SUTTON HARBOUR HOLDINGS PLC

2018

ANNUAL REPORT & FINANCIAL STATEMENTS

CONTENTS

STRATEGIC REPORT

THE GROUP AT A GLANCE

Sutton Harbour Holdings plc, is the parent of a number of wholly owned subsidiary companies which include:

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

GROUP VISION

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

OUR OBJECTIVES

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

CURRENT BUSINESS PLANS

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

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

MARINE

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

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

The location of Sutton Harbour, in central Plymouth and adjoining the historic Barbican quarter, has undergone two main phases of regeneration over the past 25 years. The first phase to unlock the potential of the area was realised when Sutton Lock was installed in 1992 creating a usable depth of water, followed by the relocation of the fishmarket to the eastern side in 1995. In the second phase the development of high quality residential and commercial buildings overlooking the harbour, and improvements to berthing facilities, added to the attractiveness of the area to create a long term sustainable location for business, leisure and living. The Group is now focused on bringing forward the third phase with further regeneration to join together existing key attractions and to position Sutton Harbour as a destination of regional importance within the South West which is presented in the 'Vision' framework, see 'Regeneration' below.

KING POINT MARINA

In June 2011, the Group was selected by the English Cities Fund (ECf) to build and operate the new marina in the major urban regeneration area of Millbay in Plymouth. The new King Point Marina received its first berth-holders in September 2013 and has now operated for four complete seasons ending 31 March 2018.

REAL ESTATE

This division comprises the rentals from investment properties and is particularly focused on growing its annual income through asset enhancement.

Whilst property development continues to be challenging, the Group has continued to invest in and drive value from its investment portfolio, securing lettings in vacant premises in the Sutton Harbour estate.

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

The Group has been active in establishing a business community around the northern side of Sutton Harbour and has been successful in attracting a number of chartered accountants' practices, legal firms and other professional services companies.

CAR PARKING

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

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. In July 2014, a new 'Vision' framework for future development around Sutton Harbour was launched. Following the change of majority control of the Company in January 2018, a number of scheme proposals articulated in the 'Vision' have been reviewed and will be submitted for planning approval in due course.

FORMER AIRPORT SITE

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

Facing unsustainable losses, in August 2011 Plymouth City Council agreed to the closure of the airport as of 23 December 2011. The Group is now working towards options to maximise value from the 113 acre former airport site through development of a masterplan for the area to show alternative uses. The Group submitted its representations for the site to the public hearing of the Plymouth and South West Devon Joint Local Plan, the outcome of which is expected later in 2018. The Group previously achieved planning consent on 22 acres of surplus airport land which was sold in tranches to a residential developer between 2009 and 2011.

THE CHAIRMAN'S STATEMENT AND CHIEF EXECUTIVE'S REPORT

SHAREHOLDERS OVERVIEW

HIGHLIGHTS

- *The Strategic Review culminated in a change in majority ownership following a 'Partial Offer and Acceptance' in January 2018. This resulted in FB Investors LLP acquiring 67,393,960 shares at the offer price of 29.5 pence per share.*
- *Shareholders approved the issue of 9,322,034 new ordinary shares to FB Investors LLP at a General Meeting held on 3 January 2018. Following the 'Partial Offer and Acceptance' and subscription to new shares, FB Investors LLP holds 76,715,994 shares, 72.65% of the total issue share capital of the Company.*
- *Philip Beinhaker, a Director of FB Investors LLP, was appointed a Director of the Company on 22 January 2018 and he was immediately appointed Chairman with Graham Miller stepping down to Non-Executive Director. Robert De Barr stepped down from the board on 22 January 2018.*

Jason Schofield, Chief Executive, gave notice of resignation on 23 April 2018 and will leave the Company on 23 July 2018. The Board has begun a review of its composition and structure. The review, led by non-executive Directors, Graham Miller and Sean Swales, will consider the commercial requirements of the business, optimising resources and corporate governance. This may, or may not, lead to a further appointment in due course. In the interim period Philip Beinhaker will act as Executive Chairman.

RESULTS AND FINANCIAL POSITION

The adjusted loss before taxation for the year was £0.135m (2017: profit before taxation £0.331m), which excludes non-cash fair value adjustments, impairments, provision for onerous leases and the costs in connection with change of share ownership. Loss before taxation for the year under review as per the Income Statement, inclusive of the aforementioned adjustments, was £2.502m (2017: profit before taxation of £0.053m).

As at 31 March 2018 net assets were £39.328m (2017: £40.141m), representing 37.2p per share (2017: 41.7p per share). The decrease incorporates the results of the fair value adjustment to the investment property and fixed asset portfolio of a deficit of £0.626m recorded as a charge to the Income Statement and the owner occupied portfolio of a deficit of £1.624m recorded to the Revaluation Reserve. Overall, these valuation movements, which were determined by way of an independent valuation, decreased net assets by £2.250m (2017: £0.870m). Gearing as at 31 March 2018 stood at 55.6% (2017: 55.9%). Finance costs fell from £0.957m (2017) to £0.897m (2018). The Company's core £25m banking facility was extended in January 2018 to March 2021.

During the year net debt (including finance leases) decreased to £21.858m (31 March 2017: £22.458m). The new share subscription in January 2018 introduced £2.75m of fresh capital into the Company. Costs of the change in control of £1.553m were expended during the year with a further £0.187m to be paid after the year end. In addition, £0.152m costs were attributable to the new share subscription and debited to the Share Premium Account. Development Inventories increased during the year by £0.721m reflecting the accelerated expenditure in connection with promoting regeneration schemes. £0.588m (2017: £0.296m) expenditure during the year relates to infrastructure investment.

The board does not recommend payment of a dividend on the year's results.

DIRECTORS AND STAFF

During the year, Robert De Barr stepped down from the board, after 5 years as a Non-Executive Director, Philip Beinhaker was appointed a Non-Executive Director and Chairman and Graham Miller reverted to Non-Executive Director after 4 years as Chairman. Staff numbers have continued to fall slightly as a result of natural wastage, with an increase in contracting out to meet resource requirements. Headcount as at 31 March 2018 was 32 (2017: 33).

OPERATIONS REPORT

MARINE COMMERCIAL - FISHING

Despite a seasonally weaker summer, a bumper autumn season resulted in another strong year for fish throughput at Plymouth Fisheries valued at £21.0m (2017: £19.7m). Fuel sales (marine gasoil) were, however, down 7% by volume reflecting the market's success in attracting fish transported by road from other ports for auction and also competition from other fuel sellers.

Following on from the renewal of the ice plant and chillers during the last couple of years, the grant supported infrastructure programme has continued with investment this year into new efficient boilers, and energy efficient lighting and hygienic wall cladding installed in the auction hall.

The pedestrian bridge across Sutton Lock has been out of action for year whilst investigations into the bearing failure and procurement process have progressed. The Company is working jointly with the Environment Agency and Plymouth City Council to recommission the bridge as soon as manufacture lead times will allow.

MARINE LEISURE - MARINAS

Both marinas, Marina at Sutton Harbour and King Point Marina, have traded steadily throughout the season although occupancy is slightly lower than last year.

REAL ESTATE AND CAR PARKING

Rental occupancy has fallen slightly after some units have become vacant after long tenancies ended and some tenants' businesses failed. This has impacted the profitability of this activity in the current year. The Company is actively marketing the vacant space for which interest remains good from prospective tenants. Good year on year growth at the car parks has resulted in profitability of this activity up by 9.3% compared to last year. Taken together, the profitability of these two complementary activities is down 15.9% compared to last year, before taking fair value adjustments and provisions for onerous leases into account.signage, have been carried out and automatic number plate recognition equipment has been installed to improve management efficiency.

REGENERATION

Former Airport Site

The Company has actively participated in all stages of the public consultation in respect of the Local Planning Authority's proposed adoption of the new Plymouth and South West Devon Joint Local Plan. Detailed representations, which have taken a number of years to compile, were submitted to the Government Inspectors who conducted the public hearing from January to March 2018. The Company currently awaits the outcome of the hearing and specifically whether the Government Inspectors will uphold Local Planning Authority's proposal to safeguard the Former Airport Site for 5 years for potential general aviation use (which includes private aircraft and other non-commercial passenger services), following which, the local planning authority proposes a review of the policy. The Company maintains that far greater social and economic benefit for the city will result from the development of the site for an appropriate mixture of residential and other uses which can deliver housing (including a substantial contribution to the need of social housing), community and educational facilities and employment space, effectively integrated with the existing surrounding developments.

SUTTON HARBOUR REGENERATION SCHEMES

The Sugar Quay and Harbour Arch Quay development sites are positioned on the East and North East Quays of the harbour respectively and have formerly been referred to as Sugar House/Boatyard and Horsewash. Following the change of control and board changes in January 2018, the scheme proposals for Sugar Quay, as re-worked last year, underwent a detailed review. This review was led by Philip Beinhaker and Jason Schofield and supported by in-house colleagues and specialist consultants. The scheme was subsequently re-designed, incorporating efficient basement parking, retail and leisure space on the ground floor and approximately 175 residential units. The revised scheme is currently being refined in consultation with the local planning authority, prior to full planning submission.

An application for Harbour Arch Quay, located at North East Quay, to create 14 residential units and ground floor commercial accommodation has been submitted for planning approval.

In addition, proposals are due to be submitted at the same time as the Sugar Quay application to extend Harbour Car Park, situated at the Eastern Gateway to the harbour, creating approximately 150 additional spaces.

The Company gained Marine Management Organisation (MMO) licensing consent this year for the 'Boardwalk' scheme (three years after planning consent was granted). The same application has now been re-submitted for planning consent, as the original consent expired in May 2018 which will be effective over the same time period as the MMO licence.

OUTLOOK

The investment in the Company by, and the proven experience of FB Investors LLP has provided fresh impetus to accelerate making Sutton Harbour a destination of regional importance and national significance, building upon the strengthening of existing activities, with the development of new residential, retail, commercial and leisure amenities.

PHILIP BEINHAKER
CHAIRMAN
29 June 2018

JASON SCHOFIELD
CHIEF EXECUTIVE

KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS

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

FINANCIAL HIGHLIGHTS	2018	2017	NOTE
Net Assets	**£39.328m**	£40.141m	
Net Asset value per share	**37.3p**	41.7p	
(Loss)/profit before tax from continuing operations	**£(2.502)m**	£0.053m	1
Adjusted (loss)/profit before tax excluding fair value adjustments and impairments to inventory	**£(0.135)m**	£0.331m	
(Loss)/profit after tax	**£(2.198)m**	£0.040m	
Basic (loss)/earnings per share	**(2.24)p**	0.04p	
Dividend per share	**0.0p**	0.0p	
Net Debt	**£21.858m**	£22.458m	
Gearing (Net Debt/Net Assets)	**55.6%**	55.9%	

PROPERTY METRICS	AS AT 31 MARCH 2018	AS AT 31 MARCH 2017
Total estate portfolio valuation	**£42.655m**	£45.135m
Owner occupied portfolio valuation	**£23.600m**	£25.675m
Investment portfolio valuation	**£19.055m**	£19.460m
Number of investment properties	**71**	71
Contracted rent (per annum)	**£1.262m**	£1.317m
Net initial yield	**5.84%**	7.90%
Reversionary yield	**6.31%**	8.95%
Occupancy rate by floor area	**87%**	90%
Estimated rental value (ERV) of vacant units	**£0.198m**	£0.120m
Average unexpired lease	**31.90 years**	9.8 years
Gross car parks revenue	**£0.511m**	£0.483m
Development Inventory		
Sites around Sutton Harbour	**£8.665m**	£8.303m
Portland	**£0.200m**	£0.200m
Former airport site	**£12.368m**	£12.009m
Total	**£21.233m**	£20.512m

NOTE

1 Includes a charge for fair value adjustments on investment property and property, plant equipment of £0.626m (2017: £0.105m), a charge to increase the onerous lease provision of £nil (2017: £0.173m) and a charge for costs of change in ownership of £1.741m (2017: £nil).

FINANCIAL REVIEW

ACCOUNTING

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

ASSET VALUATION

During the year, independent valuation of the Group's investment and owner-occupied portfolio was undertaken at 30 September 2017 and at 31 March 2018. The valuation at 30 September 2017 gave rise to a net deficit of £1.057m in the first half year, with further adjustment in the second half year to give an overall net deficit for the year of £2.250m. This deficit is reconciled as £0.405m deficit on the investment portfolio and £1.845m deficit on the owner-occupied portfolio.

CARRYING VALUE OF FORMER AIRPORT SITE

The former airport site, a 113 acre site in which the Group holds an unexpired 137 year leasehold interest, is held as development inventory at a carrying value of £12.368m. At each balance sheet date, this carrying value is tested for impairment with the board needing to satisfy itself that the asset is included in inventory at the lower of cost and net realisable value, with net realisable value including developer's return where applicable. The carrying value of £12.368m is derived as follows:

- The land and building asset was independently valued twice yearly until 31 March 2013, when the asset was transferred to development inventory.
- As at 31 March 2013 the land and building asset was transferred to development inventory and combined with the pre- existing inventory total, which included the cost of building the Link Road and planning intellectual property costs.
- It was agreed at 31 March 2013 that the transfer was made at valuation, inclusive of historic revaluations. As at 31 March 2013 the carrying value of the former airport asset was £11.479m, inclusive of past revaluations totalling £3.969m. The net increase in former airport asset valuation from 31 March 2013 (£11.479m) to 31 March 2018 (£12.368m) of £530,000 represents the capitalised costs of developing the planning intellectual property less the cost attributed to sales of small plots.
- Net Realisable Value is estimated with reference to expected net proceeds for the 25% share of the leasehold interest. The mechanism for sharing of net proceeds with the freeholder, Plymouth City Council, is set out in the lease.
- The auditors, Nexia Smith and Williamson, included an Emphasis of Matter paragraph within the 2015, 2016, 2017 and 2018 Audit Reports due to uncertainty about the impact on Net Realisable Value of the planning process (Plymouth and South West Devon Joint Local Plan 2017-2034 currently being formulated) and the outcome of a Government Report about the future of Plymouth City Airport.
- In December 2016 the Department for Transport published the 'Plymouth Airport Study Report', which concluded that a lack of demand and a short runway mean commercially viable passenger services could not be run out of the former Plymouth Airport site as it would remain "financially vulnerable" in a "high risk environment".
- In April 2017, the Company submitted its representations and detailed evidence base in support of allocation of the former Airport Site for alternative use in advance of the Government Inspectors' public hearing of proposed new local planning framework.
- The public hearing took place in early 2018, with the Government Inspectors' report expected later in the year.

CASH FLOW AND FINANCING

The Company had total borrowing net of cash and cash equivalents of £21.858m at 31 March 2018 (2017: £22.458m) with a gearing level of 55.6% (2017: 55.5%). The Company has operated within its authorised facilities and has met all bank covenants during the year. The bank facilities were renewed in January 2018, when the Company entered into an agreement which provides a maximum £25.0m committed facility with a confirmed expiry date of March 2021.

Debt servicing costs continue to be a major expense to the Group. To manage exposure to LIBOR movements, the Group has hedged LIBOR rate at 0.8737% on £10m core debt until March 2019.

TAXATION

The standard rate of tax applicable to the Group is 17% (2017: 19%). The overall tax credit for the year is £0.304m (2017: charge of £0.013m). No current tax is due on the year's results with the tax charge resulting from movements in timing differences.

NATASHA GADSDON
FINANCE DIRECTOR
29 June 2018

MANAGING BUSINESS RISKS

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

GENERAL RISKS	RISK IDENTIFIED	RESPONSE TO RISK
Financing	The availability of adequate borrowing and other funding facilities.	The Group's current banking facilities to a maximum of £25m expire in March 2021. The Board recognises that the Group is capital constrained thereby delaying progress with specific property development.
Financing	Compliance with bank terms and covenants.	The Group maintains a regular dialogue with bankers over progress of the Group and operates to a business plan to remain within bank facility terms.
Financing	Interest rate rises.	The Group has hedged LIBOR by way of an interest rate swap over £10m debt until March 2019.
Negative publicity	Increased use of social media can heighten the impact of negative publicity.	Media publicity about the Group is actively followed and reported where it is misleading or untrue.

REAL ESTATE, REGENERATION AND CAR PARKING DIVISIONS	RISK IDENTIFIED	RESPONSE TO RISK
Economic Cycles	Property markets in provincial areas such as Plymouth will lag the improvements achieved in other major centres.	The Group is developing its plans for various sites to prepare for new development as market conditions allow.
Planning	Obtaining viable planning permissions has become increasingly demanding resulting in increased cost and delay to submission of applications. The new local planning framework is due for final publication in 2018.	The Group prepares comprehensive representations and applications with supporting reports where required. Public consultation is frequently undertaken to solicit views about proposed schemes.
Tenant failure	The Group is exposed to the risk of loss of revenue and vacant properties should tenants' businesses fail.	The Group has a diverse tenant base encompassing national and independent occupiers to avoid high exposure to any single party.

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

MARINE ACTIVITIES		
Lock Operations	Continuation of marine activities is dependent on reliability of lock operations and the integrity of the lock structure itself. The pedestrian swing bridge over the lock structure is currently out of service and undergoing engineering survey to identify the extent of works required.	Maintenance of the Sutton Harbour lock, a key flood defence, is the responsibility of the Environment Agency and it is subject to daily checks. Lock controls have failsafe systems to prevent human errors. All properties remain accessibility by foot, however in some instances by a less direct route. Regular public announcements are made to update the public about access.

GENERAL RISKS		
Pollution Incident	A major pollution incident could result from leakage from a fishing vessel or fuel supply tanks, or unlawful discharge into the harbour.	Emergency procedures are in place to contain and clear a spillage which includes closure of the lock gates.
Continuity of Operations	Failure of plant and equipment at the fishmarket has the potential to disrupt operations with the resultant loss of reputation.	The Group has been undertaking planning infrastructure renewal of Fisheries plant over the last three years, with the result of improved efficiency and reliability of operations.

APPROVAL

The Strategic Report from pages 2 to 9 was approved by the Board of Directors on 29 June 2018 and signed on its behalf by

JASON SCHOFIELD
CHIEF EXECUTIVE

GOVERNANCE

DIRECTORS AND ADVISORS

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

DIRECTORS' REPORT

The Directors present their Directors' Report and audited Consolidated Financial Statements for the year ended 31 March 2018. The review of activities during the year and future developments is contained in the Strategic Report.

MAJOR SHAREHOLDINGS

As at 29 June 2018 the Company's register of shareholdings showed the following interests in 3% or more of the Company's share capital:

	%	ORDINARY SHARES
FB Investors LLP	72.65	76,715,994
Crystal Amber Fund Limited	7.64	8,072,813
Mr. D.McCauley/Rotolok (Holdings) Limited	5.71	6,028,760

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

DIRECTORS' INTERESTS

The interests of the Directors in the ordinary shares of the Company as at 31 March 2018 are set out below.

	2018	2017
Graham S. Miller	31,968	147,000
Jason W.H. Schofield	3,088	14,194
Natasha C. Gadsdon	22,623	104,026
Sean J. Swales	2,914	13,400
Robert H. De Barr (resigned 22 January 2018)	-	10,000

PHILIP BEINHAKER

Aged 77. Appointed Non Executive Director and Chairman on 22 January 2018 following the 'Partial Offer and Acceptance' which precipitated a change in control of the Company whereby FB Investors LLP acquired a controlling interest in the Company's shares. Philip is a Director and the Chairman of Beinhaker Design Services Limited, which is a member of FB Investors LLP. He is also a member of the Audit Committee. Philip served as co-founding partner and Chief Executive Officer of IBI Group, a world-leading firm in architecture, engineering and project management from its formation in 1974 until 2013, continuing as a Senior Director of the IBI Group Management Partnership.

GRAHAM S. MILLER

Aged 55. Appointed Non-Executive Director and Chairman on 23 September 2013, stepping down from the Chairman role on 22January 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.

JASON W. H. SCHOFIELD

Aged 52. Appointed Executive Director in December 2007 and Chief Executive in January 2012. Jason has been with the Group since June 2007 and he has given notice of resignation and will leave the Company on 23 July 2018. He is a Chartered Surveyor and previously held senior positions at Hammerson Plc and Crest Nicholson Plc.

NATASHA C. GADSDON

Aged 48. Appointed Executive Director in July 2004 and Finance Director in October 2004. She is a Chartered Accountant and has been with the Group since 1996. She has also been the Company Secretary since 2001.

SEAN J. SWALES

Aged 50. 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.

In accordance with the Company's Articles of Association Graham S. Miller retires by rotation at this year's Annual General Meeting, and being eligible offers himself for re-election. Following appointment to the board in January 2018, Philip H. Beinhaker offers himself for election.

DIRECTORS AND OFFICERS INSURANCE

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

FINANCIAL INSTRUMENTS

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

By Order of the Board
NATASHA GADSDON
FINANCE DIRECTOR
29 June 2018

GOVERNANCE

CORPORATE GOVERNANCE REPORT

The rules of the Financial Reporting Council do not require companies that have securities traded on the Alternative Investment Market to comply with the UK Corporate Governance Code (the Code). In managing the Group, the Board has regard to the UK Corporate Governance Code. The Chairmen of the Audit, Remuneration and Nomination Committees will be available to answer questions at this year's Annual General Meeting.

The Board continually monitors its procedures for reviewing the effectiveness of its systems of internal controls.

THE BOARD

The Board currently comprises the Executive Chairman, two Non-Executive Directors and two Executive Directors and is responsible for the proper management of the Company and for reporting the Company's progress to Shareholders. The Board has ten scheduled meetings annually for reviewing trading performance, ensuring adequate funding, monitoring strategy and examining acquisition possibilities. Additional meetings are held as required. The Board has a formal schedule of matters specifically reserved to it for decision. The roles of Executive Chairman and Chief Executive are separate, although for a transitionary period after the incumbent Chief Executive leaves the company on 23 July 2018, the Chairman and Chief Executive roles will both be held by Philip Beinhaker. Graham Miller stepped down as Chairman on 22 January 2018, remaining a Non-Executive Director and became the Senior Independent Director. Robert De Barr resigned from the board on 22 January 2018.

COMMITTEES

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Philip Beinhaker and its other members are Sean Swales and Graham Miller. The Committee, within its written terms of reference, determines and agrees with the Board the employment terms and remuneration packages of the Executive Directors. The Report on Remuneration is set out on pages 17 to 19. The Executive Directors make recommendations to the Board regarding the remuneration of Non-Executive Directors. Independent advice on remuneration is taken where considered appropriate.

AUDIT COMMITTEE

The Audit Committee is chaired by Graham Miller and its other members are Sean Swales and Philip Beinhaker. The Committee has written terms of reference and provides a forum for reporting by the Group's external auditors. The Committee may request other individuals to attend all or part of any meeting as the Committee considers appropriate.

The Audit Committee is responsible for a wide range of financial matters including the half year and annual financial statements before submission to the Board and monitoring the internal controls and risk management systems which are in place to ensure the integrity of the financial information reported to the shareholders. The Committee is also responsible for making recommendations to the Board to be put to shareholders for approval at the AGM, in relation to the appointment and removal of the Group's external auditors, determining their remuneration and monitoring the auditors' performance and independence.

In relation to non-audit work, the Committee carefully reviews whether it is necessary for the auditors' firm to carry out such work and it will only grant approval for them to do so if we are satisfied that the auditors' independence is maintained. The Group's auditors assist in this by ensuring that the partner responsible for the external audit remains responsible for the audit for no more than five years and that there is a quality review partner who is involved in planning the audit and in the reviewing of the final accounts including assessing any critical matters identified in the audit. The auditors have also confirmed to the Audit Committee that they have complied with all relevant guidance issued by the Financial Reporting Council and have implemented appropriate safeguards including that non-audit related services are performed by personnel independent of the audit engagement team. The fees paid to the auditor for audit and non- audit services are disclosed in note 9.

NOMINATION COMMITTEE

Members of the Nomination Committee were Philip Beinhaker and Jason Schofield, although the search for a new Chief Executive is being led by Graham Miller and Sean Swales. The Nomination Committee is responsible for proposing candidates to the Board having regard to its balance, expertise and structure. The Nomination Committee is also responsible for making recommendations to the Board regarding appointments to the Audit and Remuneration Committees.

RELATIONS WITH SHAREHOLDERS

The combined Chairman's Statement and Chief Executive's Report on pages 4 and 5 and the Financial Review on page 7 include a detailed review of the business and future developments. Shareholders are encouraged to pose questions to the Board at any time of the year and the Board uses the Annual General Meeting to communicate with all shareholders and welcomes their participation.

INTERNAL CONTROL

The Directors are responsible for establishing and maintaining the Group's internal control systems. Internal control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by their nature can provide reasonable, but not absolute, assurance against material misstatement or loss. 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. Given the size and nature of the Group, no separate internal audit department is considered necessary.

- 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. Reviews are carried out after the acquisition is complete and any overruns are investigated. Due diligence work is carried out if a business is to be acquired.

GOING CONCERN

The review of the Group's business activities is set out in the combined Chairman's Statement and Chief Executive's Report on pages 4 and 5. The financial position of the Group, its cash flows and financing position are described in the Financial Review on page 6. In addition, note 3 to the financial statements gives details of the Group's financial risk management.

The Group extended its banking facility to 31 March 2021. 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.

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

By Order of the Board
NATASHA GADSDON
COMPANY SECRETARY
29 June 2018

GOVERNANCE

CORPORATE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

HEALTH AND SAFETY

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

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

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

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

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

PORT MARINE SAFETY CODE

Sutton Harbour Company, a Statutory Harbour Authority, and a wholly owned subsidiary of the Company, is committed to undertaking statutory duties in accordance with the standards defined within the Port Marine Safety Code. To ensure full compliance with the code an independent audit of the Sutton Harbour Safety Management System is carried out annually. The last audit carried out by the Maritime and Coastguard Agency took place in March 2018.

ENVIRONMENTAL ISSUES

The Group's Green Team Committee is chaired by Natasha Gadsdon and has representation from all Group activities. The Board has agreed the following Environmental Statement:

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

We have looked at the areas of our business which could have both positive and negative impacts on the environment and have identified the following policy aims to enhance our overall environmental performance:

- Reduction of our Carbon Footprint by minimising energy use.
- Reduction of the amount of waste we create and to ensure that we maximise the recycling of the waste that we generate.
- To ensure that we meet, and where possible, exceed environmental legislative requirements.
- To set a high standard for the prevention of water pollution in Sutton Harbour.
- To review our purchasing requirements so as to make environmentally sound purchasing decisions and to increase local purchasing.

The Group monitors energy consumption at its trading facilities. This information is used to manage consumption through practical energy saving measures and targeted capital investment. The Group installed LED energy efficient lighting at the fisheries complex and plans to introduce metered power and water at the fisheries complex together with further installations of LED lighting during 2018/19.

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

COMMUNITY ENGAGEMENT AND CHARITABLE INVOLVEMENT

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

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

The Group supports local charities and this year has supported Young Enterprise and the Junior Leaders Field Gun Crew competition.

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

NATASHA GADSDON
FINANCE DIRECTOR
29 June 2018

REPORT ON REMUNERATION

REMUNERATION COMMITTEE AND REMUNERATION POLICY

The members of the Committee during the year were as follows:
Robert H. De Barr – Chairman (resigned 22 January 2018)
Philip H. Beinhaker – Chairman (appointed 22 January 2018)
Graham S. Miller
Sean J. Swales

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

COMPOSITION OF REMUNERATION

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

BONUS PAYMENTS TO EXECUTIVE DIRECTORS

Profit share bonuses earned on the achievement of targets agreed by the Remuneration Committee for the year ended 31 March 2018 were £nil in respect of Jason W.H. Schofield (2017: £9,700) and £5,000 in respect of Natasha C. Gadsdon (2017: £7,800).

CONTRACTUAL PAYMENTS TO EXECUTIVE DIRECTORS

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

Jason W. H. Schofield and Natasha C. Gadsdon, both being eligible, were paid the contractual sum due within 28 days of the Specified Event which occurred on 3 January 2018, being £186,921 in respect of Jason W. H. Schofield and £144,416 in respect of Natasha C. Gadsdon. Jason W. H. Schofield served notice of resignation on 23 April 2018, and a provision for the additional contractual sum due on 23 July 2018 of £179,000 has been made in these accounts, it being linked to the Specified Event. These payments have been expensed through the Income Statement as 'Exceptional costs of change in ownership'.

NON-EXECUTIVE DIRECTORS FEES

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

TABLES OF DIRECTORS REMUNERATION

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

	2018 £000	2017 £000
Fees	**86**	83
Other Emoluments	**268**	276
Contractual Payments	**510**	-
Pension Contributions	**82**	57
	946	416

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

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

FOR THE YEAR TO 31 MARCH 2017	Directors' salaries £000	Taxable benefits £000	Bonus Payments £000	Directors' fees £000	Total £000
Graham S. Miller	-	1	-	40	41
Jason W.H. Schofield	130	22	10	-	162
Natasha C. Gadsdon	95	9	8	-	112
Sean J. Swales	-	-	-	20	20
Robert H. De Barr	-	-	-	23	23
	225	32	18	83	358

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

	2018 £000	2017 £000
Jason W.H. Schofield	51	27
Natasha C. Gadsdon	31	30
	82	57

CONTRACTS

On 30 August 2011, the Group entered into a service contract with Jason W.H. Schofield. He was appointed Chief Executive of the Group on 30 January 2012. Jason served notice of resignation to the Company on 23 April 2018 and will leave on 23 July 2018.

On 23 April 2018, Philip H. Beinhaker was appointed Executive Chairman.

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 except for a short notice clause exercisable between January and July 2019. She was appointed a Director in July 2004 and Finance Director in October 2004.

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
PHILIP H BEINHAKER
DIRECTOR AND CHAIR OF
THE REMUNERATION COMMITTEE
29 June 2018

Statement of Directors' Responsibilities

For the year ended 31 March 2018

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs, as adopted by the European Union and applicable UK Accounting Standards, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

By Order of the Board
NATASHA GADSDON
COMPANY SECRETARY

29 June 2018

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

We have audited the financial statements of Sutton Harbour Holdings plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework", (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter – valuation of inventory

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

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

Key audit matters

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

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

GOING CONCERN

Key audit matter description

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

Response to key audit matter

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

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

VALUATION OF PLYMOUTH CITY AIRPORT (FORMER AIRPORT SITE)

Key audit matter description

Within development inventory the group holds the Former Airport Site, a 113 acre site with unexpired 138 year leasehold, which at the year end has a carrying value of £12.4m. Under IAS 2, the carrying value has to be assessed for impairment with the group needing to satisfy itself that the asset is included in inventory at the lower of cost and net realisable value, with net realisable value including developer's return where applicable. The Local Planning Authority is currently in the process of formulating a new planning policy framework to guide Plymouth's planning strategy to 2034 and the public hearing took place in early 2018. The group expects the Government Inspectors' report on the Plymouth and South West Devon Joint Local Plan to be issued later in 2018 and has positioned its representations that the Former Airport Site is ideally suited to the delivery of a range of new uses to Plymouth with significant economic, social and employment benefits. There is significant uncertainty about the outcome of the Government Inspector's report and the planning strategy which, subject to the result, could affect the value and timing of any development of the site. The current carrying value of the asset is based on this development strategy.

Response to key audit matter

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

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

VALUATION OF INVESTMENT PROPERTIES AND OWNER OCCUPIED LAND AND BUILDINGS

Key audit matter description

Sutton Harbour Holdings Plc adopts a policy of revaluation for its owner occupied land and buildings as well as its investment properties with valuation stated at fair value. Under IFRS 13, fair value measurement is required to be based on the 'highest and best use' and in most cases an entity's current model is presumed to be its highest and best use, although consideration needs to be made on a property by property basis to ensure that market opportunities and conditions do not suggest otherwise. Investment properties (£19.1m) and fixed assets (£23.6m) held at valuation stand at £42.7m as at the year end. Due to the impact that the valuations can have on the financial statements and the inherently judgemental nature of these valuations, we have considered this area as a key audit focus.

Response to key audit matter

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

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

VALUATION OF DEVELOPMENT SITES – SUGAR QUAY

Key audit matter description

Costs incurred on the Sugar Quay development site stand at £8m as at year end and are held within inventory. The development is in early stages and planning permission has yet to be received, and hence uncertainty arises over the net realisable value of the site. The costs include capitalised interest and an allocation of overheads incurred, which involves judgement.

Response to key audit matter

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

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

Materiality

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

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £69,300 (0.1% of group's total assets), in addition to other identified misstatements that warrant reporting on qualitative grounds.

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

An overview of the scope of the audit

Of the Group's 11 reporting components, we audited individually 3 and subjected another 4 to audit procedures for Group reporting purposes where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality of that component. The remaining components are dormant entities.

The components within the scope of our work covered 89% of Group revenue, 87% of Group profit before tax and 98% of Group net assets.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 20, 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

CARL DEANE
Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson

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

29 June 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

Consolidated Income Statement
for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Revenue	7	**6,503**	6,718
Cost of sales before onerous leases		**(4,367)**	(4,130)
Onerous leases		**-**	(173)
Cost of sales		**(4,367)**	(4,303)
Gross profit		**2,136**	2,415
Fair value adjustments on investment properties and fixed assets	15,16	**(626)**	(105)
Administrative expenses		**(1,374)**	(1,300)
Exceptional costs of change in ownership	6	**(1,741)**	-
Operating (loss)/profit	7,8	**(1,605)**	1,010
Finance income	11	**-**	-
Finance costs	11	**(897)**	(957)
Net finance costs		**(897)**	(957)
(Loss)/profit before tax from continuing operations		**(2,502)**	53
Taxation credit/(charge) on profit from continuing operations	12	**304**	(13)
(Loss)/profit for the year from continuing operations		**(2,198)**	40
(Loss)/profit for the year attributable to owners of the parent		**(2,198)**	40
Basic and diluted (loss)/earnings per share from continuing operations	14	**(2.24p)**	0.04p

Consolidated Income Statement
for the year ended 31 March 2018

	Note	2018 £000	2017 £000
(Loss)/profit for the year		**(2,198)**	40
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment	15	**(1,624)**	(765)
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		**70**	(3)
Other comprehensive income for the year, net of tax		**(1,554)**	(768)
Total comprehensive income for the year attributable to owners of the parent		**(3,752)**	(728)

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2018

	Note	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	15	**23,973**	26,289
Investment property	16	**19,055**	19,460
		43,028	45,749
Current assets			
Inventories	20	**21,276**	20,569
Trade and other receivables	21	**2,170**	2,060
Cash and cash equivalents	22	**2,767**	703
Tax recoverable		**8**	13
		26,221	23,345
Total assets		**69,249**	69,094
Current liabilities			
Trade and other payables	25	**1,633**	1,173
Finance lease liabilities	26	**117**	123
Deferred income	24	**1,434**	1,479
Provisions	28	**70**	71
Derivative financial instruments	18	**6**	-
		3,260	2,846
Non-current liabilities			
Bank loans	23	**24,350**	22,800
Finance lease liabilities	26	**158**	238
Deferred government grants	24	**646**	1,169
Deferred tax liabilities	19	**1,338**	1,642
Provisions	28	**169**	182
Derivative financial instruments	18	**-**	76
		26,661	26,107
Total liabilities		**29,921**	28,953
Net assets		**39,328**	40,141
Issued capital and reserves attributable to owners of the parent			
Share capital	29	**16,162**	16,069
Share premium		**7,872**	5,368
Other reserves		**10,050**	12,638
Retained earnings		**5,244**	6,021
Total equity		**39,328**	40,141

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

The Financial Statements on pages 24 to 55 were approved and authorised by the Board of Directors on 29 June 2018 and were signed on its behalf by:

Jason W.H. Schofield
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Notes	Share capital	Share premium	Revaluation reserve	Merger reserve	Hedging reserve	Retained earnings	Total equity
				---------------- Other reserves	----------------	----------------		
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016		16,069	5,368	9,653	3,871	(73)	5,981	40,869
Comprehensive income/(expense)								
Profit for the year		-	-	-	-	-	40	40
Other comprehensive income/(expense)								
Revaluation of property, plant and equipment	15	-	-	(765)	-	-	-	(765)
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	(3)	-	(3)
Total other comprehensive income/(expense)		-	-	(765)	-	(3)	-	(768)
Total comprehensive income/(expense)		-	-	(765)	-	(3)	40	(728)
Total balance at 31 March 2017		16,069	5,368	8,888	3,871	(76)	6,021	40,141
Balance at 1 April 2017		16,069	5,368	8,888	3,871	(76)	6,021	40,141
Adjustment to opening balances	5	-	-	(1,079)	-	-	1,421	342
Comprehensive income/(expense)								
Loss for the year		-	-	-	-	-	(2,198)	(2,198)
Other comprehensive income/(expense)								
Revaluation of property, plant and equipment	15	-	-	(1,624)	-	-	-	(1,624)
Effective portion of changes in fair value of cash flow hedges	3	-	-	-	-	70	-	70
Total other comprehensive income/(expense)		**-**	**-**	**(1,624)**	**-**	**70**	**-**	**(1,554)**
Total comprehensive income/(expense)		**-**	**-**	**(1,624)**	**-**	**70**	**(2,198)**	**(3,752)**
Transactions with owners of the parent								
Purchase of shares	6,29	93	2,504	-	-	-	-	2,597
Total balance at 31 March 2018		**16,162**	**7,872**	**6,185**	**3,871**	**(6)**	**5,244**	**39,328**

The cumulative deferred tax relating to items that are charged to equity is £nil (2017: £nil).

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

Further information in relation to the other reserves set out within the statement of changes in equity can be found in note 29.

Consolidated Cash Flow Statement

For the year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash generated from total operating activities	31	**(886)**	1,008
Cash flows from investing activities			
Net expenditure on investment property		**-**	-
Expenditure on property, plant and equipment		**(227)**	(269)
Proceeds from sale of plant and equipment		**12**	-
Net cash used in investing activities		**(215)**	(296)
Cash flows from financing activities			
Proceeds from issue of shares		**2,750**	-
Expenses of share issuance		**(152)**	-
Interest paid		**(897)**	(957)
Loan drawdown		**1,550**	300
Net repayment of capital element of finance leases		**(86)**	(38)
Net cash generated (used in)/generated from financing activities		**3,165**	(695)
Net decrease in cash and cash equivalents		**2,064**	17
Cash and cash equivalents at beginning of the year	22	**703**	686
Cash and cash equivalents at end of the year	22	**2,767**	703

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

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. General information

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

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

2. Group accounting policies

Basis of preparation

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

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

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

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

Going concern

The review of the Group's business activities is set out in the combined Chairman's Statement and Chief Executive's Report on pages 4 and 5. The financial position of the Group, its cash flows and financing position are described in the Financial Review on page 6. In addition, note 3 to the financial statements gives details of the Group's financial risk management.

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

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

Measurement convention

The financial statements are prepared on the historical cost basis as modified by the fair value of share based payments, financial assets and financial liabilities (including derivative instruments) at fair value through the profit or loss. Investment property and other property are carried at fair value.

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

Basis of consolidation

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

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

Property, plant and equipment

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

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

Land and buildings

Land and buildings include:

- Freehold and leasehold land. Where a lease has an unexpired term of more than 50 years it is considered to share the same characteristics as freehold land and is shown as such.
- Properties that are mainly owner-occupied, or that are an integral part of the Group's trading operations (marina including the lock, quays, marina buildings, the fishmarket building and car parks).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In accordance with IAS 40 'Investment Property', no depreciation is provided in respect of investment properties.

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 current assets at the lower of cost and net realisable value. Cost includes all expenditure related directly to specific projects, including capitalised interest, and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Net realisable value is estimated selling value less estimated costs of completion and estimated costs necessary to make the sale and includes developer's return where applicable.

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

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

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

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. Movements on the hedging reserve in shareholders' equity are shown in the Statement of Changes in Equity and the Statement of Comprehensive Income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

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

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

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

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

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

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

Revenue
Revenue comprises the fair value of the consideration received or receivable, net of value-added-tax, rebates and discounts. Revenue is recognised once the value of the transaction can be reliably measured and the significant risks and rewards of ownership have 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 they are earned.

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 at the point of sale.

Car park revenue
Car park revenue is recognised at the point that a car parking ticket is paid for.

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

Interest Income
Interest income is recognised as it becomes receivable.

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

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

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

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

Employee benefits: defined contribution plans

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

Employee benefits: share-based payment transactions

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

Provisions

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

Taxation

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

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

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

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

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

Dividends

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

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 business segments have been identified:

Marine
Real Estate
Car Parking
Regeneration

Revenue included within each segment is as follows:

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

Car Parking:
Car park revenue

Real Estate:
Rent

Regeneration:
Property sales

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

Trade Receivables

Trade receivables are amounts due from customers for items sold or services performed in the ordinary course of business. If settlement is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. They are initially recognised at fair value and subsequently carried at amortised cost.

Trade Payables

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

Changes in accounting policies and disclosures

New and amended Standards and Interpretations adopted by the Group and Company

The Group has adopted "Amendments to IAS7: Statement of Cash Flows Disclosure Initiative" for the first time this period.
The amendment requires additional disclosures which have been provided on the face of the Consolidated Cash Flow Statement.

New and amended Standards and Interpretations Issued but not effective for the financial year beginning 1 April 2017

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

- IFRS 9 "Financial instruments" will be effective for the year ending March 2019 onwards, the main impact being the impairment assessment methodology used to value trade receivables, and it is not expected to have a material impact on the Group accounts.
- IFRS 15 "Revenue from contracts with customers" will be effective for the year ending March 2019 onwards, and it is not expected to have a material impact on the Group accounts.
- IFRS 16 "Leases" will be effective for the year ending March 2020 onwards and the impact on the accounts will be significant. IFRS 16 requires lessees to recognise the future liability reflecting the future lease payments and a right-of-use asset for all lease contracts. Therefore, the substantial majority of the Group's operating lease commitments (some £541k on an undiscounted basis, as shown in Note 30 of the accounts) would be brought onto the Consolidated Balance Sheet and amortised and depreciated separately. There will be no impact on cash outflows, although presentation of the Consolidated Cash Flow Statement will change significantly.

The effect of all other new and amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to be material.

3. Financial risk management

Fair values

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

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

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

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

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

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

	Fair value 1 April 2017 £000	Income Statement £000	Other Comprehensive Income £000	Cash-flow Movements £000	**Total (Level 2) 31 March 2018 £000**
Financial liabilities					
Derivative financial instruments	**76**	-	(29)	(41)	**6**

Capital risk management

The capital structure of the Group consists of net debt which includes the borrowings disclosed in notes 22 and 23 and shareholders' equity comprising issued share capital, reserves and retained earnings.

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

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

The Board is not recommending the payment of a dividend for the year ended 31 March 2018. The gearing ratio at the year end was as follows:

	2018 £000	2017 £000
Borrowings and loans	**(24,350)**	(22,800)
Finance lease liabilities	**(275)**	(361)
Cash and cash equivalents	**2,767**	703
Net debt	**(21,858)**	(22,458)
Equity	**39,328**	40,141
Net debt to equity ratio	**55.6%**	55.9%

Bank borrowing facilities and financial covenants

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

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

Liquidity risk

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

Contractual maturity

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

As at 31 March 2018:

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

As at 31 March 2017:

	Total £000	0 to <1 years £000	1 to < 2 years £000	2 to <5 years £000
Bank loans*	(25,235)	(714)	(24,521)	-
Trade and other payables*	(1,173)	(1,173)	-	-
Finance lease liabilities*	(392)	(137)	(114)	(141)
Derivative financial instruments**	(76)	-	(76)	-
	(26,876)	(2,024)	(24,711)	(141)

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

Interest rate risk

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

Credit risk

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

	2018 £000	2017 £000
Trade receivables:		
New customers (less than 12 months)	**100**	33
Existing customers (more than 12 months) with no defaults in the past	**389**	408
Existing customers (more than 12 months) with some defaults in the past	**75**	46
Total trade receivables net of provision for impairment	**564**	487

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 2018, it is estimated that a general increase of half a percentage point in interest rates (being the best estimate of future anticipated changes in interest rates), ignoring hedging, would have decreased the Group's profit before tax from continuing operations by approximately £112,000 (2017: £110,000). Net assets would have decreased by the same amount.

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

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

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

Yields applied across the trading and investment assets are in the range of 4.35% – 10.47% with the average yield being 7.44%. Assuming all else stayed the same; a decrease of 1.0% in the average yield would result in an increase in fair value of £6.148m. An increase of 1.0% in the average yield would result in a corresponding decrease in fair value of £4.691m.

These assets were independently valued by Jones Lang LaSalle ("JLL") at 31 March 2018. The valuation by JLL was in accordance with the Practice Statements in the Valuations Standards (The Red Book) published by the Royal Institution of Chartered Surveyors, on a market-based evidence approach, which is consistent with the required IFRS 13 methodology.

4. Accounting estimates and judgements

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

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

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

a) The valuation of investment property and property held for use in the business as at 31 March 2018 was £19,055,000 and £23,600,000 respectively; (2017: £19,460,000 and £25,675,000 respectively). In determining the fair value of properties, the Board relies on external valuations carried out by professionally qualified independent valuers in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuation of investment properties uses estimated rental yields for each property based on market evidence at the date the valuation is carried out. Judgement is exercised in determining future rental income or profitability of the relevant properties. Within the valuation of property held for use in the business, judgment is required to allocate the valuation between land and buildings.

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

c) 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).

d) Determining the net realisable value of development property (2018: £21,233,000; 2017: £20,512,000).
The Board has exercised judgement in determining the net realisable value of development property, taking into account expected costs to complete and future sale proceeds, and hence whether any write-down of development property is required. Incorporated in the appraisal of net realisable value are judgements about: disposal revenue and/or investment value at completion; project formulation (including mix of development uses and development density); full development cost; amounts payable to third parties (for example, contributions to the local authority under section 106 agreements, sharing of proceeds with local authority and repayment of grants in the case of development of the former airport site); financing costs; time value of money; and, allowance for contingency. Included in development inventory is the Former Airport Site. The Local Planning Authority is currently in the process of formulating a new planning policy framework to guide Plymouth's planning strategy to 2034 period and the public hearing took place in early 2018. The Group expects the Government Inspectors' report on the Plymouth and South West Devon Joint Local Plan be issued later in 2018. The Group has positioned its representations that the Former Airport Site is ideally suited to the delivery of a range of new uses to Plymouth with significant economic, social and employment benefits. There is uncertainty about the outcome of the Government Inspector's report and planning strategy which, subject to the result, could affect the value and timing of any development of the site. The current carrying value of the asset is based on this development strategy.

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

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

e) Impairments
The Board exercises judgement in identifying cash-generating units and utilises assumptions, which are often subject to uncertainty, in determining the recoverable amount of assets (or cash-generating units) to assess whether an asset (or cash-generating unit) is impaired. In the year fixed assets totalling £nil (2017: £nil) and development inventory totalling £nil (2017: £nil) have been impaired.

f) The calculation of deferred tax assets and liabilities (2018: Liability of £1,338,000; 2017: Liability of £1,642,000).
The Group has not recognised deferred tax assets in respect of certain properties due to a high degree of uncertainty of the timing of when the asset may be realised.

g) The calculation of provisions for onerous leases (2018: Liability of £239,000; 2017: Liability of £253,000)
In calculating provisions for onerous leases, the Board has exercised judgment in assessing future rental shortfalls, timing, and the discount rate to be used.

h) The calculation of provisions for bad and doubtful debts. In exercising its judgment in whether to provide for bad or doubtful debts the Board considers the nature and amount of the debt as well as the ability of the debtor to pay.

5. Adjustment related to prior years

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

	Debit £000	Credit £000
Property, plant and equipment	-	181
Deferred government grants	523	-
Revaluation reserve	1,079	-
Retained earnings	-	1,421
	1,602	1,602

6. Change in control of business

On 23 November 2018, FB Investors LLP made a partial cash offer for up to 67,393,960 ordinary shares in the business at a price of 29.5p per share. In connection with the partial offer, FB Investors LLP and the company entered into a conditional subscription agreement pursuant to which FB Investors LLP agreed to subscribe for 9,322,034 new shares in the Company at a price of 29.5p per share.

Following the offer being declared unconditional on 3 January 2018, FB Investors LLP purchased 67,393,960 shares and also subscribed for the additional shares for an aggregate consideration of £2.750m. Costs of £1.893m were incurred by the Company in connection with the transaction of which £0.152m have been debited to the share premium reserve and £1.741m are considered an exceptional cost in the year and have been shown separately on the face of the consolidated statement of income and expenditure.

7. 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. The Board of Directors considers the business from an operational perspective as the Group has only one geographical segment, with all operations being carried out in the United Kingdom. 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 2018 is as follows:

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

Year ended 31 March 2017	Marine £000	Real Estate £000	Car Parking £000	Regeneration £000	Total £000
Revenue	4,626	1,609	483	-	6,718
Gross profit prior to non-recurring items	1,207	1,211	291	(121)	2,588
Non-recurring items:					
Onerous leases	-	(173)	-	-	(173)
Impairment of plant, property and equipment	-	-	-	-	-
Segmental Operating Profit before fair value adjustment and unallocated expenses	1,207	1,038	291	(121)	2,415
Fair value adjustment on investment properties and fixed assets	(428)	110	213	-	(105)
					2,310
Unallocated:					
Administrative expenses					(1,300)
Operating profit					1,010
Financial income					-
Financial expense					(957)
Profit before tax from continuing activities					53
Taxation					(13)
Profit before tax from continuing activities					40
Depreciation charge					
Marine					308
Car Parking					12
Administration					16
					336

	2018 £000	2017 £000
Segment assets:		
Marine	**20,882**	22,865
Real Estate	**19,460**	20,165
Car Parking	**4,233**	4,178
Regeneration	**21,414**	20,668
Total segment assets	**65,989**	67,876
Unallocated assets:		
Property, plant & equipment	**78**	100
Trade & other payables	**415**	432
Cash and cash equivalents	**2,767**	686
Total assets	**69,249**	69,094

	2018 £000	2017 £000
Segment liabilities:		
Marine	**1,858**	2,361
Real Estate	**705**	531
Car Parking	**131**	121
Regeneration	**938**	932
Total segment liabilities	**3,632**	3,945
Unallocated liabilities:		
Bank overdraft & borrowings	**24,625**	23,161
Trade & other payables	**320**	129
Financial derivatives	**6**	76
Deferred tax liabilities	**1,338**	1,642
Tax payable	**-**	-
Total liabilities	**29,921**	28,953
Additions to property, plant and equipment		
Marine	**227**	175
Car Parking	**-**	120
Unallocated	**-**	26
Total	**227**	321

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:

	2018 £000	2017 £000
Sale of goods	**2,289**	2,265
Sale of land and property	**-**	-
Rental income	**1,547**	1,733
Provision of services	**2,667**	2,720
	6,503	6,718

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

8. Operating result

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

	Note	**2018 £000**	2017 £000
Staff costs	10	**1,687**	1,455
Increase/(decrease) in provisions	28	**(14)**	112
Rental income from investment property	30	**(1,382)**	(1,588)
(Profit)/loss on sale of property, plant and equipment		**(10)**	9
Direct operating expenses of investment properties (including repairs and maintenance)		**117**	129
Loss/(gain) on remeasurement of investment property to fair value	16	**405**	(110)
Loss on re-measurement of fixed assets	15	**221**	215
Depreciation of property, plant and equipment	15	**325**	336
Operating lease payments	30	**228**	224
Release of deferred grant		**-**	(45)

9. Services provided by the Company's auditors

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

	2018 £000	2017 £000
Fees payable to Company's auditors for the audit of Parent Company and consolidated financial statements	**22**	15
Fees payable to the Company's auditors for other services:		
The audit of Company's subsidiaries pursuant to legislation	**22**	15
Tax compliance services	**10**	10

10. 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 2018	2017
Marine Activities	**23**	23
Property and Regeneration	**2**	3
Administration	**7**	8
	32	33

The aggregate payroll costs of these persons were as follows:	Note	2018 £000	2017 £000
Wages and salaries		**1,381**	1,185
Social security costs		**147**	117
Other pension costs	27	**159**	153
		1,687	1,455

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

	2018 £000	2017 £000
Fees	**86**	83
Other Emoluments	**268**	276
Contractual Payments	**510**	-
Pension Contributions	**82**	57
	946	416

Further details of Directors' remuneration are given in the Remuneration Report on pages 17 to 19, which forms part of these financial statements.

11. Finance income and finance costs

	2018 £000	2017 £000
Finance income	**-**	-
Interest payable on bank loans and overdrafts	**761**	820
Interest payable on finance leases	**14**	17
Unwinding of provisions	**25**	12
Other finance costs	**97**	108
Finance costs	**897**	957

Borrowing costs capitalised in the year amounted to £40,000 (2017: £23,000).

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 4.4% (2017: 4.4%).

12. Taxation

	Note	2018 £000	2017 £000
Deferred tax			
Adjustments in respect of previous years		-	(165)
Origination and reversal of temporary differences		(304)	268
Change in tax rate		-	(90)
Total tax (credit)/charge in income statement	19	(304)	13

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

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%).

Reconciliation of effective tax rate

	2018 £000	2017 £000
(Loss)/profit before tax	(2,502)	53
Tax on profit at standard corporation tax rate of 19% (2017: 20%)	(475)	11
Expenses not deductible for tax purposes	333	22
Tax impact for adjustments made to fixed assets in respect of prior periods	(95)	-
Movement on potential chargeable gain on revaluation	(172)	-
Deferred tax assets not recognised	105	-
Adjustments to tax charge in respect of previous periods – deferred tax	-	71
Adjust closing deferred tax to average rate of 17% (2017: 17%)	-	(91)
Total tax (credit)/charge on continuing operations	(304)	13

13. Dividends paid on equity shares

During the year ended 31 March 2018 no dividends have been paid in respect of previous periods (2017: £nil) or proposed (2017: £nil).

The Board of Directors does not propose a final dividend for the year ended 31 March 2018 (2017: £nil).

14. Earnings per share

	2018 **Pence**	2017 Pence
Continuing operations:		
Basic (loss)/earnings per share	**(2.24)**	0.04
Diluted (loss)/earnings per share	**(2.24)**	0.04

Basic earnings per share

Basic earnings per share have been calculated using the loss for the year of £2,198,000 (2017: profit of £40,000) for the continuing operations. On 11 January 2018 the Group issued 9,322,034 shares and the average number of ordinary shares in issue of 98,320,272 (2017: 96,277,086) has been used in the calculation.

Diluted earnings per share

Diluted earnings per share uses an average number of 98,320,272 (2017: 96,277,086) ordinary shares in issue in accordance with IAS 33 'Earnings per Share'. The weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of nil (2017: nil), is calculated as follows:

	2018	2017
Weighted average number of shares at 31 March	**98,320,272**	96,277,086
Effect of share options in issue	**-**	-
Weighted average number of ordinary shares (diluted) at 31 March	**98,320,272**	96,277,086

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

15. Property, plant and equipment

	Note	Land and buildings £000	Assets in the course of Construction £000	Plant, machinery equipment, fixtures and fittings £000	Total £000
Cost or valuation					
Balance at 1 April 2016		23,188	-	6,401	29,589
Additions		132	71	118	321
Revaluations to income statement		(215)	-	-	(215)
Revaluations to revaluation reserve		(765)	-	-	(765)
Impairment		-	-	-	-
Transfers		-	-	-	-
Disposals		-	-	(48)	(48)
Balance at 31 March 2017		**22,340**	**71**	**6,471**	**28,882**
Balance at 1 April 2017		22,340	71	6,471	28,882
Adjustment to opening balances	5	527	-	(1,171)	(644)
Additions		1	121	105	227
Revaluations to income statement		(221)	-	-	(221)
Revaluations to revaluation reserve		(1,624)	-	-	(1,624)
Impairment		-	-	-	-
Transfers		-	(105)	(80)	(185)
Disposals		-	-	(333)	(333)
Balance at 31 March 2018		21,023	87	4,992	26,102
Accumulated depreciation					
Balance at 1 April 2016		116	-	2,178	2,294
Depreciation charge for the year		134	-	202	336
Transfers		-	-	-	-
Disposals		-	-	(37)	(37)
Balance at 31 March 2017		**250**	**-**	**2,343**	**2,593**
Balance at 1 April 2017		250	-	2,343	2,593
Adjustments to opening balances	5	(90)	-	(373)	(463)
Depreciation charge for the year		77	-	248	325
Transfers		-	-	-	-
Disposals		-	-	(326)	(326)
Balance at 31 March 2018		**237**	**-**	**1,892**	**2,129**
Net book value					
At 31 March 2017		22,090	71	4,128	26,289
At 31 March 2018		**20,786**	**87**	**3,100**	**23,973**

Included in Land and Buildings is long leasehold land at a value of £2,200,000 (2017: £2,200,000; 2016: £2,050,000).

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 2018. The valuation by JLL was in accordance with the Practice Statements in the Valuations Standards (The Red Book) published by the Royal Institution of Chartered Surveyors, on a market-based evidence approach.

At 31 March 2018, had the freehold land and buildings been measured using the cost model (historical cost less accumulated depreciation and accumulated impairment losses), their carrying value would be £19,104,000 (2017: £19,104,000).

At 31 March 2018, had the leasehold land and buildings been measured using the cost model (historical cost less accumulated depreciation and accumulated impairment losses), their carrying value would be £956,000 (2017: £956,000).

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

The Group's obligations under finance leases are secured by the lessor's title to the fixed assets. The carrying value of plant, machinery and equipment which is subject to finance leases is £586,000 (2017: £648,000).

16. Investment property

At fair value:	Notes	**2018 £000**	2017 £000
Balance at the beginning of the year		**19,460**	19,350
Fair value adjustments		**(405)**	110
Balance at the end of the year		**19,055**	19,460

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 2018 has been determined by a valuation carried out at that date by independent, external valuers, JLL in accordance with the Practice Statements in the Valuation Standards (The Red Book) published by the Royal Institution of Chartered Surveyors. JLL is a member of the Royal Institution of Chartered Surveyors and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and, where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

All of the Group's investment property is held under freehold interests with the exception of four (2017: four) properties which are held under long leaseholds.

17. Investments

At 31 March 2018 the Group has the following subsidiaries:

	Class of shares held	Ownership **2018**	Ownership 2017	**Nature of Business**
Subsidiaries				
Sutton Harbour Company	Ordinary	100%	100%	Harbour Authority
Sutton Harbour Services Limited	Ordinary	100%	100%	Marine Leisure & Property
Plymouth City Airport Limited	Ordinary	100%	100%	Property Developer
Sutton Harbour Property and Regeneration Limited	Ordinary	100%	100%	Property
Sutton Harbour Commercial Limited	Ordinary	100%	100%	Property
Sutton Harbour Projects Limited	Ordinary	100%	100%	Property
Sutton Harbour Car Parks Limited	Ordinary	100%	100%	Car Park Operator
Sutton Harbour Projects (No 2) Limited	Ordinary	100%	100%	Investment Company
Sutton Harbour SQ No.1 Ltd	Ordinary	100%	100%	Investment Company
Sutton Harbour SQ No.1 Ltd	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 Tin Quay House, Sutton Harbour, Plymouth PL4 0RA.

All subsidiaries are included in the Group consolidated financial statements.

18. Derivative financial instruments

The Group utilises a hedge of interest payments by interest rate swaps hedging future interest rate risk. All hedges are remeasured to fair value as at the balance sheet date.

	Assets		Liabilities	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Current				
Interest rate swaps – cash flow hedges	**-**	-	(6)	-
Total current derivative financial instruments	**-**	-	(6)	-

	Assets		Liabilities	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Non-current				
Interest rate swaps – cash flow hedges	**-**	-	**-**	(76)
Total non-current derivative financial instruments	**-**	-	**-**	(76)

The fair value of hedges as at 31 March 2018 was as follows:

Hedges of interest payments by interest rate swaps hedging future interest rate risk:
Fair value of financial liability of £6,000, contract for £10.0m at 0.87% based on the GBP LIBOR rate ruling each month between 19 June 2016 and 31 March 2019.

The fair value of hedges as at 31 March 2017 was as follows:

Hedges of interest payments by interest rate swaps hedging future interest rate risk:
Fair value of financial liability of £76,000, contract for £10.0m at 0.87% based on the GBP LIBOR rate ruling each month between 19 June 2016 and 31 March 2019.

19. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**-**	-	**(1,102)**	(1,208)	**(1,102)**	(1,208)
Investment property	**-**	-	**(269)**	(441)	**(269)**	(441)
Employee benefits	**-**	-	**-**	-	**-**	-
Losses carried forward	**33**	7	**-**	-	**33**	7
Tax assets / (liabilities)	**33**	7	**(1,371)**	(1,649)	**(1,338)**	(1,642)

Movement in deferred tax during the year	1 April 2017 £000	Change in deferred tax rate £000	Recognised in income £000	Recognised in equity £000	31 March 2018 £000
Property, plant and equipment	**(1,208)**	-	106	**-**	**(1,102)**
Investment property	**(441)**	-	172	**-**	**(269)**
Employee benefits	**-**	-	-	-	-
Losses carried forward	**7**	-	26	**-**	**33**
	(1,642)	**-**	**304**	**-**	**(1,338)**

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

20. Inventories

	2018	2017
	£000	£000
Stores and materials	**19**	24
Goods for resale	**24**	33
Development property	**21,233**	20,512
	21,276	20,569

Included within inventories is £21,233,000 (2017: £20,512,000) expected to be recovered in more than 12 months.
Inventories to the value of £1,927,000 were recognised as an expense in the year (2017: £1,855,000).
Interest capitalised during the year in relation to development property was £40,000 (2017: £23,000).
In the course of the year, £nil of development property inventory was written down (2017: £nil).

21. Trade and other receivables

	2018 £000	2017 £000
Trade receivables	**649**	539
Provision for impairment of trade receivables	**(85)**	(52)
	564	487
Other receivables	**326**	145
Prepayments and accrued income	**1,280**	1,428
	2,170	2,060

Included within trade and other receivables is £697,000 (2017: £906,000) expected to be recovered in more than 12 months.

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

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

	2018 £000	2017 £000
As at the beginning of the year	**52**	60
Provision for receivables impairment	**44**	24
Receivables written off during the year as uncollectable	**(11)**	(32)
As at the end of the year	**85**	52

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

	2018 £000	2017 £000
Not yet due:		
0 – 29 days	**338**	278
Overdue:		
30 – 59 days	**113**	148
60 – 89 days	**14**	-
90 – 119 days	**36**	10
120 + days	**63**	51
	564	487

As at 31 March 2018, trade receivables of £438,000 (2017: £210,000) were past due but not impaired (as disclosed in the above table). These relate to a number of independent customers for whom there is no recent history of default.

22. Cash and cash equivalents

	2018 £000	2017 £000
Cash and cash equivalents per balance sheet	**2,767**	703
Cash and cash equivalents per cash flow statement	**2,767**	703

At 31 March 2018, the Group had an agreed bank facility of £25.0m (2017: £25.0m) which expires on 31 March 2021. The facility incurs interest charged at rates over LIBOR during the term of the facilities. LIBOR rates have been hedged on £10m of the £25.0m facility until 31 March 2019 by way of interest rate swaps.

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

Undrawn facilities:

	2018 £000	2017 £000
Expiring within one year	**-**	-
Expiring within one to two years	**-**	2,200
Expiring between two and five years	**650**	-
	650	2,200

23. 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, see note 3.

	2018 £000	2017 £000
Non-current liabilities		
Secured bank loans	**24,350**	22,800
	24,350	22,800

Secured bank loans:
The current secured bank loans relate to a facility of £25.0m comprising two loans which incur interest at various rates over LIBOR during the term of the facilities and fall due for renewal more than 12 months from the Balance Sheet date. LIBOR rates have been hedged on £10.0m of the £25.0m facility until 31 March 2019 by way of an interest rate swap (see note 18). Assets with a carrying amount of £54.7m (2017: £54.8m) have been pledged to secure borrowings of the Group.

24. 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	
	Note	**2018 £000**	2017 £000	**2018 £000**	2017 £000
At the beginning of the year		**1,479**	1,524	**1,169**	1,214
Adjustment to opening balances	5	**-**	-	**(523)**	-
Released to the income statement		**(1,479)**	(1,524)	**-**	(45)
Income and grants received and deferred		**1,434**	1,479	**-**	-
At the end of the year		**1,434**	1,479	**646**	1,169
Current		**1,434**	1,479	**-**	-
Non-current		**-**	-	**646**	1,169
		1,434	1,479	**646**	1,169

25. Trade and other payables

	2018 £000	2017 £000
Trade payables	**967**	770
Other payables	**85**	97
Other taxation and social security costs	**117**	122
Accruals	**464**	184
	1,633	1,173

The ageing of trade payables is as follows:

	2018 £000	2017 £000
Not yet due:		
0 – 29 days	**685**	578
Overdue:		
30 – 59 days	**240**	173
60 – 89 days	**3**	5
90 – 119 days	**10**	5
120 + days	**29**	9
	967	770

26. Finance lease liabilities

	Minimum lease payments		Capital element of lease payments	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Amounts payable under finance leases:				
Within one year	**127**	137	**117**	123
In the second to fifth years inclusive	**167**	255	**158**	238
At the end of the year	**294**	392	**275**	361
Less: future finance charges	**(19)**	(31)	**n/a**	n/a
Present value of lease obligations	**275**	361	**275**	361
Current			**117**	123
Non-current			**158**	238
			275	361

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is 2.9 years (2017: 3.1 years). For the year ended 31 March 2018, the average effective borrowing rate was 4.6% (2017: 4.5%). Interest rates are fixed at the contract date. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling and the fair value of the Group's lease obligations approximates to their carrying amount.

27. 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 £159,000 (2017: £153,000). There were no amounts outstanding or prepaid at the year end (2017: £nil).

28. Provisions for other liabilities and charges

	Onerous leases £000	Total £000
Balance at 1 April 2016	141	141
Provisions made during the year	173	173
Provision utilised during the year	(61)	(61)
Balance at 31 March 2017	**253**	**253**
Balance at 1 April 2017	253	253
Provisions made during the year	-	-
Provisions utilised during the year	(14)	(14)
Balance at 31 March 2018	**239**	**239**
Current	70	70
Non-current	169	169
	239	239

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

29. Capital and reserves

Share capital

	Ordinary shares		Deferred shares		Total shares	
Thousands of shares	**2018**	2017	**2018**	2017	**2018**	2017
In issue at the beginning of the financial year - fully paid	**96,277**	96,277	**62,944**	62,944	**159,221**	159,221
Issued for cash	**9,322**	-	**-**	-	**9,322**	-
In issue at the end of the financial year – fully paid	**105,599**	96,277	**62,944**	62,944	**168,543**	159,221

	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
Allotted, called up and fully paid						
105,599,120 (2017: 96,277,086) Ordinary shares of 1p each (2017: 1p each)	**1,056**	963	**-**	-	**1,056**	963
62,943,752 (2017: 62,943,752) Deferred shares of 24p each (2017: 24p)	**-**	-	**15,106**	15,106	**15,106**	15,106
	1,056	963	**15,106**	15,106	**16,162**	16,069

There is no limit to the authorised deferred share capital.

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

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

Issue of shares during 2018

On 10 January 2018, Sutton Harbour Holdings plc issued 9,322,034 ordinary shares of 1p each to FB Investors LLP at a price of 29.5p each. Net proceeds after issue costs were £0.913m and the £2.504m excess of the value of the shares over their nominal value was credited to the Share premium account.

Other reserves

Share premium account

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

Revaluation reserve

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

Merger reserve

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

Hedging reserve

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

Retained earnings

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

30. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	**220**	225
Between one and five years	**321**	507
Greater than five years	**-**	-
	541	732

During the year £228,000 was recognised in respect of operating leases expense in the income statement (2017: £224,000): £196,000 in cost of sales (2017: £196,000) and £32,000 in administrative expenses (2017: £28,000).

Included within operating lease rentals is an amount of £489,000 (2017: £685,000) due in relation to the lease of part of a property which has been sublet. Income will therefore be generated to offset some of these lease rental amounts.

Leases as lessor

The Group leases certain properties under operating leases (see notes 15 and 16). The future minimum lease rentals receivable under non- cancellable leases are as follows:

	2018 £000	2017 £000
Investment property:		
Less than one year	**1,309**	1,490
Between one and five years	**4,474**	5,446
More than five years	**24,888**	26,011
	30,671	**32,947**
Owner-occupied properties:		
Less than one year	**35**	43
Between one and five years	**139**	139
More than five years	**158**	222
	332	404

Total contingent rents recognised in the year were £74,000 (2017: £39,000). Contingent rents are determined by reference to specific clauses within the leases.

During the year ended 31 March 2018 £1,382,000 (2017: £1,588,000) was recognised as rental income in the income statement. Repair and maintenance expense recognised in cost of sales for the year to 31 March 2018 was £56,000 (2017: £46,000).

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

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

31. Cash flow statements

	2018 £000	2017 £000
Cash flows from operating activities		
Profit for the year from continuing operations	(2,198)	40
Adjustments for:		
Taxation on loss from continuing activities	(304)	13
Financial expense	897	934
Fair value adjustments on investment property	405	(110)
Revaluation of property, plant and equipment	221	215
Depreciation	325	336
Amortisation of grants	-	(45)
Loss on sale of property, plant and equipment	(10)	9
Cash generated from continuing operations before changes in working capital and provisions	(664)	1,392
Increase in inventories	(707)	(472)
Decrease/(increase) in trade and other receivables	82	(18)
Increase/(decrease) in trade and other payables	462	57
(Decrease)/increase in deferred income	(45)	(63)
Increase/(decrease) in provisions	(14)	112
Cash generated from continuing operations	(886)	1,008

32. Related parties

The parent of the Group is Sutton Harbour Holdings plc. The ultimate controlling party is FB Investors LLP, which is owned jointly by Beinhaker Design Services Limited and 1895 Management Holdings ULC. In the course of the year, Beinhaker Design Services Limited provided services to the value of £67,000 (2017: £nil).

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

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

Transactions with key management personnel:
Executive Directors of the Company and their immediate relatives control 72.69% (2017: 0.12%) of the voting shares of the Company. The compensation of key management personnel (the Executive and Non Executive Directors) is as follows:

The compensation of key management personnel (the Executive and Non Executive Directors) is as follows:	**2018 £000**	2017 £000
Fees	**86**	83
Short term employee benefits including taxable benefits	**778**	276
Social security costs	**147**	39
Company contributions to money purchase pension schemes	**82**	57
	1,093	455

Until 10 January 2018, Mr D McCauley/Rotolok (Holdings) Limited ("Rotolok") was the Group's second largest shareholder, holding 28.79% of the issued share capital of Sutton Harbour Holdings plc. From 10 January 2018, Rotolok has held 5.71% of the issued share capital and still has representation on the Board of Directors by virtue of Sean Swales, the Group Managing Director of Rotolok (Holdings) Limited. As a consequence, Rotolok is considered to have had significant influence over the Group as defined in IAS 24 'Related party transaction' until 10 January 2018 and hence transactions with Rotolok until that date are required to be disclosed. In the year there were no transactions with Rotolok.

33. Capital commitments

At March 2018 the Group has no capital commitments.

Historical Financial Information

For the year ended 31 March 2018

	2018 **£000**	2017 £000	2016 £000	2015 £000	2014 £000
Net Assets	**39,328**	40,483	40,869	40,459	38,554
Revenue	**6,503**	6,718	6,509	6,955	7,045
Operating profit before fair value adjustments, impairments, costs of change in ownership and onerous leases	**762**	1,288	1,467	1,274	1,167
Fair value adjustments on investment property and fixed assets	**(626)**	(105)	1,452	917	311
Impairment of assets, onerous leases	**-**	(173)	(272)	(403)	(354)
Operating profit/(loss) after fair value adjustments and impairments	**(1,605)**	1,010	2,647	1,788	1,124
Net financing costs (excludes joint ventures/associates)	**(897)**	(957)	(1,057)	(927)	(859)
Profit/(loss) before tax on continuing activities	**(2,502)**	53	1,590	861	265
Loss from discontinued activities	**-**	-	-	-	-
Profit/(loss) attributable to equity shareholders	**(2,198)**	40	1,497	655	1,323
Dividends paid	**-**	-	-	-	-
Basic earnings/(loss) per share	**(2.24)p**	0.04p	1.55p	0.68p	1.37p
Diluted earnings/(loss) per share	**(2.24)p**	0.04p	1.55p	0.68p	1.37p

Company Balance Sheet

As at 31 March 2018

SUTTON HARBOUR HOLDINGS PLC

	Note	2018 £000	2017 £000
Fixed assets			
Investments	5	**11,268**	4,657
		11,268	4,657
Current assets			
Debtors	6	**26,939**	42,953
Cash at bank and in hand		**2,008**	10
		28,947	42,963
Current liabilities			
Creditors: amounts falling due within one year	7	**29**	28
Net current assets		**28,918**	42,935
Total assets less current liabilities		**40,186**	47,592
Creditors: amounts falling due after more than one year	8	**11,539**	19,951
Net assets		**28,647**	27,641
Capital and reserves			
Called up share capital	9	**16,162**	16,069
Share premium account	11	**7,872**	5,368
Merger Reserve	11	**3,620**	3,620
Profit and loss account	11	**993**	2,584
Total shareholders' funds		**28,647**	27,641

The notes on pages 59 to 63 are an integral part of these financial statements. In the year the Company made a profit of £458,000 (2016: profit of £699,000).

The Financial Statements were approved and authorised by the Board of Directors on 29 June 2018 and were signed on its behalf by:

Jason W. H. Schofield
Director
Company number: 2425189

SUTTON HARBOUR HOLDINGS PLC

Company Statement of Changes in Equity

As at 31 March 2018

	Called up capital £000	Share premium account £000	Merger reserve £000	Profit and loss account £000	Total £000
Balance at 1 April 2016	16,069	5,368	3,620	2,126	27,183
Profit for the year	-	-	-	458	458
Balance at 31 March 2017	16,069	5,368	3,620	2,584	27,641
Balance at 1 April 2017	16,069	5,368	3,620	2,584	27,641
Loss for the year	-	-	-	(1,591)	(1,591)
Issue of shares	93	2,504	-	-	2,597
Balance at 31 March 2018	16,162	7,872	3,620	993	28,647

1. General information

Sutton Harbour Holdings plc ("the Company") is a limited company incorporated in the United Kingdom under the Companies Act 2006. These financial statements cover the financial year from 1 April 2017 to 31 March 2018, with comparatives for the year 1 April 2016 to 31 March 2017 and are compliant with FRS101.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2017.

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

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

Going concern

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

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

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

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

Measurement convention

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

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

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

Investments

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

Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

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

3. Services provided by the Company's auditors

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

Current auditors:	**2018** **£000**	2017 £000
Fees payable to Company's auditor for the audit of Parent Company financial statements	**22**	6
Fees payable to the Company's auditor for other services:		
Tax services	**1**	1

For further details on other services provided by the Company's auditors, see note 9 of the main Group consolidated financial statements.

4. Employees and Directors

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

5. Investments

	2018 **£000**	**2017** **£000**
Cost and net book value		
Investments in subsidiary undertakings	11,268	4,657

Subsidiary companies:
At 31 March 2018, the Company has the following investments in subsidiaries:

	Class of shares held	**Ownership** **2017**	Ownership 2016	**Nature of Business**
Subsidiaries				
Sutton Harbour Company	Ordinary	**100%**	100%	Harbour Authority
Sutton Harbour Services Limited	Ordinary	**100%**	100%	Marine Leisure & Property
Plymouth City Airport Limited	Ordinary	**100%**	100%	Property Developer
Sutton Harbour Property and Regeneration Limited	Ordinary	**100%**	100%	Property
Sutton Harbour Commercial Limited	Ordinary	**100%**	100%	Property
Sutton Harbour Projects Limited	Ordinary	**100%**	100%	Property
Sutton Harbour Car Parks Limited	Ordinary	**100%**	100%	Car Park Operator
Sutton Harbour Projects (No 2) Limited	Ordinary	**100%**	100%	Investment Company
Sutton Harbour SQ No. 1 Ltd	Ordinary	100%	100%	Investment Company
Sutton Harbour SQ No. 2 Ltd	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 Tin Quay House, Sutton Harbour, Plymouth PL4 0RA.

Notes to the Company Financial Statements

For the year ended 31 March 2018

6. Debtors

	2018 £000	2017 £000
Amounts owed by subsidiary undertakings	**26,560**	42,604
Deferred tax	**-**	6
Other debtors and prepayments	**379**	343
Total debtors	**26,939**	42,953

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

7. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Other creditors	**29**	28
Total creditors	**29**	28

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

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

	2018 £000	2017 £000
Amounts owing to subsidiary undertakings	**9,689**	19,651
Bank borrowings	**1,850**	300
	11,539	19,951

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

9. Called up share capital

	Ordinary Shares		Deferred Shares		Total	
Thousands of shares	**2018**	2017	**2018**	2017	**2018**	2017
In issue at the beginning and end of the financial year – fully paid	**96,277**	96,277	**62,944**	62,944	**159,221**	159,221
Issued for cash	**9,322**	-	-	-	**9,322**	-
In issue at the end of the financial year – fully paid	**105,599**	96,277	**62,944**	62,944	**168,543**	159,221

	Ordinary Shares		Deferred Shares		Total	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Authorised Ordinary share capital 100,000,000 Ordinary shares of 1p each (2016: 100,000,000 Ordinary shares of 1p each)	**1,000**	1,000	**-**	-	**1,000**	1,000
Allotted, called up and fully paid 105,599,120 (2017: 96,277,086)	**1,056**	963	**-**	-	**1,056**	963
62,943,752 (2017: 62,943,752) Deferred shares of 24p each (2017: 24p each)	**-**	-	**15,106**	15,106	**15,106**	15,106
Total	**1,056**	963	**15,106**	15,106	**16,162**	16,069

There is no limit to the authorised deferred share capital.

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

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

Issue of shares during 2018

On 23 November 2018, FB Investors LLP made a partial cash offer for up to 67,393,960 ordinary shares in the business at a price of 29.5p per share. In connection with the partial offer, FB Investors LLP and the company entered into a conditional subscription agreement pursuant to which FB Investors LLP agreed to subscribe for 9,322,034 new shares in the Company at a price of 29.5p per share.

Following the offer being declared unconditional on 3 January 2018, FB Investors LLP purchased 67,393,960 shares and also subscribed for the additional shares for an aggregate consideration of £2.750m of which £2.504m have been credited to the share premium reserve.

10. Contingencies

The Company has given an unlimited guarantee in respect of bank borrowings of all subsidiary companies. At 31 March 2018, these borrowings amounted to £24,350,000 (2017: £22,800,000).

11. Description of reserves

Called up share capital

The called up share capital and share premium accounts represent equity share capital (see note 27 to the consolidated financial statements).

Share premium account

The share premium account represents premiums paid over the nominal value of share capital issued (see note 27 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 27 to the consolidated financial statements).

Profit and loss account

The profit and loss account represents retained profits.

12. Ultimate controlling party

Sutton Harbour Holdings 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 Holdings ULC, and owns 72.65% of the issued share capital of Sutton Harbour Holdings plc. The consolidated financial statements of the Group headed by Sutton Harbour Holdings plc are presented separately on pages 24 to 55 of this document. The results of the Company are not consolidated in any other group's financial statements.

SUTTON
HARBOUR
HOLDINGS PLC

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