



Sutton Harbour Holdings plc
Annual Report & Accounts 2003



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COMPANIES HOUSE 04/10/03

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Sutton Harbour Holdings plc

The Company is listed on the Alternative Investment Market and has the following operating divisions:

Harbour Related

The Company's headquarters and traditional activities are located at Plymouth's historic harbour, Sutton Harbour. Harbourside activities of the Company date back to 1847 and today fall into three categories:

Fisheries Related

The Company owns and operates Plymouth fishmarket and provides ancillary services to commercial fishermen. The fishmarket complex, newly built in 1996, houses an electronic auction clock, auction floor and offices and processing units leased to fisheries related tenants.

Marine Leisure

Sutton Harbour Marina provides berthing for over 250 yachts. The Marina, inside the security of the Sutton Harbour Lock, is one of the finest along the south coast with full amenities for yachtsmen whilst being right in the heart of Plymouth's Barbican area. Additionally, the Company operates related businesses providing repair, service, hoisting and chandlery services to boat owners.

Property

The Company is a substantial land owner within the harbour environs with tenants including South West of England Regional Development Agency, various Government Ministries, numerous national breweries, the National Marine Aquarium and Dartington Crystal. The Company formed the Sutton Partnership with Plymouth City Council in 2000 and has since delivered three phased schemes as part of a masterplanned regeneration initiative with further phased schemes in progress.

Airport Related

The Company acquired Plymouth City Airport Limited from British Airways in 2000. The Company has a long leasehold interest in the City's airport, from which a number of scheduled flights to UK and Irish destinations operate. The Company provides ancillary services to airlines and aircraft users and provides office and operational accommodation to airport related tenants.

In this past year the Company has completed negotiations on a major phase of harbourside development and has made significant inroads into planned future stages of that development. It has also recorded its most successful year in marina berthing and has seen an improvement in fishing related income in the second half of the year. Certain developments in the aviation industry have continued to present their challenges, but our undampened enthusiasm has driven us to look for innovative ways for the Company to turn these to our advantage. We recognise that future growth using our regeneration and development skills will need to come from projects away from the harbourside area and we have been active in our search for opportunities both in Plymouth and further afield.

Profit before taxation of £1,543,000 shows little change on the £1,587,000 achieved last year, but last year's total included a £178,000 profit on the disposal of property whereas this year's total is all from trading activity.

Underlying profits have therefore grown by a most satisfactory 9.5%. Earnings per share are, like profit before tax, virtually unchanged at 8.92p per share compared with 9.22p per share last year, but adjusted earnings per share, which ignore last year's profit on disposal, have increased by 15% from 7.76p to 8.92p. Your Board is pleased to recommend a final dividend of 3.2p per share making a total dividend for the year of 5p per share, a 4.2% increase on last year's total dividend of 4.8p per share. This will leave £476,000 to transfer to reserves (2002: £537,000). The dividend will be payable on 12 September 2003 to shareholders on the register on 29 August 2003. The shares are expected to go ex-dividend on 27 August 2003.

I reported last year on the cuts by British Airways CitiExpress to services from Plymouth City Airport. The effect of these cuts is reflected in the reduced profits this year from airport operations.

The Company is now in advanced discussions with British Airways CitiExpress about taking over the Plymouth and Newquay Gatwick routes. We have set up a wholly owned subsidiary, Air Southwest Limited, to facilitate the smooth transfer of the Gatwick routes and slots subject to the discussions being satisfactorily concluded. These discussions follow the decision by British Airways CitiExpress to discontinue operating these routes from October 2003 as part of its own 'size and shape restructuring'. Shareholders will be kept informed as matters progress.

In the last year the Company has succeeded in attracting Air Wales to Plymouth City Airport and they now operate a popular daily service to Dublin and Cork and a newly introduced service to Jersey. As already reported our contract to manage Newquay Cornwall Airport ended on 31 March 2003.

We have long known the limitations at Plymouth City Airport, that it is situated amidst a residential area and that its runway is too short to accommodate anything larger than a Dash 8. With the Government preparing a White Paper on the future of aviation in the UK, we submitted the Company's proposal to build a new airport just to the east of Plymouth. Our objective was not only to safeguard and promote our own business, but very importantly to maintain a good transport facility for both inward tourism and the region's population. We currently await further news on the outcome of studies into aviation needs in the South West, but it is fair to say that a new airport is definitely a visionary project for the longer term. In the meantime the Company has received confirmation that the South West of England Regional Development Agency will fund runway and safety area improvements at the existing airport.

After two years in planning, negotiating and gaining final approvals, the Company concluded the first phase Harbour East regeneration with a payment received during the year. This phase will provide a landmark mixed-use development on the North East quayside of the harbour, and contractors are already on site. Following on from this, the Company is making good progress towards achieving the second phase, another mixed-use development.

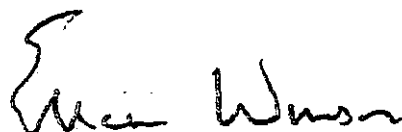
Although it is too early to report news on any other property related projects at present, the Company is undertaking a number of regeneration consultancy assignments. We have also identified new opportunities for certain public/private regeneration initiatives within the region.

As previously reported to shareholders, the Non-Executive Directors have, following a thorough search and numerous interviews, selected Nigel Godefroy to succeed Duncan Godefroy when he retires next year. Duncan has been with the Company for over 40 years,

30 of them as our Managing Director, a remarkable achievement. Nigel will bring to the position more than a decade of hands-on experience with the Company, the last seven years as our Finance Director.

The past year has seen much change as the Company evolves to have a higher profile in the region and its proposals are well documented in the regional, and often national, press. I thank our staff for their continued dedication and support in what are exciting but sometimes turbulent times. I am particularly encouraged that the Company has been re-accredited with the 'Investors in People' standard and that many of our staff continue to invest in shares in the Company and the SAYE scheme.

Our objectives for the forthcoming year are to reach the next milestone with our harbourside regeneration schemes, to work hard to secure our region's vital air links and to maintain the vibrancy that our fishing and marine leisure businesses bring to Plymouth.



Ellen Winser
Chairman
28 May 2003

Operational Review

Last year, we set ourselves the objectives of taking both our property and regeneration and aviation interests to the next stage. This is what Directors and Management have focussed upon and we have made good progress in setting the foundations for several exciting prospective projects. We have also concluded the first phase of the Harbour East regeneration and have worked hard with the Local Authority to secure this.

Our aviation sector has continued to present challenges but we have continued to explore all options to building upon the existing business whilst planning for the future security of Plymouth City Airport.

The Sutton Partnership

The Sutton Partnership projects have gathered momentum this year. It is now 3 years since we formalised the partnership with Plymouth City Council and our achievements to date include the Vauxhall Street scheme of high class waterside apartments now fully occupied, the disposal last year of Harbour Avenue to a developer and the conclusion of the first phase of a scheme at Harbour East this year. Future phases of the regeneration masterplan are already well under way. The partnership works to assemble land, masterplanning the scheme including design, gaining planning permission and securing developer interest.

As more schemes come to fruition we will find that the timing of recognition of profits will give rise to fluctuations in reported profits from one year to another. Such fluctuations are of no great consequence in the longer term, but it is important that we have an awareness of the effect they are likely to have on reported earnings from one year to the next.

We are now working to set up similar partnering schemes with other bodies away from the harbour area but still in Plymouth and surrounding areas.

Plymouth City Airport

Last summer British Airways made cuts to a number of services operating from Plymouth. Some of these routes were taken up by Air Wales, but the airport's capacity is still under utilised. We continue to search for new operators to provide the services the region so badly needs and we have also campaigned that the Government consider the need for a new airport just to the east of Plymouth to provide facilities that would attract operators to commence new routes. The airport continues to experience difficulties as passenger numbers have been further undermined during the Iraq War. British Airways announced in May 2003 that they would withdraw Plymouth and Newquay Gatwick services in October 2003. We are exploring every option to keep the airport operational so far as it is financially viable.

Harbour Activities

Business interests centred on Sutton Harbour have remained largely unchanged in the year. Landings recorded at the fishmarket have shown a particularly good year, but we note that the trend continues away from the inshore fleet with beam trawlers and scalloping vessels contributing a greater proportion of the catch year on year. The marina continues to be fully subscribed and our Harbour Marine repair and chandlery business has achieved our best ever sales for watercraft and marine engine sales.



Duncan Godefroy
Managing Director

Financial Review

The Group reports growth of underlying profit for the 7th consecutive year. These increased profits have been a direct result of the strategic decisions by the Company to focus on aviation with the acquisition of Plymouth City Airport in 2000 and regeneration through the Sutton Partnership set up in 2000.

Investor Overview

Earnings per share are very slightly down at 8.92p (2002: 9.22p), but ignoring the sale of property last year the underlying earnings per share are adjusted to 8.92p (2002: 7.76p), a 15% increase.

Gearing, bank borrowings as a percentage of net assets, has increased during the year from 7.5% to 10.8% reflecting the expenditure on land assembly and other costs in bringing Sutton Partnership projects to fruition. Land and costs associated with these projects are classified as stock and this explains the significant increase in stock at 31 March 2003.

Overdraft interest attributable to the funding of Sutton Partnership projects is capitalised in accordance with Company policy.

Cash Flows and Liquidity

The bank overdraft is satisfactory at the year end. However, bank financing is expected to increase whilst the Company funds the next Sutton Partnership project and we hope that full receipt for that project will arrive before March 2004, but it could be later depending on progress with the scheme.


Financial Issues

During the year the Group changed auditors following Grant Thornton's decision to close their Plymouth office. KPMG Audit Plc were appointed auditors in November 2002. There have been no new standards which affect accounting treatment in the accounts this year. However, the Group is mindful of the introduction of International Accounting Standards in 2006 (which will affect our accounts in 2005) and has started to plan for this change. These new standards are likely to require fundamental changes in the accounting treatment and reporting format of our accounts.

Taxation

The Group has now utilised all losses brought forward from previous years, such that with the deferred tax charge in accordance with FRS 19, the total charge this year equates to approximately 30% of group profits. Unless the Chancellor decides otherwise we expect taxation charges to continue at this rate in the foreseeable future.

We continue to believe that shares in the Company continue to qualify for Business Property Relief, but Shareholders and potential investors should take professional advice before acting on this statement.



Nigel Godefroy
Finance Director

Directors and Advisers

Company Number:	2425189
Directors:	M. Ellen Winser (Non-Executive Chairman) Duncan B. Godefroy (Managing Director) Nigel J. Godefroy (Finance Director) John Humphrey (Operations Director) Sheridan K. Brimacombe (Non-Executive Director) Malcolm L. Iley (Non-Executive Director) Malcolm V.L. Pearce (Non-Executive Director) Raymond Wood (Non-Executive Director)
Secretary and Registered Office:	Natasha C. Gadsdon, North Quay House, Sutton Harbour, Plymouth. PL4 0RA Tel: 01752 204186 Fax: 01752 205403 www.suttonharbour.co.uk
Independent Auditors:	KPMG Audit Plc., Plym House, 3 Longbridge Road, Marsh Mills, Plymouth. PL6 8LT
Nominated Broker and Nominated Adviser:	Rowan Dartington & Co. Ltd., Colston Tower, Colston Street, Bristol. BS1 4RD
Registrar:	Computershare Services plc., PO Box 82, The Pavilions, Bridgewater Road, Bristol. BS99 7NH
Bankers:	National Westminster Bank plc., 14 Old Town Street, Plymouth. PL1 1DG



The Directors present their report together with the Group Financial Statements for the year ended 31 March 2003.

Results and Dividends

The Group's profit for the year on ordinary activities before taxation amounted to £1,543,000 (2002 : £1,587,000). Detailed results are set out on page 16.

An interim dividend of 1.8p (2002 : 1.7p) net per ordinary share was paid on 10 January 2003, and the Directors recommend a final dividend of 3.2p (2002 : 3.1p) net per ordinary share representing 5.0p (2002 : 4.8p) for the year.

Principal Activities and Business Review

The principal activities of the Group are the provision of facilities for harbour users including the development of land within the harbour environs, and the operation of Plymouth City Airport.

This report should be read in conjunction with the Statement from your Chairman and the Operational and Financial Reviews, which provide details of the Group's activities, its financial performance and an indication of future developments.

Market Value of Land and Buildings

In the opinion of the Directors, the market value of the land and buildings of the Group does not significantly exceed the book values of these assets at 31 March 2003.

Creditors Payments

The Group's policy on payment of suppliers is to pay on the 25th day of the month following receipt of invoice unless there is an agreement to the contrary or the invoice is disputed.

At 31 March 2003, the Group had an average of 30 days purchases outstanding in trade creditors (2002: 30 days). The Company has no trade creditors.

The Group does not follow any code or standard on payment practice.

Donations

During the year the Group made charitable contributions totalling £1,113 (2002 : £1,059).

The Group believes that it is an important part of its role to support the local community and it supports the Fishermen's Day and Barbican Arts Festival, and has contributed towards a series of plaques marking a harbour trail. Additionally, the Group encourages guided school children visits to the airport, fish market, lock and harbour area.

There were no political donations (2002 : none).

Major Shareholdings

As at 28 May 2003 the Company's register of shareholdings showed the following interests in 3% or more of the Company's share capital:

	%	Ordinary shares
Mr. D. McCauley/Rotolok (Holdings) Limited	29.98	3,641,608
Vidacos Nominees Limited	8.08	981,042
(including Invesco Perpetual UK Smaller Companies Core Fund 6.12%, 743,417 shares)		
Mr T. R. and Mrs. M.E. Winser	4.81	584,800
R.C. Greig Nominees Limited	4.51	548,111
Dartington Portfolio Nominees Limited	3.83	464,901

The Nominee holdings are divided amongst various beneficial holders, none of whom except where disclosed holds in excess of 3%. The Company is not aware of any other interest in its share capital in excess of 3%.



Directors' Report

Directors and their Interests

- M. Ellen Winsler** Aged 60. Appointed a Director in June 1998 and Chairman in August 1998. Also a member of the Remuneration Committee, Audit Committee and Chairman of the Nomination Committee. She was a Partner in James Capel & Co and London's first woman stockbroker partner. She is the Non-Executive Chairman of Liontrust Asset Management plc and a Director of a number of other companies and charities.
- Duncan B. Godefroy** Aged 63. Joined the Group in 1962, a Director since 1966. He became Managing Director of Sutton Harbour Company in 1973 and of the Group in 1989. He is a Justice of the Peace and a member of the Chartered Institute of Transport.
- Nigel J. Godefroy** Aged 38. Appointed an Executive Director in November 1996 and Finance Director in June 1999. Appointed Managing Director Designate in January 2003 to take over as Managing Director in September 2004. He is a Chartered Accountant and has been with the Group since 1992.
- John Humphrey** Aged 58. Appointed an Executive Director in April 2000. He has nearly forty years experience in aviation and has been involved in the operation and management of airports and airlines, both regional and longhaul. He has been the Airport Director of Plymouth City Airport since 1989.
- Sheridan K. Brimacombe** Aged 60. A Director since April 2001 and present Chairman of the Audit Committee. She is a Chartered Accountant and Senior Partner of Bromhead and Co, Chartered Accountants, Plymouth. She is a Trustee and Treasurer of a number of other organisations.
- Malcolm L. Iley** Aged 53. A Director since 1991 and present Chairman of the Remuneration Committee and a member of the Nomination Committee. He is a Partner and head of the Public Sector department of Nabarro Nathanson, Solicitors, London. He is a Non-Executive Director of British Urban Regeneration Association (BURA) Ltd., and a number of other companies.
- Malcolm V.L. Pearce** Aged 64. A Director since 2002 and a member of the Remuneration Committee. He is the Chairman of the Johnsons Group and Fishworks plc. He is Non-Executive Director of Dawson Holdings plc and a Director of a number of other companies.
- Raymond Wood** Aged 66. A Director since 1993 and a member of the Audit Committee and the Remuneration Committee. He is a local businessman with strong property connections.

The interests of the Directors, all of which are beneficially held, including family interests, in the Ordinary shares of the Company at 31 March 2003 are set out below. There have been no changes in these interests between 1 April 2003 and 28 May 2003. Duncan Godefroy and Nigel Godefroy are members of the Company's Save As You Earn share option scheme. Further details are given in note 4 to the Financial Statements.

	2003	2002
M. Ellen Winsler	584,800	584,800
Duncan B. Godefroy	109,278	107,944
Nigel J. Godefroy	18,000	18,000
John Humphrey	3,250	3,250
Sheridan K. Brimacombe	10,000	6,334
Malcolm L. Iley	16,100	16,100
Malcolm V.L. Pearce	99,000	40,000
Raymond Wood	29,394	29,394

In accordance with the Company's Articles of Association Nigel Godefroy, John Humphrey and Malcolm Iley retire by rotation at this year's Annual General Meeting and being eligible offer themselves for re-election.

Auditors

During the year Grant Thornton resigned as the Company's auditors and the Directors appointed KPMG Audit Plc to fill the casual vacancy arising. A resolution re-appointing KPMG Audit Plc as auditors for the ensuing year will be placed before the Annual General Meeting. Special notice has been received for this resolution pursuant to Section 388 of the Companies Act 1985.

By Order of the Board
Natasha Gadsdon
Secretary
28 May 2003



The rules of the Financial Services Authority do not require companies that have securities traded on the Alternative Investment Market to comply with the Combined Code. Nevertheless throughout the year the Company has complied with the spirit of sound corporate governance as applicable to an Alternative Investment Market listed company.

The Chairmen of the Audit, Remuneration and Nomination Committees will be available to answer questions at this year's Annual General Meeting.

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

The Board

The Board currently comprises five independent Non-Executive Directors and three Executive Directors and is responsible for the proper management of the Group and for reporting the Group's progress to Shareholders. The Board meets monthly reviewing trading performance, ensuring adequate funding, monitoring strategy and examining acquisition possibilities. The Board has a formal schedule of matters specifically reserved to it for decision. The roles of Chairman and Managing Director are separate. No senior independent Non-Executive Director has been named as it is considered inappropriate with such a small Board.

Committees

Remuneration Committee

The Remuneration Committee is chaired by Malcolm Iley and its other members are Ellen Winser, Malcolm Pearce and Raymond Wood. The committee determines the employment terms and total remuneration of the Executive Directors. The Report on Remuneration is set out on page 13. The Board itself determines the remuneration of the Non-Executive Directors.

Audit Committee

The Audit Committee is chaired by Sheridan Brimacombe and its members are Ellen Winser and Raymond Wood. The committee has written terms of reference and provides a forum for reporting by the Group's external auditors. Meetings are also attended, by invitation, by the Finance Director and/or one or both of the other Executive Directors.

The Audit Committee is responsible for a wide range of financial matters including the half year and annual financial statements before submission to the Board and monitoring the controls which are in force to ensure the integrity of the financial information reported to the Shareholders.

Nomination Committee

Members of the Nomination Committee are Ellen Winser and Malcolm Iley. The Nomination Committee is responsible for proposing candidates to the Board having regard to its balance and structure.

Relations with Shareholders

The Chairman's Statement and the Operational and Financial Reviews on pages 2 to 7 include a detailed review of the business and future developments. Shareholders are encouraged to pose questions of the Board at any time of the year and the Board uses the Annual General Meeting to communicate with all investors and welcomes their participation.



Corporate Governance

Internal Control

The Directors are responsible for establishing and maintaining the Group's internal control systems. Internal control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Directors have established with a view to providing effective internal controls are as follows:

Corporate Accounting and Procedures

There are clearly defined authority limits and controls over acquisitions, disposals and risk management.

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.

Investment Appraisal

Capital expenditure is regulated by authorisation levels. For expenditure beyond specified levels detailed written proposals are submitted to the Board. Reviews are carried out after the acquisition is complete and any major overruns are investigated. Due diligence work is carried out if a business is to be acquired.

Audit Committee

The Audit Committee monitors the controls that are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by external Auditors.

Going Concern

After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

By Order of the Board
Natasha Gadsdon
Secretary
28 May 2003



Remuneration

The Group's Remuneration Committee is chaired by Malcolm Iley and its other members are Ellen Winsor, Malcolm Pearce and Raymond Wood. The committee makes recommendations to the Board on an overall remuneration package for Executive Directors in order to attract, retain and motivate high quality executives capable of achieving the Group's objectives. The package consists of basic salary, benefits, pensions and a performance related bonus.

Under the terms of their contracts the Executive Directors are required to devote all their energies to the furtherance of the Group's objectives and are not empowered to accept any other remunerative appointments.

Individual components of the remuneration package are:

Basic Salary, Benefits and Pensions

The basic salary, bonus based on profits and benefits for each Director are reviewed annually and take into account the performance of the individual and information from independent sources on the salary levels for similar employment. Benefits principally comprise car and private health care. The Executive Directors are members of the Group's pension schemes.

Share Options

The Company has a 'Save as You Earn' scheme in which employees, including the Executive Directors can participate. Their interests are shown in note 4 on page 25. The Non-Executive Directors are not eligible to join the scheme.

Contracts

On 26 September 2001 the Group entered into a revised service agreement with Duncan Godefroy. Under this agreement he is employed as full time Managing Director for a period of two years from the date of the agreement, the contract to be extended automatically until 10 September 2004 unless notice to the contrary has been given. Notice was given on 29 May 2002 to reduce this to a one year rolling contract.

On 26 September 2001 the Group entered into a revised service contract with Nigel Godefroy. Under this agreement he is employed as full time Finance Director with a one year rolling contract. He was appointed Managing Director Designate in January 2003.

On 26 September 2001 the Group entered into a revised service contract with John Humphrey. Under this agreement he is employed as full time Airport Director with a one year rolling contract.

Fees

The fees for Non-Executive Directors are determined by the Board following proposals from the Remuneration Committee. Non-Executive Directors do not have a contract of service and are not eligible to join the pension scheme.

Directors' Remuneration

Directors' remuneration for the year is shown in note 4 on page 24. Such disclosures constitute part of this report.

On behalf of the Board
Malcolm Iley
Director
28 May 2003



Statement of Directors' Responsibilities

Company Law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period.

In preparing those Financial Statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent Auditor's Report



To the Members of Sutton Harbour Holdings plc

We have audited the financial statements on pages 16 to 35.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 14 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information accompanying the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Registered Auditor
Chartered Accountants
Plymouth
13 June 2003

KPMG Audit Plc



Consolidated Profit and Loss Account

For the year ended 31 March 2003

	Note	2003 £000	2002 £000
Turnover	2	9,572	8,201
Cost of Sales	2	(7,281)	(5,862)
Gross Profit		2,291	2,339
Net Operating Expenses	2	(638)	(614)
Operating Profit		1,653	1,725
Profit on Ordinary Activities Before Interest		1,653	1,725
Interest Payable	5	(110)	(138)
Profit on Ordinary Activities Before Taxation	3	1,543	1,587
Current Taxation		(228)	(154)
Deferred Taxation		(232)	(313)
Taxation on Profit on Ordinary Activities	6	(460)	(467)
Profit on Ordinary Activities After Taxation and Attributable to Shareholders		1,083	1,120
Dividends	8	(607)	(583)
Retained Profit for the Year	19	476	537
Earnings per Ordinary 25p share	9		
Basic		8.92p	9.22p
Deduct Profit on Sale of Property		-	(1.46p)
Adjusted		8.92p	7.76p
Diluted		8.83p	9.14p
Diluted Adjusted		8.83p	7.69p

All figures relate to continuing activities.

Balance Sheets

31 March 2003



	Note	THE GROUP		THE COMPANY	
		2003 £000	2002 £000	2003 £000	2002 £000
Fixed Assets					
Tangible Assets	10	28,291	27,866	-	-
Investments	11	70	63	2,217	2,217
		<u>28,361</u>	<u>27,929</u>	<u>2,217</u>	<u>2,217</u>
Current Assets					
Stock	12	2,431	964	-	-
Debtors	13	1,804	1,727	7,188	7,177
Cash at Bank and in Hand		3	3	8	6
		<u>4,238</u>	<u>2,694</u>	<u>7,196</u>	<u>7,183</u>
Creditors (amounts falling due within one year)	14	(5,938)	(4,641)	(448)	(431)
Net Current (Liabilities)/Assets		<u>(1,700)</u>	<u>(1,947)</u>	<u>6,748</u>	<u>6,752</u>
Total Assets less Current Liabilities		<u>26,661</u>	<u>25,982</u>	<u>8,965</u>	<u>8,969</u>
Creditors (amounts falling due after more than one year)	15	(88)	(117)	-	-
Provisions for Liabilities and Charges Deferred Taxation	16	(1,450)	(1,218)	-	-
		<u>25,123</u>	<u>24,647</u>	<u>8,965</u>	<u>8,969</u>
Capital and Reserves					
Called Up Share Capital	18	3,037	3,037	3,037	3,037
Share Premium Account	20	5,812	5,955	5,812	5,812
Revaluation Reserve	20	8,638	8,638	-	-
Investment Property Revaluation Reserve	20	4,369	4,369	-	-
Other Reserves	20	251	108	-	-
Profit and Loss Account	20	3,016	2,540	116	120
Equity Shareholders' Funds	19	<u>25,123</u>	<u>24,647</u>	<u>8,965</u>	<u>8,969</u>

These Financial Statements were approved by the Board of Directors on 28 May 2003 and were signed on its behalf by:

Ellen Winsor
Chairman



Consolidated Cash Flow Statement

For the year ended 31 March 2003

	Note	2003 £000	2002 £000
CASH FLOW STATEMENT			
Net Cash Inflow from Operating Activities	25.1	662	1,884
Returns on Investments and Servicing of Finance	25.2	(181)	(160)
Taxation		(155)	(118)
Capital Expenditure	25.2	(605)	(420)
Equity Dividends Paid		(595)	(559)
(Decrease)/Increase in Cash in the Year		(874)	627
Reconciliation of Net Cash Flow to Movement in Net Debt			
	25.3		
(Increase)/Decrease in Net Debt in the Year		(874)	627
Net Debt at the start of the year		(1,840)	(2,467)
Net Debt at the end of the year		(2,714)	(1,840)

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 March 2003



	Note	2003 £000	2002 £000
Unrealised surplus on revaluation of properties		-	1,546
Reported Profit on Ordinary Activities after Taxation		1,083	1,120
Total Recognised Gains and Losses relating to the year		1,083	2,666
Prior year adjustments made last year – Deferred Tax	17	-	(905)
Total Gains and Losses recognised since the previous Annual Report and Financial Statements		1,083	1,761

Note of Consolidated Historical Cost Profits and Losses

For the year ended 31 March 2003

	2003 £000	2002 £000
Reported Profit on Ordinary Activities before Taxation	1,543	1,587
Realisation of Property Revaluation Gains of Previous Years	-	70
Historical Cost Profit on Ordinary Activities before Taxation	1,543	1,657
Historical Cost Profit for the year retained after Taxation and Dividends	476	607



Notes to Financial Statements

For the year ended 31 March 2003

1. GROUP ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's Financial Statements.

a) Accounting Basis

The Financial Statements are prepared under the historical cost convention modified to include the revaluation of certain freehold properties and investments and property held for resale. The Financial Statements are prepared in accordance with applicable accounting standards except where, in the opinion of the Directors, departure is necessary in order to show a true and fair view. The explanations of these departures are given in paragraphs f) & j) below.

b) Consolidated Financial Statements

The Financial Statements incorporate the results of Sutton Harbour Holdings plc and its subsidiary undertakings (see note 11). The Financial Statements have been consolidated in accordance with Financial Reporting Standard 6, Acquisitions and Mergers, and advantage has been taken of the merger relief offered by Section 131 of the Companies Act 1985. No Profit and Loss Account is presented for Sutton Harbour Holdings plc as permitted by Section 230(4) of the Companies Act 1985.

c) Turnover

Turnover represents the amounts derived from the provision of goods and services, sales of trading properties and rental of investment properties which fall within the Group's ordinary activities, stated net of value added tax. Transactions between Group companies are excluded.

d) Goodwill

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 April 1998, when Financial Reporting Standard 10 Goodwill and Intangible Assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the Profit and Loss Account.

Purchased goodwill (representing the excess of the fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 April 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, normally 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. There is no such goodwill at 31 March 2003.

On the subsequent disposal or termination of a business acquired since 1 April 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

In the Company's Financial Statements, investment in subsidiary undertakings is stated at cost.

e) Valuation of Freehold Properties

The Group's freehold properties can be divided into three categories:

- i. Properties that are mainly owner occupied, or that are an integral part of the Group's harbour and airport operations.
- ii. Investment properties, both within and outside the harbour and airport areas, held for investment.
- iii. Properties held for resale which are included in stock.

An interim valuation of the properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors by a qualified internal valuer at 31 March 2002. Stratton Creber Commercial, external Surveyors, carried out a valuation on 31 March 1999. Both valuations were on the following bases:

- i. Properties that are mainly owner occupied for the purposes of the Group's harbour operations - existing use value with the addition of notional directly attributable acquisition costs.
- ii. Specialised properties that are an integral part of the Group's harbour operations (fishmarket, harbour, lock and quays) - depreciated replacement cost.
- iii. Properties held as investment properties - open market value.



The internal revaluation is incorporated in the accounts. With the exception of investment properties, the Directors will undertake an internal property revaluation at least every three years. An external valuation will be undertaken every five years with an annual impairment review in accordance with Financial Reporting Standard 15, Tangible Fixed Assets.

f) Investment Properties

In accordance with Statement of Standard Accounting Practice 19, Accounting for Investment Properties:

- i. Investment properties are revalued annually at open market values determined in accordance with the Guidance Notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors. Surpluses and deficits arising and the aggregate surplus or deficit is transferred to the revaluation reserve except that any permanent diminution in the value of an investment property is taken to the Profit and Loss Account for the year; and
- ii. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the Company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Where properties held for investment are appropriated to trading stock, they are transferred at carrying value. (See j) Stock and Work in Progress).

g) Freehold Properties held for Development

Freehold properties held for development and not for resale are included in the Balance Sheet, as valued by a qualified internal valuer at 31 March 2002, as a partly completed project.

When the time taken to bring a freehold property into use exceeds twelve months, the finance costs incurred in funding land and construction have been capitalised. For this purpose 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 of interest ceases when substantially all the activities that are necessary to get the freehold property ready for use are complete.

h) Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives taking into account residual values of the assets, at the following rates per annum:

Plant and Machinery and Fixtures and Fittings	10% to 25% reducing balance, 10-25 years straight line
Long Leasehold/Short Leasehold Property	Remaining period of lease

Properties that are mainly owner occupied and specialised properties are not depreciated. The useful economic lives of these properties are estimated to be greater than 50 years. The Directors consider that the lives of such freehold properties and their residual values (based on prices prevailing at the time of acquisition or subsequent valuation) are such that their depreciation is immaterial. In the case of the lock, major maintenance and renewal are the defined responsibilities of the Environment Agency. To ensure that the carrying amount of these properties can be supported, the carrying amounts are subject to annual impairment reviews in accordance with Financial Reporting Standard 11, Impairment of Fixed Assets.

The non provision of depreciation of freehold property combined with annual impairment reviews is in accordance with Financial Reporting Standard 15, Tangible Fixed Assets.

i) Government Grants

Capital based government grants are included within accruals and deferred income in the Balance Sheet and credited to the Profit and Loss Account over the estimated useful economic lives of the assets to which they relate.



Notes to Financial Statements

For the year ended 31 March 2003

j) Stock and Work in Progress

Properties held for Resale

Properties held for resale are included in current assets at the lower of cost and net realisable value. For properties previously held for investment which the Directors have decided to sell and which are reclassified as stock, cost is considered to be the latest valuation prior to their reclassification. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires current assets to be included at the lower of cost and net realisable value, and which would therefore require such properties to be restated on the basis of historical cost when they were reclassified. The Directors consider that compliance with this requirement would fail to give a true and fair view of the profit or loss to the Group on disposal of such properties from current assets, since such profit or loss would be dependent on the classification of the asset immediately prior to sale. Given the nature of the assets the effect of this departure cannot be quantified.

Other Stocks

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

k) Long-Term Contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stocks are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

l) Operating Leases

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

m) Taxation

UK Corporation Taxation is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date.

The Group adopted Financial Reporting Standard 19, Deferred Taxation in the year ended 31 March 2002 and has provided for deferred taxation in full. Deferred taxation is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the Balance Sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

Deferred taxation is not recognised when fixed assets are revalued unless by the Balance Sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the Financial Statements.

Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date. Deferred taxation is measured on a non-discounted basis.

n) Pensions

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

o) Share Option Scheme

The Group operates an Inland Revenue approved Save As You Earn employee share option scheme for the benefit of all eligible employees and has taken advantage of the exemption given in Urgent Issues Task Force Abstract 17 Employee Share Schemes from recognising a charge in the Profit and Loss Account for the discount on the options.

Notes to Financial Statements

For the year ended 31 March 2003



2. SEGMENTAL ANALYSIS

	Turnover	Cost of Sales	2003 Operating Profit	Turnover	Cost of Sales	2002 Operating Profit
	£000	£000	£000	£000	£000	£000
Harbour Related						
Fisheries Related	2,029	1,466	563	2,073	1,456	617
Marine Leisure	1,254	859	395	1,239	899	340
Property	2,430	1,186	1,244	1,049	186	863
Sales of Properties	-	-	-	250	72	178
Airport Related						
Airport Operations	3,859	3,770	89	3,590	3,249	341
	<u>9,572</u>	<u>7,281</u>	<u>2,291</u>	<u>8,201</u>	<u>5,862</u>	<u>2,339</u>
Net Operating Expenses			(638)			(614)
Operating Profit			1,653			1,725
Interest Payable			(110)			(138)
Profit on Ordinary Activities Before Taxation			<u>1,543</u>			<u>1,587</u>
Net Assets					2003 £000	2002 £000
Harbour Related					21,808	21,468
Airport Related					3,315	3,179
					<u>25,123</u>	<u>24,647</u>



Notes to Financial Statements

For the year ended 31 March 2003

	2003 £000	2002 £000
3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on Ordinary Activities Before Taxation is stated after charging/(crediting):		
Auditors Remuneration : Audit (Company)	1	1
: Audit (Group)	24	24
: Other (Group)	7	5
(Profit)/Loss on sale of Tangible Fixed Assets	(12)	1
Depreciation of Tangible Fixed Assets	194	160
Amortisation of Grants on Tangible Fixed Assets	(10)	(13)
Operating Lease Rentals : In respect of Plant & Machinery	59	67

	2003 £000	2002 £000
Employment Costs (excluding Non-Executive Directors)		
Wages and Salaries	2,319	2,156
Social Security Costs	203	189
Pension Costs	110	107
	<u>2,632</u>	<u>2,452</u>

The average number of people employed by the Group (excluding Non-Executive Directors) during the year is:

	2003	2002
Harbour Related		
Fisheries Related	10	10
Marine Leisure	14	18
Property	5	5
Airport Related	78	83
Administration	12	12
	<u>119</u>	<u>128</u>

4. DIRECTORS' REMUNERATION

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

	2003 £000	2002 £000
Fees	62	54
Other Emoluments	260	244
Pension Contributions	39	38
	<u>361</u>	<u>336</u>

Notes to Financial Statements

For the year ended 31 March 2003



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

	Directors' Salaries and Bonuses £000	Taxable Benefits £000	Directors' Fees £000	Total 2003 £000	Total 2002 £000
M. Ellen Winser	-	-	22	22	20
Duncan B. Godefroy	111	3	-	114	106
Nigel J. Godefroy	75	4	-	79	72
John Humphrey	57	10	-	67	66
Sheridan K. Brimacombe	-	-	10	10	9
Malcolm L. Iley	-	-	10	10	9
Peter A. Langmaid (Retired 15 August 2001)	-	-	-	-	4
Malcolm V.L. Pearce (Appointed 30 January 2002)	-	-	10	10	3
Raymond Wood	-	-	10	10	9
	243	17	62	322	298

Included in Directors' salaries, Duncan Godefroy received a share of Group profits of £21,560 (2002: £18,646) and Nigel Godefroy £13,450 (2002: £12,065) and John Humphrey £Nil (2002: £Nil). The pension contributions were £13,388 (2002: £12,750) in respect of Duncan Godefroy, £6,050 (2002: £5,500) in respect of Nigel Godefroy and £20,000 (2002: £20,000) in respect of John Humphrey.

The aggregate emoluments disclosed above do not include any amounts for the value of options held by the Directors under the Company's Save as You Earn Scheme to acquire Ordinary shares in the Company. Details of the options are as follows:

	At 1 April 2002	Number of Options Granted	Options Cancelled	At 31 March 2003	Exercise Price	Date from which Exercisable	Expiry Date
Duncan B. Godefroy	7,123	-	-	7,123	136p	1 Dec 2004	31 May 2005
Nigel J. Godefroy	12,408	-	-	12,408	136p	1 Dec 2006	31 May 2007
John Humphrey	7,444	-	(7,444)	-	-	-	-

The market value of the shares was 157.5p at 31 March 2003. The maximum and minimum value of the shares during the year was 177.5p and 145p respectively. Options were granted on 5 October 2001 when the market price was 170p.

John Humphrey withdrew membership from the scheme during the year.



Notes to Financial Statements

For the year ended 31 March 2003

	2003 £000	2002 £000
5. INTEREST PAYABLE		
Interest Payable:		
Bank overdraft	188	158
Less: Interest Capitalised	(78)	(20)
	<u>110</u>	<u>138</u>

The interest capitalised during the year related to properties under development.

	2003 £000	2002 £000
6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
Current Tax		
UK Corporation Tax on profits of the period		
At 30% (2002 : 30%)	309	238
Adjustments in respect of previous periods	(81)	(84)
Total Current Tax	<u>228</u>	<u>154</u>
Deferred Tax		
Current year	148	313
Adjustments in respect of previous periods	84	-
Taxation on Profit on Ordinary Activities	<u>460</u>	<u>467</u>

Factors affecting tax charge for the period
The tax assessed for the period is lower (2002: lower) than the standard rate of Corporation Tax in the UK 30% (2002: 30%) the differences are explained below:

Profit on Ordinary Activities Before Taxation	1,543	1,587
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2002 : 30%)	<u>463</u>	<u>476</u>
Effects of:		
Expenses not deductible for tax purposes	-	12
Capital allowances in excess of depreciation	(82)	(138)
Origination and reversal of timing differences	(2)	(29)
Utilisation of tax losses	(64)	(75)
Adjustments to tax charge in respect of previous periods	(81)	(84)
Impact of differing tax rates	(6)	(8)
Current Taxation charge for period	<u>228</u>	<u>154</u>

Notes to Financial Statements

For the year ended 31 March 2003



7. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The consolidated profit for the year includes a profit of £603,000 (2002 : £579,000) in respect of the Accounts of the Parent Company.

	2003 £000	2002 £000
8. DIVIDENDS		
Ordinary shares		
Interim Paid 1.8p net per share (2002 : 1.7p)	218	206
Final Proposed 3.2p net per share (2002 : 3.1p)	389	377
	<u>607</u>	<u>583</u>

9. EARNINGS PER SHARE

Earnings per share have been calculated using the profit for the financial year of £1,083,000 (2002: £1,120,000) and the number of ordinary shares in issue excluding those options granted under the SAYE Scheme. Diluted Earnings per share uses an average number of 12,259,000 (2002: 12,250,000) ordinary shares in issue which takes account of the outstanding options under the SAYE scheme in accordance with Financial Reporting Standard 14 Earnings per share.



Notes to Financial Statements

For the year ended 31 March 2003

10. TANGIBLE ASSETS

	Freehold Property £000	Freehold Investment Property £000	Leasehold Property £000	Plant & Machinery Fixtures & Fittings Motor Vehicles £000	Total £000
THE GROUP					
Cost or Valuation					
At 1 April 2002	15,926	8,418	2,519	1,913	28,776
Additions	129	191	273	90	683
Disposals	-	-	(17)	(92)	(109)
At 31 March 2003	16,055	8,609	2,775	1,911	29,350
Depreciation					
At 1 April 2002	-	-	1	909	910
Charge for the year	-	-	10	184	194
Disposals	-	-	(1)	(44)	(45)
At 31 March 2003	-	-	10	1,049	1,059
Net Book Value					
At 31 March 2003	16,055	8,609	2,765	862	28,291
At 31 March 2002	15,926	8,418	2,518	1,004	27,866

Freehold and long leasehold properties were professionally valued on an interim basis in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors by a qualified internal valuer in accordance with Financial Reporting Standard 15 Tangible Assets on 31 March 2002. The valuation was £26,846,000 comprising:

	£000
i. Existing use value	
Properties mainly owner occupied for the purposes of the business (including notional directly attributable acquisition costs of £239,000)	5,288
ii. Open Market Value	
Properties held as investments	8,350
Properties held for development	150
iii. Depreciated Replacement Cost	
Specialised properties mainly occupied for the business	13,058
	<u>26,846</u>

The historical cost of the properties net of grant included in the valuation was £11,671,000. The Directors have reviewed the portfolio for impairment and consider no impairment has arisen.

Notes to Financial Statements

For the year ended 31 March 2003



The cumulative amount of capitalised interest included in the above historical cost of fixed assets is:

	£000
At 1 April 2002	1,295
Capitalised during the year	8
Transferred to stock (properties held for resale) during the year	(12)
At 31 March 2003	<u>1,291</u>

The overall capitalisation rate used to determine the amount of interest capitalised during the year was 4.96% (2002: 5.64%).

The Company does not hold any tangible fixed assets.

11. INVESTMENTS

	Shares in Group Investments £000	Other Investments £000	Total £000
THE GROUP			
Cost			
At 1 April 2002	-	63	63
Additions	-	7	7
At 31 March 2003	<u>-</u>	<u>70</u>	<u>70</u>
THE COMPANY			
Cost			
At 1 April 2002 and at 31 March 2003	<u>2,217</u>	<u>-</u>	<u>2,217</u>

The Other Investments are various paintings and antiques held in the Group's possession.

All subsidiaries are directly owned by the parent company.



Notes to Financial Statements

For the year ended 31 March 2003

Details of the investments in which the Company holds more than 10% of the nominal value of any class of share capital are as follows:

Company Name	Country of Registration	Holding	Proportion of voting rights and shares held	Nature of Business
Sutton Harbour Company	England & Wales	Ordinary shares	100%	Harbour Authority
Sutton Harbour Services Limited	England & Wales	Ordinary shares	100%	Marine Leisure and Property
Plymouth Fisheries Limited	England & Wales	Ordinary shares	100%	Dormant
Sutton Harbour Development Limited	England & Wales	Ordinary shares	100%	Dormant
Newquay Cornwall International Airport Limited	England & Wales	Ordinary shares	100%	Dormant
Plymouth City Airport Limited	England & Wales	Ordinary shares	100%	Airport Operators
Mid South Aviation Limited (name changed to Air Southwest Limited after the year end)	England & Wales	Ordinary shares	100%	Dormant

	THE GROUP		THE COMPANY	
	2003 £000	2002 £000	2003 £000	2002 £000
12. STOCK				
Stores and Materials	221	223	-	-
Work in Progress	59	63	-	-
Goods for Resale	399	400	-	-
Properties held for Resale	1,752	278	-	-
	<u>2,431</u>	<u>964</u>	-	-

Properties held for resale include £82,000 capitalised interest (2002: £12,000).

Notes to Financial Statements

For the year ended 31 March 2003



	THE GROUP		THE COMPANY	
	2003 £000	2002 £000	2003 £000	2002 £000
13. DEBTORS				
Trade Debtors	1,541	1,285	-	-
Amounts owed by Subsidiary Undertakings	-	-	7,188	7,177
Other Debtors	102	177	-	-
Prepayments and Accrued Income	161	265	-	-
	<u>1,804</u>	<u>1,727</u>	<u>7,188</u>	<u>7,177</u>

	THE GROUP		THE COMPANY	
	2003 £000	2002 £000	2003 £000	2002 £000
14. CREDITORS (amounts falling due within one year)				
Bank Overdraft	2,717	1,843	48	45
Trade Creditors	711	516	-	-
Corporation Taxation	311	238	-	-
Other Taxation and Social Security Costs	400	255	-	-
Other Creditors	256	274	11	9
Payments on Account	200	299	-	-
Accruals and Deferred Income	954	839	-	-
Proposed Dividend	389	377	389	377
	<u>5,938</u>	<u>4,641</u>	<u>448</u>	<u>431</u>

The Group uses financial instruments other than derivatives, comprising bank overdraft and various items including trade debtors and trade creditors that arise directly from its operations. The main purposes of these financial instruments is to raise finance for the Group's operations. It is and has been throughout the year under review, the Group policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Group's 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 bank overdraft is secured by fixed and floating charges over the assets of the Group. The benchmark rate for determining interest on the bank overdraft is LIBOR plus 1%. The Group has undrawn committed borrowing facilities at 31 March 2003 of £1,933,000 expiring within one year.



Notes to Financial Statements

For the year ended 31 March 2003

	THE GROUP		THE COMPANY	
	2003 £000	2002 £000	2003 £000	2002 £000
15. CREDITORS				
(amounts falling due after more than one year)				
Rental Received in Advance	54	75	-	-
Deferred Income - Grants	34	42	-	-
	<u>88</u>	<u>117</u>	<u>-</u>	<u>-</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	£000
Deferred Taxation	
At 1 April 2002	1,218
Arising during the year	232
At 31 March 2003	<u>1,450</u>

Deferred Taxation provided in the Balance Sheets and amounts not provided are as follows:

	PROVIDED		NOT PROVIDED	
	2003 £000	2002 £000	2003 £000	2002 £000
THE GROUP				
Capital Allowances in Advance of Depreciation	1,828	1,735	-	-
Taxation Losses	-	(136)	-	-
Other Timing Differences	-	(3)	-	-
Rolled Over Capital Gains	-	-	657	679
	<u>1,828</u>	<u>1,596</u>	<u>657</u>	<u>679</u>
Less: Advance Corporation Tax	(378)	(378)	-	-
	<u>1,450</u>	<u>1,218</u>	<u>657</u>	<u>679</u>

No Deferred Taxation has been provided on the freehold land and buildings revalued on 31 March 2002 as it is not anticipated that any buildings giving rise to a material gain will be disposed of in the foreseeable future.

THE COMPANY

There is no provided or unprovided Deferred Taxation in respect of the Company.

Notes to Financial Statements

For the year ended 31 March 2003



17. PRIOR YEAR ADJUSTMENT

Financial Reporting Standard 19, Deferred Tax, became effective during the year ended 31 March 2002. This requires full provision to be made for deferred taxation. Historically, we had not provided for deferred taxation in the Financial Statements on the grounds that the gains that would arise on the disposal of assets would not crystallise. The amount of deferred taxation previously disclosed by way of a note in the accounts but not provided was charged to retained profits as required by Financial Reporting Standard 19. The comparative figures in the primary statements and notes were restated to reflect the new policy.

The effects in 2001 of the implementation of Financial Reporting Standard 19 are summarised below:

	2001 £000
Profit and Loss Account	
Deferred tax charge in year	265
Decrease in profit for the Financial Year	<u>265</u>
Balance Sheet	2001 £000
Deferred Tax provision at beginning of year	640
Charge for year	265
Decrease in net assets – Closing Provision	<u>905</u>

18. SHARE CAPITAL

	2003 £000	2002 £000
Authorised: 40,000,000 Ordinary shares of 25p each	£10,000	£10,000
Allotted, Called Up and Fully Paid: 12,146,515 Ordinary shares of 25p each	<u>£3,037</u>	<u>£3,037</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

THE GROUP

	2003 £000	2002 £000
Reported Profit in Group Companies for the Year	1,083	1,120
Dividends	(607)	(583)
Retained Profit for the Year	476	537
Revaluation Reserve Adjustment	-	1,546
Net Addition to Shareholders Funds	476	2,083
Opening Shareholders' funds	24,647	22,564
Closing Shareholders' funds	<u>25,123</u>	<u>24,647</u>

THE COMPANY

Reported Profit for the year	603	579
Dividends	(607)	(583)
Retained Loss for the year	(4)	(4)
Net Deduction from Shareholders' funds	(4)	(4)
Opening Shareholders' funds	8,969	8,973
Closing Shareholders' funds	<u>8,965</u>	<u>8,969</u>



Notes to Financial Statements

For the year ended 31 March 2003

20. RESERVES

	Share Premium Account £000	Revaluation Reserve £000	Investment Property Revaluation £000	Other Reserves		Profit and Loss Account £000
				Capital Reserve £000	Merger Reserve £000	
THE GROUP						
At 1 April 2002	5,955	8,638	4,369	-	108	2,540
Transfer	(143)	-	-	143	-	-
Profit for the year	-	-	-	-	-	1,083
Dividends	-	-	-	-	-	(607)
At 31 March 2003	5,812	8,638	4,369	143	108	3,016

The transfer to Capital Reserve relates to the Share Premium Account of a subsidiary which was merger accounted in the past.

The cumulative total of goodwill written off against the group retained Profit and Loss Account in respect of acquisitions prior to 1 April 1998, when Financial Reporting Standard 10 Goodwill and Intangible Assets was adopted, amounts to £25,000 (2002: £25,000).

	Share Premium Account £000	Profit and Loss Account £000
THE COMPANY		
At 1 April 2002	5,812	120
Profit for the year	-	603
Dividends	-	(607)
At 31 March 2003	5,812	116

21. OPERATING LEASES

Annual commitments under non-cancellable operating leases are as follows:

Operating leases which expire:

	2003 £000	2002 £000
Within one year	8	4
Within two to five years	27	48
	35	52

None of the operating leases are in respect of Land and Buildings. The Company has no operating lease commitments.

22. FUTURE COMMITMENTS

Capital Commitments

There are no capital commitments for the Group and the Company (2002: £Nil).

Notes to Financial Statements

For the year ended 31 March 2003



23. PENSION SCHEME

The Group operates defined contribution pension schemes and a group personal pension scheme for certain employees. The assets of the schemes are held separately from those of the Group in an independently administered fund.

24. CONTINGENT LIABILITIES

The Company has given an unlimited guarantee in respect of bank borrowings of all subsidiary companies. At 31 March 2003 these borrowings amounted to £2,773,000 (2002 : £1,972,000).

25. NOTES TO GROUP CASH FLOW STATEMENT

	2003 £000	2002 £000	
25.1 Reconciliation of Operating Profit to net cash inflow from operating activities			
Operating Profit	1,653	1,725	
Depreciation	194	160	
Amortisation of grants	(10)	(13)	
(Profit)/Loss on Sale of Tangible Fixed Assets	(12)	1	
Transfer to stock of properties held for resale	-	72	
(Increase) in stock	(1,398)	(114)	
(Increase)/Decrease in debtors	(76)	372	
Increase/(Decrease) in creditors	311	(319)	
	662	1,884	
25.2 Analysis of cash flows for headings netted in the group cash flow statement			
Returns on Investments and Servicing of Finance			
Interest paid	(181)	(160)	
Capital Expenditure			
Payments to acquire tangible fixed assets	(681)	(421)	
Receipts from sale of tangible fixed assets	76	1	
	(605)	(420)	
25.3 Analysis of changes in net debt			
	At 1 April 2002 £000	Cash Flow £000	At 31 March 2003 £000
Cash at Bank and in Hand	3	-	3
Bank Overdraft	(1,843)	(874)	(2,717)
	(1,840)	(874)	(2,714)



Historical Financial Information

For the years ended 31 March

	2003	2002	2001	2000	1999
	£000	£000	(As re-stated) £000	(As re-stated) £000	(As re-stated) £000
Net Assets	25,123	24,647	22,564	19,483	19,325
Turnover	9,572	8,201	8,691	4,750	4,004
Operating Profit	1,653	1,725	1,738	1,032	1,015
Interest Payable	(110)	(138)	(227)	(237)	(282)
Profit on Ordinary Activities Before Taxation	1,543	1,587	1,577	795	733
Write off of ACT debtor	-	-	-	-	253
Profit Attributable to Shareholders	1,083	1,120	1,112	558	351
Dividends	607	583	547	400	379
Basic Earnings per Share	8.92p	9.22p	9.24p	5.59p	3.52p
Adjusted Earnings per Share	8.92p	7.76p	6.36p	5.59p	6.05p
Diluted Earnings per Share	8.83p	9.14p	9.24p	5.59p	3.52p
Diluted Adjusted Earnings per Share	8.83p	7.69p	6.36p	5.59p	6.05p
Dividend per Ordinary share (adjusted for changes in issued share capital)	5.0p	4.8p	4.5p	4.0p	3.8p

Figures have been re-stated for years 1999 to 2001 for the effects of Deferred Taxation.

