57p)	(0.20p)	(1.88p)	(0.85p)	1.68p
Diluted earnings/(loss) per share	(1.57p)	(0.20p)	(1.88p)	(0.85p)	1.68p

Company Balance Sheet

As at 31 March 2023



	Note	2023 £000	2022 £000
Fixed assets			
Investments	5	11,268	11,268
		11,268	11,268
Current assets			
Debtors	6	27,785	24,558
Stock		500	500
Cash at bank and in hand		76	15
		28,361	25,073
Current liabilities			
Creditors: amounts falling due within one year	7	723	29
Net current assets		27,638	25,044
Total assets less current liabilities		38,906	36,312
Creditors: amounts falling due after more than one year	8	2,400	400
Net assets		36,506	35,912
Capital and reserves			
Called up share capital	9	16,406	16,406
Share premium account	11	13,972	13,972
Merger Reserve	11	3,620	3,620
Profit and loss account	11	2,508	1,914
Total shareholders' funds		36,506	35,912

The notes on pages 61 to 65 are an integral part of these financial statements. In the year the Company made a profit of £594,000 (2022: profit of £127,000).

The Financial Statements were approved and authorised by the Board of Directors on 31 July 2023 and were signed on its behalf by:

NATASHA GADSDON
DIRECTOR



Company Statement of Changes in Equity

For the year end 31 March 2023

	Called up capital £000	Share premium account £000	Merger reserve £000	Profit and loss account £000	Total £000
Balance at 1 April 2021	16,266	10,695	3,620	1,787	32,368
Profit for the year	-	-	-	127	127
Issues of shares	140	3,277	-	-	3,417
Balance at 31 March 2022	16,406	13,972	3,620	1,914	35,912
Balance at 1 April 2022	16,406	13,972	3,620	1,914	32,912
Profit for the year	-	-	-	594	594
Issue of shares	-	-	-	-	-
Balance at 31 March 2023	16,406	13,972	3,620	2,508	36,506

Notes to the Company Financial Statements

For the year end 31 March 2023



I. General information

Sutton Harbour Group 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 2022 to 31 March 2023, with comparatives for the year 1 April 2021 to 31 March 2022 and are compliant with FRS101. No income statement or statement of comprehensive income is presented by the Company as permitted by Section 408 of the Companies Act 2006.

2. Accounting policies

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 of the consolidated accounts.

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 funding and is therefore reliant on bank finance in the form of Group wide term loan and revolving credit facilities. In March 2023, Sutton Harbour Group plc and subsidiary companies (the "Group") renewed its banking facilities until December 2024 with two term loans totalling £22.4m, reducing to £19.2m by 31 August 2023, 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.

Receipts from the sales of apartments by another Group Company, Harbour Arch Quay Limited, will be sufficient to repay £1.6m of the term loan to the Company's bankers as agreed in the facility extension agreement (March 2023) by 31 August 2023. This follows a repayment, also £1.6m, made in June 2023. Due to delay in the build programme, deferment of the second half of the agreed term loan repayment to 31 August 2023 was covered by issue of a formal waiver of breach.

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

In conclusion, after making enquiries, the Directors expect that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have not identified any material uncertainties relating to events or conditions that individually or collectively may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from the financial statements are authorised for issue.



Notes to the Company Financial Statements

For the year ended 31 March 2023

Functional and presentation currency

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.

Investments

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

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.

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.

Financial instruments

Trade and other debtors, trade and other creditors and all intra-group balances are financial instruments and are carried at amortised cost.

Notes to the Company Financial Statements

For the year ended 31 March 2023



3. Services provided by the Company's auditors

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

	2023	2022
	£000	£000
<i>Current auditors:</i>		
Fees payable to Group's auditor for the audit of Parent Company financial statements	30	25
Fees payable to the Group's auditor for other services:		
Tax services	-	2

For further details on other services provided by the Group's auditors, see note 7 to 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

	2023	2022
	£000	£000
Cost and net book value		
Investments in subsidiary undertakings	11,268	11,268

Subsidiary companies:

At 31 March 2023, the Company has the following investments in subsidiaries:

	Class of shares held	Ownership		Nature of Business
		2023	2022	
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
Harbour Arch Quay Management Limited	Ordinary	100%	100%	Property
Sutton Harbour Car Parks Limited	Ordinary	100%	100%	Car Park Operator
Sugar Quay Holdings Ltd	Ordinary	100%	100%	Investment Company
Sugar Quay Ltd	Ordinary	100%	100%	Property Developer
Sutton East Holdings Limited	Ordinary	100%	100%	Property Developer
Sutton East Developco No 1 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 Offices, Guy's Quay, Plymouth PL4 0ES.



Notes to the Company Financial Statements

For the year ended 31 March 2023

6. Debtors

	2023 £000	2022 £000
Amounts owed by subsidiary undertakings	27,700	24,390
Other debtors and prepayments	85	168
Total debtors	27,785	24,558

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

7. Creditors: amounts falling due within one year

	2023 £000	2022 £000
Other creditors and accruals	53	29
Unsecured related party loan	670	-
Total creditors	723	29

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

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

	2023 £000	2022 £000
Bank borrowings	2,400	400
Total creditors	2,400	400

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

9. Called up share capital

Thousands of shares	Ordinary Shares		Deferred Shares		Total	
	2023	2022	2023	2022	2023	2022
In issue at the beginning of the financial year – fully paid	129,944	115,944	62,944	62,944	192,888	178,888
Issued for cash	-	14,000	-	-	-	14,000
In issue at the end of the financial year – fully paid	129,944	129,944	62,944	62,944	192,888	178,888

Allotted, called up and fully paid

129,944,071 (2022: 129,944,071) Ordinary shares of 1p each (2022: 1p each)	1,300	1,300	-	-	1,300	1,300
62,943,752 (2022: 62,943,752) Deferred shares of 24p each (2022: 24p each)	-	-	15,106	15,106	15,106	15,106
	1,300	1,300	15,106	15,106	16,406	16,406

Notes to the Company Financial Statements

For the year ended 31 March 2023



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.

10. Contingencies

The Company has given an unlimited guarantee in respect of bank borrowings of all subsidiary companies. At 31 March 2023, these borrowings amounted to £24,800,000 (2022: £22,800,000).

11. Description of reserves

Called up share capital

The called up share capital account represents equity share capital (see note 25 to the consolidated financial statements).

Share premium account

The share premium account represents premiums paid over the nominal value of share capital issued less transaction costs (see note 25 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 25 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 75.38% 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 1 to 57 of this document. The results of the Group are not consolidated in any other group's financial statements.



**SUTTON
HARBOUR**

SUTTON HARBOUR GROUP PLC

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