



 SUTTON  
HARBOUR

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SUTTON HARBOUR GROUP PLC

2020

ANNUAL REPORT &  
FINANCIAL STATEMENTS

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## STRATEGIC REPORT

# VISION AND OBJECTIVES

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

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

### GROUP VISION

The Group is the owner and custodian of a unique historic harbour asset in the centre of Plymouth which it aims to improve to achieve national and international recognition as a prime location for living, working, visiting and hosting waterside events.

### OUR OBJECTIVES

- To develop a mix of trading activities for medium to long-term sustainable growth and to provide a balanced risk profile.
- To provide a secure investment proposition in a profitable Group which has a strong 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 asset based value growth to shareholders in the medium term.

### CURRENT BUSINESS PLANS

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

## STRATEGIC REPORT

# THE GROUP AT A GLANCE

### MARINE

Sutton Harbour currently has capacity for berthing 523 vessels and as of 29 June 2020 was accommodating 442 vessels and achieves an increasing, core annual revenue stream in the form of dues, fees and rents from the established fisheries, marinas and property operations.

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

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

### King Point Marina

In June 2011, the Group was selected by the English Cities Fund (ECf) to build and operate the new marina in the major urban regeneration area of Millbay in Plymouth. Berthings are currently used in equal measure by leisure yacht berth-holders and for high quality yachts manufactured in Plymouth by Princess Yachts.

### REAL ESTATE

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

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

The Group has a diverse mix of national and regional businesses as tenants as well as various independent operators. The National Marine Aquarium, a major visitor attraction in the region, is also a tenant. These facilities and operators attract visitors and citizens of Plymouth, strengthening the natural attractiveness, leisure and social enjoyment of the Harbour.

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

### CAR PARKING

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

### REGENERATION

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

### Sutton Harbour

The Group has established a track record for the delivery of six major regeneration schemes around Sutton Harbour and a further two schemes in other locations elsewhere in the South West. A key feature of all these schemes was working in partnership with other public and private sector bodies. Following the change of majority control of the Group in January 2018, consent has been achieved for three planning applications for development schemes on Sutton Harbour. These schemes include a 14 unit apartment building (Harbour Arch Quay), the iconic Sugar Quay tower, with 170 units, both with retail/office space incorporated facing the harbour and the extension to an existing multi storey car park owned by the Group is also approved, to be implemented along with Sugar Quay. The Group is currently working on designs for other schemes immediately to the east of the harbour.

### 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.

Plymouth City Council agreed to the closure of the former airport as of 23 December 2011, due to withdrawal of flight services and unsustainable losses. In March 2019, the Government Inspectors charged with reporting on the Local Authority Joint Local Plan, a planning framework for development until 2034, upheld that the former airport site may be safeguarded for a limited time period of not more than 5 years, for potential aviation use based on their determination that it would be inappropriate to continue to safeguard the site for more than 5 years due to the strategic value of this prime brown-field development site. The Group is working towards options for appropriate uses of the 113 acre former airport site through development of a masterplan for the area to benefit the city and local population, institutions and business enterprises, in accordance with the Group's long-term leasehold and ownership of the lands.

STRATEGIC REPORT

# EXECUTIVE CHAIRMAN'S REPORT

## INTRODUCTION

*I am pleased to report on the Group's results for the year ended 31 March 2020. During this period the Group has moved forward productively with the pre-construction preparations for the approved schemes for construction over the short to medium term, has worked on the promotion of our business activities and those of our tenants based around Sutton Harbour and has increased revenue-earning from our established operations. These financial results show the progress that has, and is, being made. Just before the end of our financial year the Covid-19 Lockdown measures were introduced by the UK Government, which adversely effected the last two weeks of our trading year.*

*During the strictest period of the lockdown we maintained full operations at Plymouth Fisheries and Sutton Lock, and we managed the marina facilities in accordance with government guidance which required closure of some facilities. The Group has remained in regular contact with tenants to discuss their operating status and to be ready to move to reawakening the activities surrounding the Sutton Harbour area. The core of professional office tenants has been less affected. Many tenants in the food and beverage sector have adapted to the situation by offering takeaway services. The Head Office of Sutton Harbour Group has remained fully operational with some personnel working remotely.*

*As the lockdown has been relaxed the Group has worked to restore operations in accordance with government guidance and as quickly as adaptations can be made to provide safe facilities. Activity at the marinas is approaching normality helped by a period of fine weather and the car parks have now re-opened to welcome visitors to the area.*

*To provide additional headroom on bank facilities to assure the financial resilience of the Group beyond the current projected time of the crisis, an increased facility of £2m above the previous limit of £25m has been successfully negotiated with National Westminster Bank plc. This additional committed financing has been made available until May 2021 with the possibility of an extension for a further year.*

## RESULTS AND FINANCIAL POSITION

The adjusted profit before taxation for the year was £0.221m (2019: £0.072m profit) which excludes non-cash fair value adjustments. In this financial year these adjustments relate to property asset valuation and further explanation is given in the paragraph below. The loss before taxation for the year under review as per the Income Statement, inclusive of the aforementioned adjustments, was £0.756m (2019: £1.516m profit). Compared to the previous year revenue from fuel sales declined by some 24% and this accounts for the overall fall in revenue to £6.558m from £6.893m (2019). The profit margin earned on fuel sales is low which explains why this does not materially impact operating profit. Overall, trading operations (excluding regeneration) contributed £2.329m to group costs and overheads (2020: £2.207m). Further detail about trading activities follows later in the report.

As at 31 March 2020, net assets were £46.082m (2019: £45.732m), a net asset value of 39.7p per share (2019: 39.4p per share). The movement includes the valuation of the Group's property assets which gave rise to an overall valuation surplus of £0.361m, of which £0.494m deficit relates to the investment property portfolio

and £0.855m surplus relates to the owner occupied properties. Further detail is given about property valuation below. Gearing (Net debt:net assets) as at 31 March 2020 stood at 51.1% (2019: 46.7%). Finance costs of £0.844m in the year (2019: £0.902m) reflect the level of bank borrowing throughout the year.

Net debt (including lease liabilities) increased to £23.549m at 31 March 2020 from £21.373m at 31 March 2019. Development Inventories increased by £0.902m reflecting the investment required to progress the development projects with planning consented status and other schemes being prepared for planning submission. A further £0.873m was invested in the Group's infrastructure asset base, the principal project being the construction of a new fuel and utilities servery at Plymouth Fisheries.

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

## PROPERTY VALUATION

The Group engages external independent valuers to undertake the annual valuation of investment and owner-occupied properties in January each year and received the updated valuation for 31 January 2020. In normal

times this would be an acceptable basis for valuation for the year-end balance sheet.

The uncertainty and volatility caused by the Covid-19 pandemic and resulting Government restrictions were not foreseen giving rise to difficulties in obtaining an uncaveated valuation as at 31 March 2020. After consultation with the Group's advisors who recognised the difficulty to obtain a reliable updated valuation in the exceptional circumstances it was determined that no valuation would be sought. The lack of an updated valuation has resulted in the auditors reporting that the audit was limited in scope. The Group's bankers have agreed to suspend loan to property valuation covenant testing at least until June 2021 in light of the variable valuation uncertainty over the next year.

## DIRECTORS AND STAFF

In October 2019, Corey Beinhaker was appointed Executive Director and Chief Operating Officer following a recruitment process led by the Non-Executive Directors and with advice from an external recruitment specialist. There have been no other board changes during the year. Headcount as at 31 March 2020 was 30 (31 March 2019: 31) and remains stable.

## OPERATIONS REPORT

### MARINE

Overall, the marine segment has performed steadily during the year. The Marinas achieved satisfactory growth in both revenue and occupancy following a targeted marketing communications programme. Results from fishing activities were adversely impacted by a prolonged period of stormy weather at the start of 2020 and greater fish landings by road to the auction facility which attracts lower commission and results in lower fuel and ice sales. During the year new fuel and utilities servery infrastructure was installed to improve resilience of essential supplies to harbour users. This £800,000 investment was matched by grant funding and completes a five- year long programme to upgrade facilities at Plymouth Fisheries. In response to demand for longer and wider marina berths, a reconfiguration of some pontoons at Sutton Harbour Marina was completed during the winter months.

### REAL ESTATE AND CAR PARKING

The tenant occupancy rate was enhanced throughout the year, starting at 94% in April 2019 and progressing to 95% by March 2020 after letting of some smaller units to new tenants. Car Parking revenue was up 25.5% in this financial year against the comparative period following a number of strategic changes to the management of the assets and sustained social media to promote the area. The Covid 19 Lockdown undermined results for the second half of March with minimal activity in the harbour.

## REGENERATION

### Sutton Harbour

During the year the Group has continued with the pre-construction work for the two major consented schemes around Sutton Harbour. Harbour Arch Quay, the smaller 14 apartment building, is close to starting construction subject to finalising contracts and financing, which is anticipated later this year. The much larger 170 apartment Sugar Quay development is subject to gaining planning consent variations and work is targeted to start on site in 2021.

### Former Airport Site

As previously reported the site is safeguarded from development until 2024. The Group continues to refine proposals for deliverable alternative use of the 113 acre site which meet the social and economic needs of Plymouth.

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## SUMMARY AND OUTLOOK

Development of the Group's trading strategies had begun to bear fruit with pleasing advancement of the marina, parking and investment property results. The full impact of the Covid 19 lockdown and recovery period is unknown and it will take time to re-establish normal levels of business, but the start of the re-awakening as of this date, is encouraging. Some operations have re-opened and virtually all others are planning to follow in July 2020. The Board has reacted quickly to the situation, putting in place an increased bank facility and taking reasonable measures to mitigate loss and maintain continuity of operations. The Group has the base of a unique portfolio of property assets in a landmark location and as stability is restored we are ready to move forward with planned development of new assets in line with our strategy for value growth.

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**PHILIP BEINHAKER**  
**EXECUTIVE CHAIRMAN**

6 July 2020

STRATEGIC REPORT

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

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This is the first time that year end reporting by the Group has included a s172 Report. The s172 report provides narrative about how the board has sought to promote the success of the Group for the benefit of shareholders and highlights the key decisions taken by the Group in the past year.

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## DECISION MAKING

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

## ENGAGING WITH STAKEHOLDERS

The Group regards its key stakeholders as its bankers, investors, the City Council, customers and staff.

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

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

The Group works closely with its key stakeholders being bankers, major investors, City Council, other governance and trade bodies and consults with these parties where appropriate to ensure the ongoing success of business activities.

The Group engages professional advisors to assist with the formulation of strategies that are best positioned for success and deliverability and for advice on technical, legal or special matters.

The Group is available to talk directly to key customers and tenants as matters arise.

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

## KEY DECISIONS TAKEN IN THE YEAR

### Financing

The Board entered into a new 4 year committed bank facility with incumbent bankers in December 2019 to ensure continuity of funding through the next phase of the Group's strategic plan to develop new properties in the Harbour area. The former facility was due to expire in March 2021 and the board judged it in the Group's best interest to have a longer-term view of the financing position.

Subsequently, in May 2020, following discussions with bankers a £2m facility extension was secured for a year to provide buffer funding due to the unknown financial impact of the Covid-19 Lockdown and Recovery.

### Board Composition

In October 2019, Corey Beinhaker was appointed to the board in the role of Executive

Director and Chief Operating Officer. Corey is the second board appointee put forward by the major shareholder, FB Investors LLP. The relationship agreement between the Group and FB Investors LLP sets out agreed principles to regulate this relationship. Concurrent with this appointment it was agreed by the board that no decision or meeting would be quorate unless at least one of the Non-Executive Directors (independent) is present in addition to the FB Investors appointees.

The board has concluded that at the present time the five Directors provide appropriate governance with a balance of skills and experience. The board comprises two non-independent directors (by virtue of their relationship with the major shareholder), two independent non-executive directors and the executive Finance Director.

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PHILIP BEINHAKER  
EXECUTIVE CHAIRMAN  
6 July 2020

## STRATEGIC REPORT

FINANCIAL  
REVIEW

## KEY PERFORMANCE INDICATORS

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

FINANCIAL HIGHLIGHTS	2020	2019
Net Assets	£46.082m	£45.732m
Net Asset value per share	39.7p	39.4p
(Loss)/profit before tax from continuing operations	(£0.756m)	£1.516m
Adjusted profit before tax excluding fair value adjustments and impairments to inventory	£0.221m	£0.072m
(Loss)/profit after tax	(£0.988m)	£1.831m
Basic (Loss)/profit per share	(0.85p)	1.68p
Dividend per share	0.0p	0.0p
Net Debt	£23.549m	£21.373m
Gearing (Net Debt/Net Assets)	51.1%	46.7%

## BUSINESS SEGMENTS

The Group separates its activities into 3 trading segments: Marine (comprising Fisheries, Harbour and Marina operations), Real Estate being the business of renting the portfolio of commercial premises owned by the Group and Car Parking which records results from the operation of two public car parks and various other parking areas. A fourth regeneration segment is activated when active construction of new build assets is underway. Plymouth Fisheries receives its income from landings dues (a percentage of the value of the fish determined at auction), the margin on fuel sales, sales of ice and rental of commercial

space at the Fisheries complex. During the past year the results of the segment have been undermined by various factors including an increased proportion of fish delivered to the auction by road rather than by sea (the effect is reduced landing dues and lower marine fuel sales), a period of prolonged stormy weather at the start of 2020 and lower fish prices. The Group has improved its marina results through increases in overall occupancy. Effort to promote the facilities through attendance at Southampton Boat Show, targeted use of social media and changes to the sales plan have been part of a concerted strategy to retain and attract

customers. The car parking results have improved noticeably after changes to the management contract took effect. Usage of Harbour Car Park grew following the re-opening of Sutton Lock pedestrian access and installation of modern parking management and payment technology is having a positive effect on the efficiency of the car park operations.

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

PROPERTY METRICS	AS AT 31 MARCH 2020	AS AT 31 MARCH 2019
Total estate portfolio valuation	£45.985m	£45.804m
Owner occupied portfolio valuation	£27.000m	£26.379m
Investment portfolio valuation	£18.985m	£19.425m
Number of investment properties	71	71
Contracted rent (per annum)	£1.620m	£1.546m
Net initial yield	7.58%	7.15%
Reversionary yield	8.73%	7.72%
Occupancy rate	95%	94%
Estimated rental value (ERV) of vacant units	£0.136m	£0.159m
Average unexpired lease	8.3 years	9.0 years
Gross car parks revenue	£0.655m	£0.523m
<b>Development Inventory</b>		
Sites around Sutton Harbour	£11.983m	£10.866m
Portland	£0.200m	£0.200m
Former airport site	£12.810m	£12.448m
<b>Total</b>	<b>£24.993m</b>	<b>£23.514m</b>

## REGENERATION PROJECTS

Costs incurred in pre-construction projects are held as development stock and are expensed against delivery of the project. In the year to 31 March 2020 no regeneration projects were under construction.

## ASSET VALUATION

During the year, independent valuation of the Group's investment and owner-occupied portfolio was undertaken at 31 January 2020. This valuation gave rise to a net surplus of £0.361m, reconciled as £0.494m deficit on the investment portfolio and £0.855m surplus on the owner-occupied portfolio.

In recent years the stability of property markets has allowed the January valuation to be used as a fair approximation for the March year end position. Unexpectedly, after completion of the January 2020 valuation the emergence of the Covid-19 pandemic precipitated the UK Government Lockdown which placed restrictions upon operating of many tenants and business operations. Due to the fast moving and unknown outcome of the situation together with the difficulty to obtain an uncaveated report as at 31 March 2020 the Board decided not to order a further independent valuation. The scope of the audit was therefore limited to information as at 31 January 2020, which has given rise to a qualified audit report due to limitation in scope of audit. The Group's bankers recognised the problem and a waiver of default with regard to the audit qualification was agreed at an early stage in the reporting work timetable.

The board will review its strategy for valuation of the asset portfolio as the impact of the pandemic crisis and recovery becomes clearer.

## CARRYING VALUE OF FORMER AIRPORT SITE

The former airport site, a 113 acre site in which the Group holds an unexpired 136 year leasehold interest, with a right to renew for a further 150 years, is held as development inventory at a carrying value of £12.810m. 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 £12.810m 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 would be made at valuation, inclusive of historic revaluations. As at 31 March 2013 the carrying value of the former airport asset was £11.479m, inclusive of past revaluations totalling £3.969m. The net increase in former airport asset valuation from 31 March 2013 (£11.479m) to 31 March 2020 (£12.810m) of £1,331,000 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.
- An Emphasis of Matter paragraph has been included within the 2015, 2016, 2017, 2018 and 2019 Audit Reports (previous auditor) due to uncertainty about the impact on Net Realisable Value of the planning process (Plymouth and South West Devon Joint Local Plan 2017-2034) and the outcome of a Government Report about the future of Plymouth City Airport. The new auditor firm also reports the same 'Emphasis of Matter' in the 2020 Audit Report.
- 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 Group submitted its representations and detailed evidence base in support of allocation of the former Airport Site for alternative use in advance of the Government Inspectors' public hearing of proposed new local planning framework.
- The public hearing took place in early 2018, with the Government Inspectors'

report subsequently issued in March 2019. The Government Inspectors supported a 'safeguard' of the former airport site for five years to allow time for a potential airport operator to bring forward a plan for a licensed general aviation airport. The Inspectors also advised that a longer safeguarding period would not be appropriate given the strategic value of this brown-field site and based on their determination that 5 years should be more than enough time to realize a viable business plan for aviation activity, if such activity was viable.

## CASH FLOW AND FINANCING

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

The Group had total borrowing net of cash and cash equivalents of £23.549m at 31 March 2020 (2019: £21.373m) with a gearing level of 51.1% (2019: 46.7%). The Group has operated within its authorised facilities and has met all bank covenants during the year. The bank facilities were renewed in December 2019, when the Group entered into an agreement which provides a maximum £25.0m committed facility with a confirmed expiry date of December 2023 with the possibility of a further 12 month extension. Subsequently, in May 2020 the Group agreed an amendment with bankers to extend the maximum facility to £27m for twelve months (with the possibility of a further twelve months) to provide additional headroom to manage the financial impact of the Covid-19 crisis.

Debt servicing costs continue to be a major expense to the Group and the board regularly considers the merits of entering into LIBOR swap arrangements to fix interest on part of the total debt. There are currently no LIBOR swap agreements in place.

## TAXATION

The standard rate of tax applicable to the Group is 19% (2019: 19%). The overall tax charge for the year is £0.232m (2019: credit of £0.304m). No current tax is due on the year's results with the tax charge resulting from movements in timing differences.

- Maintaining harbour services for users as a facility through which supply chains pass
- Less than 10% furlough of staff to maintain continuity of operations and to minimise delays with planned projects
- Deferral of staff pay review awards.

## DIVIDEND POLICY

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

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NATASHA GADSDON  
FINANCE DIRECTOR

6 July 2020

## COVID-19 MEASURES

The board has taken a number of decisions and measures to uphold its responsibilities to manage the impact of the Government's crisis control measures upon its financial position, continuity of operations, reputation and staff welfare:

- Early discussions with bankers to secure additional funding
- Precautionary measures taken to limit access to marina facilities to protect customers, staff and third party service providers
- Regular discussions with key stakeholders, including the Local Authority, MPs, Trade and Industry bodies, and the Group's bankers and professional advisors.
- Engagement with customers and tenants
- Working from home for some staff and where possible for their own safety

## STRATEGIC REPORT

# PRINCIPAL BUSINESS RISKS

The Group maintains a register of risks which is updated as business risks change. The risk register is reviewed regularly by the Board to ensure that appropriate processes are in place to manage business risks. Certain business risks are general to all Group activities whereas others are pertinent to particular business activities. Principal Risks and Uncertainties are as follows:

PRINCIPAL RISK / UNCERTAINTY	RISK IDENTIFIED	RESPONSE TO RISK
Financing	The availability of adequate borrowing and other funding facilities.	The Group's current banking facilities to a maximum of £25m expire in December 2023, with an additional £2m until May 2021, and will fund development through specific loans. The Group has raised £5.750m equity finance since January 2018 to fund project and capital maintenance expenditure.
	Compliance with bank terms and covenants.	The Group maintains a regular dialogue with bankers over progress of the Group and operates to a business plan to remain within bank facility terms.
	Interest rate rises.	The Group currently has bank debt exceeding £23m and any material increase in interest rates could have a significant impact on debt servicing costs. The Group regularly reviews interest rates and its exposure. LIBOR swap agreements may be entered into to manage interest risk exposure, as agreed by the board.
Reputation	The impact of negative publicity about the Group, its operations or stakeholders	The Group retains the advice of public relations specialists to advise on potentially contentious matters. Key stakeholders are consulted with as appropriate to the matter. Media publicity about the Group is actively followed and reported where it is misleading or untrue.
Covid - 19 Pandemic	Loss of business because operations are prevented, interrupted or undermined by Government restrictions ordered as a result of measures to control the Covid -19 pandemic.	Heeded all government advice.
		Sourced additional finance to support continuity of operations.
		Sourced equipment to allow offsite working wherever possible.
		Maintained operations where required or possible with recommended safeguarding precautions in place.
		Maintained close contact with employees to discuss changes to working practices and concerns as they arise.
Maintained contact with customers to manage expectations and concerns.		
Planning to re-commence operations as restrictions are removed.		

## APPROVAL

The Strategic Report from pages 2 to 10 was approved by the Board of Directors on 6 July 2020 and signed on its behalf by

PHILIP BEINHAKER  
EXECUTIVE CHAIRMAN

GOVERNANCE

# DIRECTORS AND ADVISORS

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**Company Number**

2425189

**Directors**

Philip H. Beinhaker (Executive Chairman)  
Corey B. Beinhaker (Chief Operating Officer)  
Natasha C. Gadsdon (Finance Director)  
Graham S. Miller (Non-Executive Director)  
Sean J. Swales (Non-Executive Director)

**Secretary**

Natasha C. Gadsdon

**Registered Office**

Sutton Harbour Office  
Guy's Quay Office  
Sutton Harbour  
Plymouth  
PL4 0ES  
Tel: 01752 204186  
[www.suttonharbourgroup.co.uk](http://www.suttonharbourgroup.co.uk)

**Independent Auditors**

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

**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**

National Westminster Bank plc  
135 Bishopsgate  
EC2M 3UR

## GOVERNANCE

# DIRECTORS' REPORT

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The Directors present their Directors' Report and audited Consolidated Financial Statements for the year ended 31 March 2020. The review of activities during the year and future developments is contained in the Strategic Report.

## MAJOR SHAREHOLDINGS

As at 2 July 2020 the Group's register of shareholdings showed the following interests in 3% or more of the Group's share capital:

	%	ORDINARY SHARES
FB Investors LLP	72.65	84,231,428
Crystal Amber Fund Limited	10.76	12,472,605
The late Mr. D.McCauley/Rotolok (Holdings) Limited	5.71	6,615,690

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

## DIRECTORS' INTERESTS

The interests of the Directors in the ordinary shares of the Group as at 31 March 2020 are set out below.

	2020	2019
Philip H. Beinhaker	-	-
Corey B. Beinhaker	-	-
Graham S. Miller	<b>394,930</b>	236,158
Natasha C. Gadsdon	<b>24,839</b>	24,839
Sean J. Swales	<b>3,199</b>	3,199

## DIRECTORS AND THEIR INTERESTS

### PHILIP H. BEINHAKER

Aged 79. Appointed Non-Executive Director and Chairman on 22 January 2018 following the 'Partial Offer and Acceptance' which precipitated a change in control of the Group whereby FB Investors LLP acquired a controlling interest in the Group's shares and appointed Executive Chairman in April 2018. Philip is a Director and the Chairman of Beinhaker Design Services Limited, which is a member of FB Investors LLP. He is also a member of the Audit Committee. Philip served as co-founding partner and Chief Executive Officer of IBI Group, a world-leading firm in architecture, engineering and project management from its formation in 1974 until 2013, continuing as a Senior Director of the IBI Group Management Partnership.

### COREY B. BEINHAKER

Aged 50. Appointed Executive Director and Chief Operating Officer on 23 October 2019. Prior to his involvement with Sutton Harbour Group, Corey Beinhaker worked for IBIB Group Consultants (Israel) Limited from 2010 to 2017 latterly as its chief executive officer where he, amongst other things, was contract manager for a number of significant projects including the Tel Aviv Red 10 Line Underground Station design and the design and technical specification for the traffic management for the inter-urban network in Israel. Corey Beinhaker has been working closely with the Group since January 2018 when FB Investors LLP acquired a 72.65% holding in the Group's share capital, initially through Beinhaker Design Services Limited (a Group of which he is a Director) and then as an employee of Sutton Harbour Group from July 2019

### GRAHAM S. MILLER

Aged 57. Appointed Non-Executive Director and Chairman on 23 September 2013, stepping down from the Chairman role on 22 January 2018. He was appointed Chairman of the Audit Committee in November 2013 because the Board of Directors considered him best placed to chair the Audit Committee. He is also a member of the Remuneration Committee. He has a strong background in private equity, having held senior and director positions at Murray Johnstone Private Equity and 3i plc. Graham currently holds a number of other directorships.

### SEAN J. SWALES

Aged 52. Appointed Non-Executive Director in December 2009, he is a Chartered Accountant and Group Managing Director of Rotolok (Holdings) Limited, the Group's second largest shareholder. He is also a member of the Audit and Remuneration Committees.

### NATASHA C. GADSDON

Aged 50. Appointed Executive Director in July 2004 and Finance Director in October 2004. She is a Chartered Accountant and has been with the Group since 1996. She has also been the Group Secretary since 2001.

In accordance with the Group's Articles of Association Philip H. Beinhaker and Graham S. Miller retire by rotation at this year's Annual General Meeting and being eligible offer themselves for re-election. Corey B. Beinhaker offers himself for election following appointment to the board on 23 October 2019.

## 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 Group's auditors are unaware, and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the Board  
NATASHA GADSDON  
FINANCE DIRECTOR  
6 July 2020

## GOVERNANCE

STATEMENT OF COMPLIANCE  
WITH QCA CORPORATE  
GOVERNANCE CODE

## SENIOR INDEPENDENT DIRECTOR'S INTRODUCTION

The Group is the owner and operator of specialist marine assets (which include two marinas and a commercial fishmarket), car parks, real estate investment properties and is the holder of land assets identified for regeneration. The Group's assets and operations are all located in Plymouth, Devon, primarily at Sutton Harbour.

Our vision is to conserve and improve the historic Sutton Harbour and its immediate environs for harbour users, local residents, businesses, visitors to the area and for the wider stakeholder community in the City of Plymouth. To achieve this the Board is concerned with setting the strategy to facilitate maintenance

of existing land, property and specialised assets and also the regeneration of underutilised assets to improve the attractiveness of the area and to ensure it has a sustainable and vibrant future and to deliver shareholder value growth.

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

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

## GRAHAM MILLER

## SENIOR INDEPENDENT DIRECTOR (NON-EXECUTIVE)

## The Board of Directors

OFFICE	APPOINTEE	COMMITTEE ROLES	ATTENDANCE OF BOARD/ COMMITTEE MEETINGS	SHAREHOLDING AND INDEPENDENCE
Executive Chairman	Philip Beinhaker	Audit Committee Member Remuneration Committee Chair Nomination Committee Chair	Board Meeting – 9/9 Audit Committee – 3/3 Remuneration Committee – 1/1 Nomination Committee - 1/1	Philip Beinhaker has no personal shareholding in the Group. FB Investors LLP, which owns 72.65% of the issued share capital, is jointly owned by Beinhaker Design Services Limited and 1895 Management Holdings UIC Philip is a Director and Chairman of Beinhaker Design Services Limited.
Senior Independent Director (Non- Executive)	Graham Miller	Audit Committee Chair Remuneration Committee Member Nomination Committee Member	Board Meeting – 9/9 Audit Committee – 3/3 Remuneration Committee – 1/1 Nomination Committee - 1/1	Graham Miller and his spouse together hold 394,930 shares in the Group and he is the Senior Independent Director on the Board. Graham was appointed a Director in 2013.
Non - Executive Director	Sean Swales	Audit Committee Member Remuneration Committee Member Nomination Committee Member	Board Meeting – 8/9 Audit Committee – 2/3 Remuneration Committee – 1/1 Nomination Committee - 1/1	Sean Swales holds 3,199 shares in the Group. He is also the corporate representative of Rotolok (Holdings) Limited which has an interest in 6,028,760 (5.71%) of the Group's shares. Sean was appointed a Director in 2009. Until 10 January 2018, Rotolok (Holdings) Limited was interested in 28.79% of the Group's shares and was reported as having significant influence. Sean Swales is now regarded as an independent Director as Rotolok (Holdings) Limited no longer has significant control and the board composition has changed. Although Sean has served ten years on the board, the continuity of his experience through the recent majority shareholder change and board composition transition is valued.
Chief Operating Officer (Executive)	Corey Beinhaker		Board Meeting – 5/5 (Appointed Oct 2019)	Corey Beinhaker holds no shares in the Group. FB Investors LLP, which owns 72.65% of the issued share capital, is jointly owned by Beinhaker Design Services Limited and 1895 Management Holdings UIC. Corey Beinhaker is a Director and 100% shareholder of Beinhaker Design Services Limited.
Finance Director (Executive) and Group Secretary	Natasha Gadsdon		Board Meeting – 9/9	Natasha Gadsdon holds 24,839 shares in the Group and has been an Executive Director since 2004. She also holds options over 68,182 ordinary shares exercisable under provisions of the Group Share Option Plan rules.

The board composition has undergone a transition, which started in January 2018 after a change in majority ownership of the Group. A search and recruitment for a new Executive Director is now complete and Corey Beinhaker was appointed Chief Operating Officer in October 2019 with a wide-ranging role focusing on group operations and regeneration projects. Philip Beinhaker is appointed Executive Chairman (since April 2018, previously Non-Executive Chairman from January – April 2018) and presides over the business of the board as well as directing and overseeing the operations of the Group through the senior management team.

Graham Miller, the previous independent and Non-Executive Chairman, is now the Senior Independent Non-Executive Director on the board. He is the main contact to handle matters where other Directors have a conflict of interest.

Sean Swales, a Non-Executive Director since December 2009. A Chartered Accountant, he continues to contribute actively to the Board due to his financial specialism, property investment and development expertise and regional knowledge.

Natasha Gadsdon, a Chartered Accountant, is appointed Finance Director and Group Secretary. She is responsible for financial reporting and compliance and oversees risk management, human resources, corporate responsibility. She is responsible for preparing detailed monthly reports to the board.

## SHAREHOLDER RELATIONSHIP AGREEMENT WITH FB INVESTORS LLP

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

## BOARD DECISION MAKING, QUORUM AND INTERNAL CONTROL

9 full board meetings were held in the financial year to 31 March 2020 (attendances are summarised in the table above). Prior to each meeting an agenda together with narrative business reports and supporting appendices are circulated to each board member. Matters for board decision are highlighted in advance of the meeting. The advice of non-board colleagues and professional advisors is sought where additional specialist information is required to inform a decision. Following the change of majority shareholder in early 2018 and board level changes, the evaluation of the new administration is under review.

The Board is responsible for setting the strategy to deliver shareholder value growth over the medium to long term. Decisions about financing, acquisitions and disposals, project and capital expenditure, senior staffing, key third party appointments, budget approval, approval of annual and interim financial reports, dividend policy, insurances and strategic direction of the trading businesses are all matters reserved for the Board's decision. To ensure decisions are made with independent input it has been agreed that such decisions can only be taken where either Graham Miller or Sean Swales are present with Philip Beinhaker and Corey Beinhaker.

The key procedures which the Directors have established with a view to providing effective internal controls are as follows:

### Corporate Accounting and Procedures:

There are defined authority limits and controls over acquisitions and disposals. There are also clear reporting lines within the business and risk assessments are undertaken and regularly reviewed in all divisions and at all levels within the Group. Appropriate internal controls are set for all divisions of the business.

### Quality of Personnel:

The competence of personnel is ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment.

### Financial Reporting:

The Group has a comprehensive system for reporting financial results to the Board and monitoring of budgets.

### Investment Appraisal:

Capital expenditure is regulated by authorisation levels. For expenditure beyond

a specified levels, detailed written proposals are submitted to the Board.

## GOVERNANCE COMMITTEES

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

The Remuneration Committee within its terms of reference determines and agrees with the board the employment terms and remuneration packages of the Executive Directors and other senior personnel. The Executive Directors make recommendations to the board on the remuneration of Non-Executive Directors. Independent advice on remuneration is taken where considered appropriate.

The Audit Committee has written terms of reference and provides a forum for reporting by the Group's auditors. The Committee may request Executive personnel to attend all or part of any meeting as the Committee considers appropriate. During the year the Audit Committee invited competitive tenders for the Group's auditor, with the result that the appointed auditor firm was changed to one with a more locally based office.

The Nomination Committee is responsible for proposing candidates to the Board having regard to its balance, expertise and structure. During the year, the Committee led a recruitment and selection process which culminated in the appointment of Corey Beinhaker to the board in October 2019.

## RISK MANAGEMENT

The Group maintains a register of risks, split by category, and identifies potential impact and likelihood, together with the response deployed to manage/mitigate the risk. The risk register is regularly updated with input from across the Group and external advice is taken if required. Included in the monthly reports to the Board, new risks are identified together with proposals to manage/mitigate the risk. Group Bankers and Insurers are kept apprised of business risks and vulnerabilities on an ongoing basis. Annual independent health and safety audits are undertaken with the results reported to the Board. Advice from the appointed external Health and Safety Advisor is taken where appropriate.

## STAKEHOLDER ENGAGEMENT AND RESPONSIBILITIES

### Investor Relations

The Group maintains an active dialogue with major institutional investors and annually invites shareholders to an open day which includes a tour of the assets. The board welcomes the participation of shareholders at the Annual General Meeting with the opportunity to answer questions of any board member offered. The Annual Report and Accounts, Interim Reports and other announcements and presentations are the main formalised communications to shareholders. The Annual General Meeting and Open Day are opportunities for two-way communication between the board and shareholders. The Group Secretary is normally the first point of contact for any general enquiries or arrangement regarding shareholder meetings.

Email: [n.gadsdon@sutton-harbour.co.uk](mailto:n.gadsdon@sutton-harbour.co.uk)

### Public Bodies

The Group maintains an active relationship with Plymouth City Council, the Local Planning Authority, the Environment Agency and other public agencies in connection with a wide range of issues relating to the land and property assets held by the Group. Open public consultation is undertaken in relation to proposed applications to the Local Planning authority.

### Customers

The Group maintains a number of websites and social media platforms, to communicate with different customer groups in addition to direct email and postal communications. Surveys of marina customer satisfaction are undertaken annually.

### Employees

The Group is committed to paying, as a minimum, the living wage as recommended by the Living Wage Foundation, to its employees. The Group undertakes appraisals for all employees annually, sponsors their essential qualifications and continuing professional development (as appropriate to role) and has a schedule of monthly function meetings with a Director present at each.

## CORPORATE VALUES

Refer also to the Corporate, Social Responsibility and Environment Report on page 18. Senior Managers are regularly invited to present at Board Meetings and to respond to questions and this forum sets the cultural tone. At annual appraisals performance of employees is reviewed against specific targets and conduct in line with the Group's standards of conduct as set out in the foreword of the Employee Handbook. Following the change of majority shareholder in early 2018 and board level changes, the evaluation of the new administration is under review.

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On Order of the Board  
NATASHA GADSDON  
FINANCE DIRECTOR  
6 July 2020

## GOVERNANCE

# CORPORATE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY REPORT

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### HEALTH AND SAFETY

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

The Group's Health and Safety Committee is chaired by Natasha Gadsdon and has representation from all Group activities. The Health and Safety Committee is an open forum and minutes of the meetings are made available to all staff upon request. Committee meetings are also attended by the Group's Health and Safety Officer and an Independent Health and Safety Consultant. The Committee has a comprehensive agenda and is briefed on new legislation or regulation by the Independent Health and Safety Consultant.

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

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

### PORT MARINE SAFETY CODE

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

### ENVIRONMENTAL ISSUES

The Board has agreed the following Environmental Statement:

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

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

The Group is working to:

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

### COMMUNITY ENGAGEMENT AND CHARITABLE INVOLVEMENT

The area of Sutton Harbour is located in the heart of Plymouth. The Group supports various community and tourist initiatives and in the recent past has hosted a number of high profile yachting events. The Group is a member of the Mayflower 400 Founders club which is working together with Plymouth City Council and other organisations to co-ordinate a comprehensive programme of events (now postponed from 2020 to 2021) to commemorate the 400th Anniversary of the departure of the Pilgrim Fathers to America. The Group has a long-established commitment to the community and its neighbourhood. Throughout its regeneration work, the Group has undertaken extensive public consultation which has led to the reshaping and design of many successful quality regeneration projects surrounding the historic harbour. The Group sees itself as the custodian of the harbour for future generations and as such believes that working with the local community is essential to achieve this aspiration. The Group supports local charities and other community initiatives.

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**NATASHA GADSDON**  
FINANCE DIRECTOR

6 July 2020

## GOVERNANCE

# REPORT ON REMUNERATION

## REMUNERATION COMMITTEE AND REMUNERATION POLICY

The members of the Committee during the year were as follows:

Philip H. Beinhaker – Chairman

Graham S. Miller

Sean J. Swales

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

## COMPOSITION OF REMUNERATION

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

## BONUS PAYMENTS TO EXECUTIVE DIRECTORS

Profit share bonuses earned on the achievement of targets agreed by the Remuneration Committee for the year ended 31 March 2020 were £nil in respect of Natasha C. Gadsdon (2019: £3,850).

## SHARE OPTIONS

An Inland Revenue approved Group Share Option Scheme was established in November 2019 for the Remuneration Committee to make discretionary awards of share options to certain Executive Directors and other Group personnel to reward performance. On 27 November 2019 Natasha Gadsdon was awarded 68,182 share options with an exercise price of 22p per share. These options are not expected to vest before 27 November 2022, subject to the scheme rules. The expense in connection with the unexercised share options is calculated using a Black Scholes model and expensed annually until exercise or lapse of options.

## NON-EXECUTIVE DIRECTORS FEES

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

## TABLES OF DIRECTORS REMUNERATION

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

	2020 £000	2019 £000
Fees	145	139
Other Emoluments	179	159
Contractual Payments	-	6
Pension Contributions	32	39
Expense of Unexercised Share Options	3	-
	<b>359</b>	<b>343</b>

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

FOR THE YEAR TO 31 MARCH 2020	Directors' salaries £000	Taxable benefits £000	Bonus Payments £000	Share Options £000	Directors' fees £000	Total £000
Philip H. Beinhaker	-	-	-	-	102	102
Graham S. Miller	-	-	-	-	23	23
Corey B. Beinhaker (Appointed 23 October 2019)	68	-	-	-	-	68
Natasha C. Gadsdon	99	12	-	3	-	114
Sean J. Swales	-	-	-	-	20	20
	<b>167</b>	<b>12</b>	<b>-</b>	<b>3</b>	<b>145</b>	<b>327</b>

FOR THE YEAR TO 31 MARCH 2019	Directors' salaries £000	Taxable benefits £000	Bonus Payments £000	Contractual Payments £000	Directors' fees £000	Total £000
Philip H. Beinhaker (Appointed 22 January 2018)	-	-	-	-	90	90
Graham S. Miller	-	-	-	-	29	29
Jason W.H. Schofield (Resigned 23 July 2018)	44	4	-	6	-	54
Natasha C. Gadsdon	96	11	4	-	-	111
Sean J. Swales	-	-	-	-	20	20
	<b>140</b>	<b>15</b>	<b>4</b>	<b>6</b>	<b>139</b>	<b>304</b>

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

	2020 £000	2019 £000
Jason W.H. Schofield (Resigned 23 July 2018)	-	8
Corey B. Beinhaker (Appointed 23 October 2019)	-	-
Natasha C. Gadsdon	32	31
	<b>32</b>	<b>39</b>

## CONTRACTS

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

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

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

On Behalf of the Board  
PHILIP H BEINHAKER  
EXECUTIVE CHAIRMAN AND CHAIR  
OF THE REMUNERATION COMMITTEE  
6 July 2020

## Statement of Directors' Responsibilities

For the year ended 31 March 2020

**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 Group 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 Company and the Group 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 Company and Parent Group financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the 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 Group's website, in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By Order of the Board  
NATASHA GADSDON  
COMPANY SECRETARY

6 July 2020



## GOVERNANCE

# Independent Auditor's Report

For the year ended 31 March 2020

### QUALIFIED OPINION

We have audited the financial statements of Sutton Harbour Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report:

- 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 2020 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 QUALIFIED OPINION

The group records its investment properties and owner occupied land and buildings at fair value. As detailed in the Accounting Estimates and Judgements section of the Accounting policies (note 4) the Board relies on external valuers to determine fair value and that determination involves significant estimation. Historically this external appraisal has been performed at 31 January with the result being used to report fair values in the annual accounts at 31 March on the basis of there being no material change in fair value in the intervening period. However, given the outbreak of the Covid-19 pandemic in early 2020 the fair values determined by the valuation performed as at 31 January 2020 may have materially changed by 31 March 2020. The Board determined it was not feasible to obtain an updated or reliable valuation as at 31 March 2020 given the unknown future impact of the pandemic. Information reported by the Royal Institute of Chartered Surveyors and valuation specialists also indicated the extraordinary circumstances of Covid-19 and difficulties in performing valuations at that time. Therefore, in the absence of reliable information being available to the Board, and for us as auditor, we are unable to determine whether the fair values attributed to investment properties and owner occupied land and buildings at 31 March 2020 are materially correct.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 the Strategic Report and note 4 of the consolidated financial statements which describes the potential impact of government future planning permission applications upon the valuation of the Plymouth airport site, which is held as inventory on the Balance Sheet at £12.8m. The ultimate outcome of these future applications cannot be presently determined, and the financial statements do not reflect any impairment that may be required if the result is unfavourable. Our opinion is not modified in respect of this matter:

#### Key Audit Matters

We have determined the matters described below to be the key audit matters to be communicated in our report. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

## KEY AUDIT MATTER

### **Going Concern**

The directors' are required to assess the appropriateness of the going concern basis of preparation of the financial statements. As part of their consideration of the going concern basis of preparation, the directors' are required to consider a minimum period of 12 months from the date the accounts are approved. As auditors, we consider management's assessment and conclude on both the appropriateness of the going concern basis and the adequacy of the disclosures made. In making this assessment forecasts are used which inherently contain a number of assumptions and estimates. This has been made more difficult as a consequence of the Covid-19 pandemic which is having a negative impact on the economy. The Group has a variety of property assets with tenants in a range of sectors, including retail and hospitality that have been adversely impacted by Covid-19. As a result, the Group has secured a £2m extension to the existing RCF facility and obtained a covenant waiver for the next 12 months to help manage the risk of cashflow delays or defaults.

### **Valuation of Investment Properties and Owner Occupied Land and Buildings**

As detailed in the Basis for Qualified Opinion section above, the group adopts a policy of revaluation for its owner occupied land and buildings as well as its investment properties, with all such properties stated at fair value. Under IFRS 13, fair value measurement is required to be based on the 'highest and best use' and in most cases an entity's current model is presumed to be its highest and best use, although consideration needs to be made on a property by property basis to ensure that market opportunities and conditions do not suggest otherwise. Investment properties are held at £19m and owner occupied land and buildings are held at £24.4m. Due to the significance of the valuation for the financial statements and their inherently judgemental nature, we have considered this area as a key audit focus. In particular, for this year the Covid-19 pandemic that arose in early 2020 has created increased uncertainty around such valuations.

### **Valuation of Former Plymouth City Airport Site**

The group has a number of development sites, in particular Sugar Quay and Harbour Arch Quay, with substantial balances held in WIP. The requirement is to carry these at the lower of cost and net realisable value.

No developments have started as at 31 March 2020.

### **Valuation Of Development Sites**

The group has a number of development sites, in particular Sugar Quay and Harbour Arch Quay, with substantial balances held in WIP. The requirement is to carry these at the lower of cost and net realisable value.

No developments have started as at 31 March 2020.

## RESPONSE AND CONCLUSION

### **Our work included**

- Reviewing the amended bank facility agreement dated 22 May 2020, which confirms an additional £2m revolving credit facility in place until 22 May 2021.
- Reviewing management's assessment of going concern and critically evaluating and challenging the assumptions and estimates adopted.
- Evaluating the amount of headroom in facility limits.
- Reviewing the loan covenant waiver.
- Reviewing the adequacy of the related disclosures in the financial statements.

### **Conclusion**

As a result of the procedures performed, we are satisfied that the directors' use of the going concern basis of preparation and related disclosures are appropriate.

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

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

### **Conclusion**

We have reviewed the external valuation performed at 31 January 2020, along with other available information, in the Board's determination of fair values at 31 March 2020. Due to the Covid-19 pandemic the Board has been unable to obtain a reliable assessment of the impact on fair values at 31 March due to the extraordinary circumstances. Therefore, as detailed in our Basis for Qualified Opinion section above, we are unable to conclude if the fair values of owner occupied land and buildings and investment properties included within the accounts are materially correct.

### **Our work included**

- Focussing on the two material balances within Group inventory, being Sugar Quay (£10.2m) and Harbour Arch Quay (£928k).
- Reviewing management's assessment of the carrying values of the key sites, which includes the planning permission obtained, site appraisals and overall project profitability.
- Critically assessing and challenging the assumptions used in those site appraisals in the light of available external market data and our experience of the residential construction sector (appreciating the specialist nature of these projects).
- Vouching a sample of expenditure to source documentation.
- Viewing the sites on 13 March 2020.

### **Conclusion**

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

### **Our work included**

- Focussing on the two material balances within Group inventory, being Sugar Quay (£10.2m) and Harbour Arch Quay (£928k).
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- Vouching a sample of expenditure to source documentation.
- Viewing the sites on 13 March 2020.

### **Conclusion**

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

## OUR APPLICATION OF MATERIALITY

Materiality for the group financial statements as a whole was set at £750,000. We determined materiality by reference to the group's total assets. We consider total assets to be an appropriate measure for a group of companies with significant value in investments and development activities which are fundamental to the current and future trading of the group. Materiality represents 1% of group's total assets as presented on the face of the Consolidated Balance Sheet. We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £22,500, in addition to other identified misstatements that warrant reporting on qualitative grounds.

Materiality for the parent company financial statements was set at £341,000. 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 company. Materiality represents 1% of parent company's net assets as presented on the face of the Balance Sheet. We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £10,230, in addition to other identified misstatements that warrant reporting on qualitative grounds.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We planned and performed our audit by obtaining an understanding of the Group and its environment, including the accounting processes and controls, and the industry in which it operates. The Group comprises 11 wholly owned subsidiaries.

- We performed statutory audits on 3 entities (Sutton Harbour Group plc, Sutton Harbour Company and Plymouth City Airport Limited).
- We performed audit procedures on risk significant balances and transactions in Sutton Harbour Services Limited, Sutton Harbour Car Parks Limited and Sutton Harbour Projects Limited.
- We performed analytical review procedures on Sutton Harbour Property and Regeneration Limited.
- Remaining components were not material.

The components within the scope of audit work covered 97% of Group revenue, 100% of Group loss before tax and 99% of Group net assets.

## OTHER INFORMATION

The other information comprises the information included in the Annual Report and Financial Statements, other than the group and parent company financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the fair values of investment properties and owner occupied land and buildings held at 31 March 2020. We have concluded that where the other information refers to the fair value of investment properties and owner occupied property held at 31 March 2020, it may be materially misstated for the same reason.

## OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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.

Arising solely from the limitation on the scope of our work relating to the fair value of investment properties and owner occupied property, referred to above:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- We were unable to determine whether adequate accounting records have been kept.

Except for the matter described in the basis for qualified opinion section of our 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:

- 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.

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and parent company or to cease operations, or have no realistic alternative but to do so. Auditor's responsibilities for the audit of the financial statements Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## USE OF OUR REPORT

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## GLENN NICOL SENIOR STATUTORY AUDITOR

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

6 July 2020

# Consolidated Income Statement

For the year ended 31 March 2020



	Note	2020 £000	2019 £000
<b>Revenue</b>	5	<b>6,558</b>	6,893
Cost of sales		(4,229)	(4,686)
<b>Gross profit</b>		<b>2,329</b>	2,207
Fair value adjustments on investment properties and fixed assets	13,14	(977)	1,444
Administrative expenses		(1,264)	(1,234)
<b>Operating profit</b>	5,6	<b>88</b>	2,417
Finance income	9	-	1
Finance costs	9	(844)	(902)
<b>Net finance costs</b>		<b>(844)</b>	(901)
<b>(Loss)/Profit before tax from continuing operations</b>		<b>(756)</b>	1,516
Taxation credit on (loss)/profit from continuing operations	10	(232)	315
<b>(Loss)/profit for the year from continuing operations</b>		<b>(988)</b>	1,831
<b>(Loss)/profit for the year attributable to owners of the parent</b>		<b>(988)</b>	1,831
<b>Basic and diluted (loss)/earnings per share</b> from continuing operations	12	<b>0.85p</b>	1.68p

# Consolidated Statement of Other Comprehensive Income

For the year ended 31 March 2020



	Note	2020 £000	2019 £000
<b>(Loss)/Profit for the year</b>		<b>(988)</b>	1,831
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Revaluation of property, plant and equipment	13	1,338	1,640
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Effective portion of changes in fair value of cash flow hedges		-	6
<b>Other comprehensive income for the year, net of tax</b>		<b>1,338</b>	1,646
<b>Total comprehensive income for the year attributable to owners of the parent</b>		<b>350</b>	3,477

The notes on pages 29 to 53 are an integral part of these consolidated financial statements



# Consolidated Balance Sheet

As at 31 March 2020

	Note	2020 £000	2019 £000
<b>Non-current assets</b>			
Property, plant and equipment	13	27,958	26,632
Investment property	14	18,985	19,425
Inventories	17	12,810	12,448
		<b>59,753</b>	<b>58,505</b>
<b>Current assets</b>			
Inventories	17	12,217	11,119
Trade and other receivables	18	2,595	2,283
Tax recoverable		5	(5)
Cash and cash equivalents	19	792	1,296
		<b>15,609</b>	<b>14,693</b>
<b>Total assets</b>		<b>75,362</b>	<b>73,198</b>
<b>Current liabilities</b>			
Trade and other payables	22	1,396	1,496
Lease liabilities	23	63	122
Deferred income	21	1,544	1,398
Provisions	25	70	70
		<b>3,073</b>	<b>3,086</b>
<b>Non-current liabilities</b>			
Bank loans	20	24,250	22,500
Lease liabilities	23	28	47
Deferred government grants	21	646	646
Deferred tax liabilities	16	1,254	1,023
Provisions	25	29	164
		<b>26,207</b>	<b>24,380</b>
<b>Total liabilities</b>		<b>29,280</b>	<b>27,466</b>
<b>Net assets</b>		<b>46,082</b>	<b>45,732</b>
<b>Issued capital and reserves attributable to owners of the parent</b>			
Share capital	26	16,266	16,266
Share premium		10,695	10,695
Other reserves		13,034	11,696
Retained earnings		6,087	7,075
<b>Total equity</b>		<b>46,082</b>	<b>45,732</b>

The notes on pages 29 to 53 are an integral part of these consolidated financial statements.

The Financial Statements on pages 25 to 28 were approved and authorised by the Board of Directors on 6 July 2020 and were signed on its behalf by:

NATASHA GADSDON  
FINANCE DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2020



	Notes	Share capital	Share premium	Revaluation reserve	Merger reserve	Hedging reserve	Retained earnings	Total equity
		£000	£000	£000	Other reserves £000	£000	£000	£000
Balance at 1 April 2018		16,162	7,872	6,185	3,871	(6)	5,244	39,328
<b>Comprehensive income/(expense)</b>								
Profit for the year		-	-	-	-	-	1,831	1,831
<b>Other comprehensive income/(expense)</b>								
Revaluation of property, plant and equipment	13	-	-	1,640	-	-	-	1,640
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	6	-	6
<b>Total other comprehensive income</b>				1,640		6		1,646
<b>Total comprehensive income</b>		-	-	1,640	-	6	1,831	3,477
<b>Transactions with owners of the parent</b>								
Issue of shares	26	104	2,823	-	-	-	-	2,927
<b>Total balance at 31 March 2019</b>		16,266	10,695	7,825	3,871	-	7,075	45,732
Balance at 1 April 2019		16,266	10,695	7,825	3,871	-	7,075	45,732
<b>Comprehensive income/expense</b>								
Loss for the year		-	-	-	-	-	(988)	(988)
<b>Other comprehensive income</b>								
Revaluation of property, plant and equipment	13	-	-	1,338	-	-	-	1,338
<b>Total other comprehensive income</b>				1,338		-		1,338
<b>Total comprehensive income</b>		-	-	1,338	-	-	(988)	350
<b>Total balance at 31 March 2020</b>		16,266	10,695	9,163	3,871	-	6,087	46,082

The cumulative deferred tax relating to items that are charged to equity is £nil (2019: £nil).

The notes on pages 29 to 53 are an integral part of these consolidated financial statements.

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



# Consolidated Cash Flow Statement

For the year ended 31 March 2020

	Note	2020 £000	2019 £000
<b>Cash generated from total operating activities</b>	28	<b>(455)</b>	(1,181)
<b>Cash flows from investing activities</b>			
Net expenditure on investment property	14	(52)	(60)
Expenditure on property, plant and equipment	13	(823)	(243)
<b>Net cash used in investing activities</b>		<b>(875)</b>	(303)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	3,000
Expenses of share issuance		-	(73)
Interest paid		(844)	(958)
Loan (repayment)		-	(1,850)
Loan drawdown		1,750	-
Cash payments of finance leases		(78)	(106)
<b>Net cash generated from financing activities</b>		<b>826</b>	13
Net decrease in cash and cash equivalents		(504)	(1,471)
Cash and cash equivalents at beginning of the year	19	1,296	2,767
<b>Cash and cash equivalents at end of the year</b>	19	<b>792</b>	1,296

	2020 £000	Cash flow £000	2019 £000	Cash flow £000	2018 £000
<b>Reconciliation of financing activities for the year ended 31 March 2020</b>					
Bank loans	24,250	1,750)	22,500	1,850	24,350
Lease liabilities	91	(78)	169	(106)	275
<b>Long term debt</b>	<b>24,341</b>	<b>1,672</b>	<b>(1,956)</b>	<b>1,956</b>	<b>24,625</b>

The notes on pages 29 to 53 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



## I. General information

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

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

## 2. Group accounting policies

### **Basis of preparation**

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

The consolidated financial statements have been prepared in accordance with 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.

### **Changes in accounting policies and disclosures**

The Group has adopted IFRS16: Leases for the first time. There has been no impact on the financial statements as disclosed in the accounting policy 'lease payments', with further details provided in Note 27.

### **Going concern**

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

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

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

### **Measurement convention**

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

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

### **Basis of consolidation**

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

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

### **Property, plant and equipment**

Property, plant and equipment 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).



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

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

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

#### *Assets in the course of construction*

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

#### *Plant, machinery and equipment, fixtures and fittings*

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

#### *Leased assets*

Leased assets acquired are stated initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Leased assets are depreciated over the shorter of the lease term and useful economic life. Lease payments are apportioned between finance charges and the reduction of lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement. Leased properties are subsequently revalued to their fair value.

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

#### *Depreciation*

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

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

#### **Investment property**

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



All tenant leases have been examined to determine if there has been any transfer of the risks and rewards of ownership from the Group to the tenant in accordance with IFRS 16 'Leases'. All tenant leases were determined to be operating leases. Accordingly, all the Group's leased properties are classified as investment properties and included in the balance sheet at fair value.

## **Inventories**

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

## **Inventories – development property**

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

## **Cash and cash equivalents**

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

## **Impairment**

The carrying amounts of the Group's assets other than investment property and inventories are considered at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Where the 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.

## **Interest-bearing borrowings**

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

## **Revenue**

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

### *Rent and marina and berthing fees*

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

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

### *Other marine related revenue*

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

### *Car park revenue*

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

### *Property sales*

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

### *Interest Income*

Interest income is recognised as it becomes receivable.

## **Government grants**

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## **Lease payments**

The Directors have considered the application of IFRS16 on its leasing arrangements. The Group has a small number of short term leases and leases of low value items and therefore continues to recognise payments made under these agreements on a straight line basis over the term of the lease. The Group has one leasing arrangement in relation to a property, which is due to expire in September 2021. The Directors have concluded that the expected right of use asset and corresponding lease liability would be immaterial to the Group's financial statements and have therefore not adopted the requirements of IFRS16 in relation to this arrangement. Details of the future payments under this arrangement are disclosed in Note 27.

## **Net financing costs**

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

## **Borrowing costs**

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

## **Employee benefits: defined contribution plans**

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

## **Employee benefits: share-based payment transactions**

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

## **Provisions**

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

## **Taxation**

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

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

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

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

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

## **Segment reporting**

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

The following operating segments have been identified:

- Marine
- Real Estate
- Car Parking
- Regeneration

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



Revenue included within each segment is as follows:

Marine:

Marina and commercial berthing fees

Fishmarket landing dues

Other marine related revenue including fuel sales and other ancillary income

Car Parking:

Car park revenue

Real Estate:

Rent

Regeneration:

Property sales

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

## **Trade Receivables**

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

## **Trade Payables**

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 3. Financial risk management

### Fair values

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

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

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

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

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

### Capital risk management

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

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

The Group has a target gearing ratio of approximately 50% but gearing may exceed these levels where a project is in the final stages before start of construction and development refinancing or ultimate disposal. The Group currently has three consented schemes with planning, with final stages of preconstruction work underway. The Group structures borrowings into general facilities and secures specific financing for individual property projects as deemed appropriate.

The gearing ratio at the year end was as follows:

	2020	2019
	£000	£000
Borrowings and loans	(24,250)	(22,500)
Finance lease liabilities	(91)	(169)
Cash and cash equivalents	792	1,296
<b>Net debt</b>	<b>(23,549)</b>	<b>(21,373)</b>
Equity	46,082	45,732
<b>Net debt to equity ratio</b>	<b>51.1%</b>	<b>46.7%</b>

### Bank borrowing facilities and financial covenants

The Group had total borrowing net of cash and cash equivalents of £23.549m at 31 March 2020 (2019: £21.373m) with a gearing level of 51.1% (2019: 46.7%). The Group has operated within its authorised facilities and has met all bank covenants during the year. The bank facilities were renewed in December 2019, when the Group entered into an agreement which provides a maximum £25.0m committed facility with a confirmed expiry date of December 2023 with the possibility of a further 12 month extension. Subsequently, in May 2020 the Group agreed an amendment with bankers to extend the maximum facility to £27m for twelve months (with the possibility of a further twelve months).

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. Test i) limits have been relaxed until March 2021 and test ii) suspended until June 2021 with the agreement of the Group's bankers.

### Liquidity risk

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



## 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 2020:

	Total £000	0 to <1 year £000	1 to <2 years £000	2 to <5 years £000
Bank loans*	(24,250)	-	-	(24,250)
Trade and other payables*	(1,396)	(1,396)	-	-
Finance lease liabilities*	(91)	(63)	(28)	-
Derivatives financial instruments**	-	-	-	-
	<b>(25,737)</b>	<b>(1,459)</b>	<b>(28)</b>	<b>(24,250)</b>

As at 31 March 2019:

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

\* financial liabilities at amortised cost

\*\* financial liabilities at fair value

## Interest rate risk

There is currently no LIBOR swap in place to fix interest on any of the Group's bank debt.

## 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:

	2020 £000	2019 £000
Trade receivables:		
New customers (less than 12 months)	64	66
Existing customers (more than 12 months) with no defaults in the past	534	524
Existing customers (more than 12 months) with some defaults in the past	137	40
Total trade receivables net of provision for impairment	<b>735</b>	<b>630</b>

## 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 2020, 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), would have decreased the Group's profit before tax from continuing operations by approximately £120,000 (2019: £110,000). Net assets would have decreased by the same amount.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

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

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

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

These assets were independently valued by Jones Lang LaSalle (“JLL”) at 31 January 2020. The valuation by JLL was in accordance with the Practice Statements in the Valuations Standards (The Red Book) published by the Royal Institution of Chartered Surveyors, on a market-based evidence approach, which is consistent with the required IFRS 13 methodology.

## 4. Accounting estimates and judgements

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

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

### *Estimates*

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

The valuation of investment property and property held for use in the business as at 31 January 2020 was £18,985,000 and £27,000,000 respectively; (2019: £19,425,000 and £26,275,000 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. These assets have not been revalued since the Covid-19 Lockdown measures introduced by the UK Government in March 2020. Any impact upon the valuation is therefore unknown at present. Further detail about the property valuation can be found in the Financial Review on page 7.

### *Judgements*

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

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

Determining the net realisable value of development property 2020: £24,993,000 see note 17; (2019: £23,514,000)

- 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 Inspectors also advised that a longer safeguarding period could risk the site being left vacant and unused and that that would not be appropriate. The Government Inspectors view of the importance of the site for alternative use, in absence of an airport operation, affirms the Group's view of the value of the land.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



## 5. Segment results

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

The Board of Directors assesses performance using segmental operating profit. The segment information provided to the Board of Directors for the reportable segments for the year ended 31 March 2020 is as follows:

Year ended 31 March 2020	Marine £000	Real Estate £000	Car Parking £000	Regeneration £000	Total £000
Revenue	4,323	1,580	655	-	6,558
Segmental Operating Profit before fair value adjustment and unallocated expenses	916	1,157	404	(148)	2,329
Fair value adjustment on investment properties and fixed assets	(483)	(494)	-	-	(977)
					1,352
Unallocated:					
Administrative expenses					(1,264)
Operating profit					88
Financial income					-
Financial expense					(844)
Profit before tax from continuing activities					(756)
Taxation					(232)
Profit for the year from continuing operations					(988)
<b>Depreciation charge</b>					
Marine					313
Car Parking					26
Administration					1
					340



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



Assets and liabilities	2020 £000	2019 £000
<i>Segment assets:</i>		
Marine	23,858	23,514
Real Estate	19,640	19,892
Car Parking	5,267	4,456
Regeneration	25,115	23,574
<b>Total segment assets</b>	<b>73,880</b>	<b>71,436</b>
<i>Unallocated assets:</i>		
Property, plant & equipment	79	61
Trade & other payables	611	405
Cash and cash equivalents	792	1,296
<b>Total assets</b>	<b>75,362</b>	<b>73,198</b>
<i>Segment liabilities:</i>		
Marine	1,960	1,897
Real Estate	550	575
Car Parking	108	130
Regeneration	903	1,085
<b>Total segment liabilities</b>	<b>3,521</b>	<b>3,687</b>
<i>Unallocated liabilities:</i>		
Bank overdraft & borrowings	24,341	22,669
Trade & other payables	163	87
Deferred tax liabilities	1,254	1,023
Tax payable	-	-
<b>Total liabilities</b>	<b>29,279</b>	<b>27,466</b>
<b>Additions to property, plant and equipment</b>		
Marine	796	183
Car Parking	26	22
Unallocated	1	38
<b>Total</b>	<b>823</b>	<b>243</b>

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:

	2020 £000	2019 £000
Sale of goods	1,980	2,357
Rental income and service recharges	1,580	1,614
Provision of services	2,998	2,922
	<b>6,558</b>	<b>6,893</b>

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 6. Operating result

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

	Note	2020 £000	2019 £000
Staff costs	8	1,354	1,467
Increase/(decrease) in provisions	25	(136)	(5)
Rental income from investment property	27	(1,580)	(1,474)
Loss on sale of property, plant and equipment		12	-
Direct operating expenses of investment properties (including repairs and maintenance)		52	60
(Gain)/loss on remeasurement of investment property to fair value	14	494	(310)
(Gain)/loss on re-measurement of fixed assets	13	483	(1,133)
Depreciation of property, plant and equipment	13	340	358
Operating lease payments	27	204	214

## 7. Services provided by the Company's auditors

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

		2020 £000	2019 £000
	Current Auditor	Previous Auditor	Previous Auditor
Fees payable to Company's auditors for the audit of Parent Company and consolidated financial statements	23	10	24
Fees payable to the Company's auditors for other services:			
The audit of Company's subsidiaries pursuant to legislation	22	8	22
Tax compliance services	8	14	11

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



## 8. Staff numbers and costs and Directors' remuneration

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

	Number of employees	
	2020	2019
Marine Activities	20	23
Property and Regeneration	1	1
Administration	9	6
	<b>30</b>	<b>30</b>

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	1,093	1,215
Social security costs	111	126
Other pension costs (note 24)	150	126
	<b>1,354</b>	<b>1,467</b>

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

	2020	2019
	£000	£000
Fees	145	139
Other Emoluments	179	159
Contractual Payments	-	6
Pension Contributions	32	39
Expenses of Unexercised Share Options	3	-
	<b>359</b>	<b>343</b>

Further details of Directors' remuneration are given in the Remuneration Report on pages 18 to 20, which forms part of these financial statements.

## 9. Finance income and finance costs

	2020	2019
	£000	£000
<b>Finance income</b>	<b>-</b>	<b>1</b>
Interest payable on bank loans and overdrafts	753	892
Interest payable on finance leases	91	10
<b>Finance costs</b>	<b>844</b>	<b>902</b>

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 10. Taxation

	Note	2020 £000	2019 £000
<b>Deferred tax</b>			
Adjustments in respect of previous years		232	(318)
Origination and reversal of temporary differences		-	3
Change in tax rate		-	-
<b>Total tax charge/(credit) in income statement</b>		<b>232</b>	<b>(315)</b>

The tax assessed for the year uses the standard rate of corporation tax in the UK of 19% (2019: 19%).

### Reconciliation of effective tax rate

	2020 £000	2019 £000
<b>(Loss)/Profit before tax</b>	<b>(756)</b>	<b>1,516</b>
Tax on profit at standard corporation tax rate of 19% (2019: 19%)	<b>(144)</b>	288
Expenses not deductible for tax purposes	<b>(335)</b>	(274)
Tax impact for adjustments made to fixed assets in respect of prior periods	-	(315)
Movement on potential chargeable gain on revaluation	-	-
Deferred tax assets not recognised	-	-
Capital allowances in excess of depreciation	-	(47)
Creation of tax losses	<b>1,459</b>	33
<b>Total tax charge/(credit) on continuing operations</b>	<b>232</b>	<b>(315)</b>

## 11. Dividends paid on equity shares

An Inland Revenue approved Group Share Option plan (CSOP) has been established by Sutton Harbour Group plc whereby the Group may at the discretion of the Remuneration Committee grant options over ordinary shares in the Group to key management personnel. The options are issued for nil consideration and are granted in accordance with the schemes rules at the absolute discretion of the Remuneration Committee. Option holders may exercise options after a minimum 3 year and maximum 10 year holding period, subject to the provisions and exceptions of the scheme rules. There are no other performance conditions governing the holder's right to exercise the options after the minimum holding period. Share options may only be exercised for shares. During the year 102,273 share options were granted with an exercise price of £0.22. The fair value of the options was calculated using the Black Scholes model and the charge to the income statement for the year ended 31 March 2020 was £5,000 (2019: £nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



## 12. Earnings per share

	2020 Pence	2019 Pence
<b>Continuing operations:</b>		
Basic (loss)/earnings per share	(0.85)	1.68
Diluted (loss)/earnings per share	(0.85)	1.68

### *Basic earnings per share*

Basic earnings per share have been calculated using the loss for the year of £988,000 (2019: profit of £1,831,000) for the continuing operations.

### *Diluted earnings per share*

Diluted earnings per share uses an average number of 115,944,071 (2019: 108,982,966) 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 (2019: nil), is calculated as follows:

	2020	2019
Weighted average number of shares at 31 March	115,944,071	108,982,966
<b>Weighted average number of ordinary shares (diluted) at 31 March</b>	<b>115,944,071</b>	<b>108,982,966</b>

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 13. Property, plant and equipment

	Land and buildings £000	Assets in the course of Construction £000	Plant, machinery equipment, fixtures and fittings £000	Total £000
<b>Cost or valuation</b>				
Balance at 1 April 2018	21,023	87	4,992	26,102
Additions	120	30	94	244
Revaluations to income statement	1,133	-	-	1,133
Revaluations to revaluation reserve	1,640	-	-	1,640
Impairment	-	-	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
<b>Balance at 31 March 2019</b>	<b>23,916</b>	<b>117</b>	<b>5,086</b>	<b>29,119</b>
Balance at 1 April 2019	23,916	117	5,086	29,119
Additions	154	569	100	823
Revaluations to income statement	(483)	-	-	(483)
Revaluations to revaluation reserve	1,338	-	-	1,338
Impairment	-	-	-	-
Transfers	-	-	-	-
Disposals	-	-	(153)	(153)
<b>Balance at 31 March 2020</b>	<b>24,925</b>	<b>686</b>	<b>5,033</b>	<b>30,644</b>
<b>Accumulated depreciation</b>				
Balance at 1 April 2018	237	-	1,892	2,129
Depreciation charge for the year	134	-	224	358
Transfers	-	-	-	-
Disposals	-	-	-	-
<b>Balance at 31 March 2019</b>	<b>371</b>	<b>-</b>	<b>2,116</b>	<b>2,487</b>
Balance at 1 April 2019	371	-	2,116	2,487
Depreciation charge for the year	116	-	224	340
Transfers	-	-	-	-
Disposals	-	-	(141)	(141)
<b>Balance at 31 March 2020</b>	<b>487</b>	<b>-</b>	<b>2,199</b>	<b>2,686</b>
<b>Net book value</b>				
At 31 March 2019	23,545	117	2,970	26,632
<b>At 31 March 2020</b>	<b>24,438</b>	<b>686</b>	<b>2,834</b>	<b>27,958</b>

Included in Land and Buildings is long leasehold land at a value of £2,200,000 (2019: £2,200,000).

### Revaluations

Land and buildings are measured using the revaluation model as set out in note 2. These assets were independently valued by Jones Lang LaSalle ("JLL") at 31 January 2020 (see Strategic Report page 4). The valuation by JLL was in accordance with the Practice Statements in the Valuations Standards (The Red Book) published by the Royal Institution of Chartered Surveyors, on a market-based evidence approach. These assets, as well as investment property assets (see note 14) have not been revalued since the Covid-19 Lockdown measures introduced by the UK Government in March 2020. Any impact upon the valuation is therefore unknown at present. Further detail about property revaluation is included in the Financial Review on page 7.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



At 31 March 2020, 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 £19,274,000 (2019: £19,304,000).

At 31 March 2020, had the leasehold land and buildings been measured using the cost model (historical cost less accumulated depreciation and accumulated impairment losses), their carrying value would be £1,110,000 (2019: £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 leases are secured by the lessor's title to the fixed assets. The carrying value of plant, machinery and equipment which is subject to leases is £539,000 (2019: £514,000).

## 14. Investment property

At fair value:	Notes	2020 £000	2019 £000
Balance at the beginning of the year		19,425	19,055
Additions during the year		56	60
Fair value adjustments		(496)	310
<b>Balance at the end of the year</b>		<b>18,985</b>	<b>19,425</b>

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 2020 has been determined by a valuation carried out on 31 January 2020 by independent, external valuers (see Strategic Report page 4), JLL in accordance with the Practice Statements in the Valuation Standards (The Red Book) published by the Royal Institution of Chartered Surveyors. JLL is a member of the Royal Institution of Chartered Surveyors and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and, where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. These assets, have not been revalued since the Covid-19 Lockdown measures introduced by the UK Government in March 2020. Any impact upon the valuation is therefore unknown at present. Further detail about property valuation is included in the Financial Review on page 7.

All of the Group's investment property is held under freehold interests with the exception of four (2019: four) properties which are held under long leaseholds.

## 15. Investments

At 31 March 2020 the Group has the following subsidiaries:

	Class of shares held	Ownership		Nature of Business
		2020	2019	
<b>Subsidiaries</b>				
Sutton Harbour Company	Ordinary	100%	100%	Harbour Authority
Sutton Harbour Services Limited	Ordinary	100%	100%	Marine Leisure & Property
Plymouth City Airport Limited	Ordinary	100%	100%	Property Developer
Sutton Harbour Property and Regeneration Limited	Ordinary	100%	100%	Property
Harbour Arch Quay Limited	Ordinary	100%	100%	Property
Sutton Harbour Projects Limited	Ordinary	100%	100%	Property
Sutton Harbour Car Parks Limited	Ordinary	100%	100%	Car Park Operator
Sugar Quay Holdings Limited	Ordinary	100%	100%	Investment Company
Sugar Quay Limited	Ordinary	100%	100%	Property Developer
Sutton East Holdings Limited	Ordinary	100%	100%	Property Developer
Sutton East Developco No1 Limited	Ordinary	100%	100%	Property Developer

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

All subsidiaries are included in the Group consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 16. Deferred tax assets and liabilities

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Property, plant and equipment	-	-	(1,023)	(785)	(1,023)	(785)
Investment property	-	-	(286)	(276)	(286)	(276)
Change in tax rate	134	-	-	-	134	-
Losses carried forward	-	38	79	-	(79)	38
<b>Tax assets / (liabilities)</b>	<b>134</b>	<b>38</b>	<b>(1,388)</b>	<b>(1,061)</b>	<b>(1,254)</b>	<b>(1,023)</b>

*Movement in deferred tax during the year*

	1 April 2019 £000	Change in deferred tax rate £000	Recognised in income £000	Recognised in equity £000	31 March 2020 £000
Property, plant and equipment	(785)	-	(238)	-	(1,023)
Investment property	(276)	-	(10)	-	(286)
Employee benefits	-	-	134	-	133
Losses carried forward	38	-	(117)	-	(79)
	(1,023)	-	(231)	-	(1,254)

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

## 17. Inventories

	2020 £000	2019 £000
Stores and materials	8	17
Goods for resale	26	36
Development property	24,993	23,514
	<b>25,027</b>	<b>23,567</b>

Included within inventories is £24,993,000 (2019: £23,514,000) expected to be recovered in more than 12 months. £12,810,000, (2019: £12,448,000) of the Development Property, being the carrying value of the former airport site, is classified in the Balance Sheet as a non-current asset as realisation of the asset may be in more than five years' time.

Inventories to the value of £1,784,000 were recognised as an expense in the year (2019: £2,047,000).

Interest capitalised during the year in relation to development property was £111,000 (2019: £40,000). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 3.7% (2019: 4.4%).

In the course of the year, £nil of development property inventory was written down (2019: £nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



## 18. Trade and other receivables

	2020	2019
	£000	£000
Trade receivables	785	655
Provision for impairment of trade receivables	(50)	(25)
	735	630
Expected loss rate of trade receivables	6%	4%
Other receivables	68	135
Prepayments and accrued income	1,792	1,518
	2,595	2,283

Included within trade and other receivables is £998,000 (2019: £634,000) expected to be recovered in more than 12 months.

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

The provision for impairment of trade receivables is arrived at by using the historic loss rate and adjusting for current expectations, customer base and economic conditions. With historic and expected future losses being low, the Directors consider it appropriate to apply a single average rate for expected credit losses to the overall population of trade receivables.

## 19. Cash and cash equivalents

	2020	2019
	£000	£000
Cash and cash equivalents per Consolidated Balance Sheet	792	1,296
Cash and cash equivalents per Cash Flow Statement	792	1,296

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

Undrawn facilities:

	2020	2019
	£000	£000
Expiring within one year	-	-
Expiring within one to two years	-	2,500
Expiring between two and five years	750	-
	750	2,500



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 20. Bank loans

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

	2020 £000	2019 £000
<b>Non-current liabilities</b>		
Secured bank loans	24,250	22,500
	<b>24,250</b>	<b>22,500</b>

### Secured bank loans:

The current secured bank loans relate to a facility of £25.0m comprising two loans which incur interest at various rates over LIBOR during the term of the facilities and fall due for renewal more than 12 months from the Balance Sheet date. Assets with a carrying amount of £55.90m (2019: £54.70m) have been pledged to secure borrowings of the Group.

## 21. Deferred income and deferred government grants

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

	Deferred income		Deferred government grants	
	2020 £000	2019 £000	2020 £000	2019 £000
At the beginning of the year	1,398	1,434	646	646
Adjustment to opening balances	-	-	-	-
Released to the income statement	(1,583)	(1,434)	-	-
Income and grants received and deferred	1,729	1,398	-	-
At the end of the year	<b>1,544</b>	1,398	<b>646</b>	646
Current	1,544	1,398	-	-
Non-current	-	-	646	646
	<b>1,544</b>	1,398	<b>646</b>	646

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



## 22. Trade and other payables

	2020	2019
	£000	£000
Trade payables	1,125	1,090
Other payables	87	85
Other taxation and social security costs	90	112
Accruals	94	207
	<b>1,396</b>	<b>1,496</b>

The ageing of trade payables is as follows:

	2020	2019
	£000	£000
<i>Not yet due:</i>		
0 – 29 days	667	749
<i>Overdue:</i>		
30 – 59 days	261	285
60 – 89 days	47	56
90 – 119 days	15	-
120 + days	139	-
	<b>1,125</b>	<b>1,090</b>

## 23. Finance lease liabilities

	Minimum lease payments		Capital element of lease payments	
	2020	2019	2020	2019
	£000	£000	£000	£000
Amounts payable under finance leases:				
Within one year	63	128	63	122
In the second to fifth years inclusive	35	48	28	47
	<b>98</b>	<b>176</b>	<b>91</b>	<b>169</b>
Less: future finance charges	<b>(7)</b>	<b>(7)</b>	<b>n/a</b>	<b>n/a</b>
Present value of lease obligations	<b>91</b>	<b>169</b>	<b>91</b>	<b>169</b>
Current			<b>63</b>	<b>122</b>
Non-current			<b>28</b>	<b>47</b>
			<b>91</b>	<b>169</b>

It is the Group's policy to lease certain of its property, plant and equipment under leases. The average lease term is 2.9 years (2019: 2.2 years). For the year ended 31 March 2020, the average effective borrowing rate was 4.7% (2019: 4.7%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling and the fair value of the Group's lease obligations approximates to their carrying amount.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 24. Employee benefits

### Pension plans

#### Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £150,000 (2019: £126,000). There were no amounts outstanding or prepaid at the year end (2019: £nil).

## 25. Provisions for other liabilities and charges

	Onerous leases £000	Total £000
Balance at 1 April 2018	239	239
Provisions made during the year	-	-
Provision utilised during the year	(5)	(5)
Balance at 31 March 2018	234	234
Balance at 1 April 2019	234	234
Provisions made during the year	-	-
Provisions utilised during the year	(135)	(135)
<b>Balance at 31 March 2020</b>	<b>99</b>	<b>99</b>
Current	70	70
Non-current	29	29
	<b>99</b>	<b>99</b>

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



## 26. Capital and reserves

### Share capital

Thousands of shares	Ordinary shares		Deferred shares		Total shares	
	2020	2019	2020	2019	2020	2019
In issue at the beginning of the financial year - fully paid	115,944	105,599	62,944	62,944	178,888	168,543
Issued for cash	-	10,345	-	-	-	10,345
In issue at the end of the financial year – fully paid	115,944	115,944	62,944	62,944	178,888	178,888
	2020	2019	2020	2019	2020	2019
	£000	£000	£000	£000	£000	£000
<i>Allotted, called up and fully paid</i>						
115,944,071 (2018: 105,599,120)						
Ordinary shares of 1p each (2018: 1p each)	1,160	1,160	-	-	1,160	1,160
62,943,752 (2018: 62,943,752)						
Deferred shares of 24p each (2018: 24p each)	-	-	15,106	15,106	15,106	15,106
	1,160	1,160	15,106	15,106	16,266	16,266

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

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

### Other reserves

#### Share premium account

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

#### Revaluation reserve

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

#### Merger reserve

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

#### Retained earnings

Retained earnings represent retained earnings attributable to owners of the parent. Retained earnings include £4.524m (2019: £4.294m) in respect of unrealised valuation surpluses on the Investment property assets.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

## 27. Leases

### Leases

Non-cancellable operating lease rentals are payable as follows:

	2020	2019
	£000	£000
Less than one year	202	203
Between one and five years	108	310
Greater than five years	-	-
	<b>310</b>	<b>513</b>

During the year £204,000 was recognised in respect of lease rentals in the income statement (2019: £214,000); £196,000 in cost of sales (2019: £196,000) and £8,000 in administrative expenses (2019: £18,000).

Included within lease rentals is an amount of £196,000 (2019: £293,000) due in relation to the lease of part of a property which has been sublet. Income will therefore be generated to offset some of these lease rental amounts.

### Leases as lessor

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

	2020	2019
	£000	£000
Investment property:		
Less than one year	1,363	1,511
Between one and five years	3,604	4,668
More than five years	23,901	24,794
	<b>28,868</b>	<b>30,973</b>
Owner-occupied properties:		
Less than one year	35	35
Between one and five years	139	139
More than five years	113	123
	<b>287</b>	<b>297</b>

Total contingent rents recognised in the income statement in the year were £89,000 (2019: £84,000). Contingent rents are determined by reference to specific clauses within the leases.

During the year ended 31 March 2020 £1,580,000 (2019: £1,474,000) was recognised as rental income in the income statement. Repair and maintenance expense recognised in cost of sales for the year to 31 March 2020 was £34,000 (2019: £60,000).

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2020



## 28. Cash flow statements

	2020 £000	2019 £000
<b>Cash flows from operating activities</b>		
Profit for the year from continuing operations	(756)	1,831
Adjustments for:		
Taxation on loss from continuing activities	-	(315)
Financial expense	844	901
Fair value adjustments on investment property	494	(310)
Revaluation of property, plant and equipment	483	(1,133)
Depreciation	340	358
Loss on sale of property, plant and equipment	2	-
<b>Cash generated from continuing operations before changes in working capital and provisions</b>	<b>1,407</b>	<b>1,332</b>
(Increase) in inventories	(1,460)	(2,236)
(Increase)/ decrease in trade and other receivables	(312)	(113)
(Decrease)/increase in trade and other payables	(100)	(124)
(Decrease) in deferred income	145	(35)
(Decrease) in provisions	(135)	(5)
<b>Cash generated from continuing operations</b>	<b>(455)</b>	<b>(1,181)</b>

## 29. Related parties

The parent of the Group is Sutton Harbour Group plc. The ultimate controlling party is FB Investors LLP, which is owned jointly by Beinhaker Design Services Limited and 1895 Management Group ULC. In the course of the year, Beinhaker Design Services Limited provided services to the value of £174,000 (2019: £321,000).

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

### *Transactions with key management personnel:*

Executive Directors of the Group and their immediate relatives control 73.0% (2019 72.90%) of the voting shares of the Group.

The compensation of key management personnel (the Executive and Non Executive Directors) is set out on the Remuneration Report on page 18.



# Historical Financial Information

For the year ended 31 March 2020

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Net Assets	<b>46,082</b>	45,732	39,328	40,483	40,869
Revenue	<b>6,558</b>	6,893	6,503	6,718	6,509
Operating profit before fair value adjustments, impairments, costs of change in ownership and onerous leases	<b>1,065</b>	973	761	1,288	1,467
Fair value adjustments on investment property and fixed assets	<b>(977)</b>	1,444	(626)	(105)	1,452
Impairment of assets, onerous leases	-	-	-	(173)	(272)
Operating profit/(loss) after fair value adjustments and impairments	<b>88</b>	2,417	(1,605)	1,010	2,647
Net financing costs (excludes joint ventures/associates)	<b>(844)</b>	(901)	(897)	(957)	(1,057)
Profit/(loss) before tax on continuing activities	<b>(756)</b>	1,516	(2,502)	53	1,590
Profit/(loss) attributable to equity shareholders	<b>(988)</b>	1,831	(2,198)	40	1,497
Dividends paid	-	-	-	-	-
Basic earnings/(loss) per share	<b>(0.85)p</b>	1.68p	(2.24)p	0.04p	1.55p
Diluted earnings/(loss) per share	<b>(0.85)p</b>	1.68p	(2.24)p	0.04p	1.55p

# Company Balance Sheet

For the year ended 31 March 2020



	Note	2020 £000	2019 £000
<b>Fixed assets</b>			
Investments	5	11,268	11,268
		<b>11,268</b>	<b>11,268</b>
<b>Current assets</b>			
Debtors	6	22,773	29,003
Cash at bank and in hand		18	428
		<b>22,791</b>	<b>29,431</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	7	21	23
<b>Net current assets</b>		<b>22,770</b>	<b>29,408</b>
<b>Total assets less current liabilities</b>		<b>34,038</b>	<b>40,676</b>
Creditors: amounts falling due after more than one year	8	1,750	8,807
<b>Net assets</b>		<b>32,288</b>	<b>31,869</b>
<b>Capital and reserves</b>			
Called up share capital	9	16,266	16,266
Share premium account	11	10,695	10,695
Merger Reserve	11	3,620	3,620
Profit and loss account	11	1,707	1,288
<b>Total shareholders' funds</b>		<b>32,288</b>	<b>31,869</b>

The notes on pages 57 to 61 are an integral part of these financial statements. In the year the Company made a profit of £419,000 (2019: profit of £295,000).

The Financial Statements were approved and authorised by the Board of Directors on 6 July 2020 and were signed on its behalf by:

NATASHA GADSDON  
DIRECTOR



# Company Statement of Changes in Equity

As at 31 March 2020

	Called up capital £000	Share premium account £000	Merger reserve £000	Profit and loss account £000	Total £000
Balance at 1 April 2018	16,162	7,872	3,620	993	28,647
Loss for the year	-	-	-	295	295
Issues of shares	104	2,823	-	-	2,927
Balance at 31 March 2019	16,266	10,695	3,620	1,288	31,869
Balance at 1 April 2019	16,266	10,695	3,620	1,288	31,869
Profit for the year	-	-	-	419	419
Issue of shares	-	-	-	-	-
<b>Balance at 31 March 2020</b>	<b>16,266</b>	<b>10,695</b>	<b>3,620</b>	<b>1,707</b>	<b>32,288</b>

# Notes to the Company Financial Statements

As at 31 March 2020



## I. General information

Sutton Harbour Group plc, formerly known as Sutton Harbour Holdings plc ("the Company") is a limited Company incorporated in the United Kingdom under the Companies Act 2006. These financial statements cover the financial year from 1 April 2019 to 31 March 2020, with comparatives for the year 1 April 2018 to 31 March 2019 and are compliant with FRS101. No income statement or statement of comprehensive income is presented by the Company as permitted by Section 408 of the Companies Act 2006.

## 2. Accounting policies

### *Basis of preparation*

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

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

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

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 intra-group funding and is therefore reliant on bank finance in the form of Group wide term loan and revolving credit facilities. In December 2019, Sutton Harbour Group plc and subsidiary companies (the "Group") renewed its banking facilities until March 2024, 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 intra-group 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.

### *Functional and presentation currency*

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



# Notes to the Company Financial Statements

For the year ended 31 March 2020

## **Investments**

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

## **Impairment**

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

## **Interest-bearing borrowings**

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

## **Own shares**

Ordinary and Deferred shares are classified as equity.

## **Taxation**

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

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

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

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

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

## **Financial instruments**

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

# Notes to the Company Financial Statements

For the year ended 31 March 2020



## 3. Services provided by the Company's auditors

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

Current auditors:	2020 £000	2019 £000
Fees payable to Company's auditor for the audit of Parent Company financial statements	21	22
Fees payable to the Company's auditor for other services:		
Tax services	1	1

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

## 4. Employees and Directors

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

## 5. Investments

Cost and net book value	2020 £000	2019 £000
Investments in subsidiary undertakings	11,268	11,268

### Subsidiary companies:

At 31 March 2020, the Company has the following investments in subsidiaries:

	Class of shares held	Ownership		Nature of Business
		2020	2019	
<b>Subsidiaries</b>				
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
Sugar Quay Holdings Ltd	Ordinary	100%	100%	Investment Company
Sugar Quay Ltd	Ordinary	100%	100%	Property Developer
Sutton East Holdings Limited	Ordinary	100%	100%	Property Developer
Sutton East Developco No1 Limited	Ordinary	100%	100%	Property Developer

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



# Notes to the Company Financial Statements

For the year ended 31 March 2020

## 6. Debtors

	2020 £000	2019 £000
Amounts owed by subsidiary undertakings	22,285	28,841
Deferred Tax	-	-
Other debtors and prepayments	488	162
<b>Total debtors</b>	<b>22,773</b>	<b>29,003</b>

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

## 7. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Other creditors	21	23
<b>Total creditors</b>	<b>21</b>	<b>23</b>

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

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

	2020 £000	2019 £000
Amounts owing to subsidiary undertakings	1,750	8,807
Bank borrowings	-	-
<b>Total creditors</b>	<b>1,750</b>	<b>8,807</b>

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

## 9. Called up share capital

Thousands of shares	Ordinary Shares		Deferred Shares		Total	
	2020	2019	2020	2019	2020	2019
In issue at the beginning of the financial year – fully paid	115,944	105,599	62,944	62,944	178,888	168,543
Issued for cash	-	10,345	-	-	-	10,345
In issue at the end of the financial year – fully paid	<b>115,944</b>	115,944	<b>62,944</b>	62,944	<b>178,888</b>	178,888

*Allotted, called up and fully paid*

105,599,120 (2019: 96,277,086) Ordinary shares of 1p each (2019: 1p each)	1,160	1,160	-	-	1,160	1,160
62,943,752 (2019: 62,943,752) Deferred shares of 24p each (2019: 24p each)	-	-	15,106	15,106	15,106	15,106
	<b>1,160</b>	1,160	<b>15,106</b>	15,106	<b>16,266</b>	16,266

# Notes to the Company Financial Statements

For the year ended 31 March 2020



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

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

## 10. Contingencies

The Company has given an unlimited guarantee in respect of bank borrowings of all subsidiary companies. At 31 March 2020, these borrowings amounted to £24,250,000 (2019: £22,500,000).

## 11. Description of reserves

### *Called up share capital*

The called up share capital account represents equity share capital (see note 26 to the consolidated financial statements).

### *Share premium account*

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

### *Merger reserve*

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

### *Profit and loss account*

The profit and loss account represents retained profits.

## 12. Ultimate controlling party

Sutton Harbour Group plc is the ultimate Parent Company of the Group. The ultimate controlling party is FB Investors LLP, which is owned jointly by Beinhaker Design Services Limited and 1895 Management Group ULC, and owns 72.65% of the issued share capital of Sutton Harbour Group plc. The consolidated financial statements of the Group headed by Sutton Harbour Group plc are presented separately on pages 25 to 53 of this document. The results of the Group are not consolidated in any other group's financial statements.







# Notes

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**SUTTON  
HARBOUR**

SUTTON HARBOUR GROUP PLC

Sutton Harbour Office | Guy's Quay Office | Sutton Harbour | Plymouth | PL4 0ES  
Tel: 01752 204186 | [www.suttonharbourgroup.co.uk](http://www.suttonharbourgroup.co.uk)